

STATEMENT OF ACCOUNTS

**for the year ended
31st March 2013**

A. WANNELL CPFA

DIRECTOR OF FINANCE & RESOURCES

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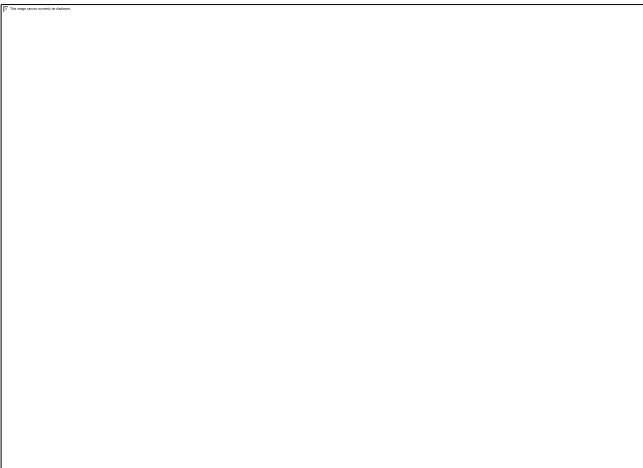
ALL ABOUT US

Where is Fareham?

The Borough of Fareham lies on the Solent coastline between the cities of Southampton and Portsmouth covering an area of almost 30 square miles and has a population of 111,581 people (2011 Census).

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's origins go 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 Romans came to the area in about AD43 and built a large fortress at Portchester, to shelter their garrison and defend Portsmouth Harbour (its ruins can still be seen).



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 five 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 and two Independent councillors.

THE EXPLANATORY FOREWORD

1. Introduction

Fareham Borough Council's accounts for the year 2012/13 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 covering income and expenditure on all services including council housing. It includes day-to-day transactions from running the organisation as well as gains/losses on assets and pension liabilities. The Comprehensive Income and Expenditure shown represents the total movement in the Council's reserves during the year.

The Balance Sheet which sets out the Council's financial position as at 31 March 2013. It discloses the assets and liabilities for all Council services.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council. Reserves are classified as either usable or unusable.

The Cash Flow Statement which summarises the inflows and outflows of cash arising from transactions with third parties.

In addition, the supplementary financial statements are shown on pages 65 and 71 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 Hampshire County Council, Hampshire Fire and Rescue Authority, Hampshire Police Authority (now known as the 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	18,179	34
Government grants to services	24,396	46
Council tax payers	6,080	11
Central Government Funding	5,131	10
Use of reserves and corporate income	(225)	(1)
Total	<u>53,561</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	14,707	27
Running expenses	10,830	20
Transfer payments	23,301	44
Capital charges and costs	4,723	9
Total	<u>53,561</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 2012/13 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)	6,642	6,705	63
Cultural and related services	4,826	3,237	(1,589)
Environmental and regulatory services	5,917	6,145	228
Planning services	3,569	3,413	(156)
Highways and transport services	2,056	1,942	(114)
Local authority housing (HRA)	6,129	7,377	1,248
Other housing services (e.g. housing strategy and advice, housing benefit administration)	21,677	22,775	1,098
Corporate and democratic core	2,674	2,747	73
Non-distributed costs (e.g. pension adjustments)	71	220	149
Total	<u>53,561</u>	<u>54,561</u>	<u>1,000</u>

5. Capital

In 2012/13, the Council spent £6.2 million on projects in the capital programme, compared with a revised budget of £8.2 million. The net under spending of £2.0 million was mainly the result of changes to the phasing of the programme with expenditure now expected to occur in 2013/14.

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

Capital Expenditure:	£'000	%
Council Housing	1,754	28.2
Other Housing	1,503	24.2
Portchester Community Centre	1,359	21.9
Council Buildings	828	13.3
Leisure Services	401	6.5
Information, Communication & Technology	239	3.8
Town Centre Development	126	2.0
Other Services	7	0.1
Total	<u>6,217</u>	<u>100</u>

Financed by:	£'000	%
Revenue and Reserves	2,720	44
External Contributions	1,631	26
Capital Receipts	1,493	24
Government Grants	373	6
Total	<u>6,217</u>	<u>100</u>

£1.9 million of this 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 2013 was £154 million.

6. Reserves

The Council's total usable reserves at 31 March 2013 amounted to £38.7 million (2011/12 £35.6 million). Against this, the actuarial valuation of the Council's share of pension fund assets and liabilities at 31 March 2013 indicated a £59.4 million (2011/12 £53.6 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

Despite difficult operating conditions, the Council has continued to improve the level of customer service provided, and has been taking steps to maintain its financial standing.

While a number of significant funding developments and financial pressures face the Council during the forthcoming year, the budget setting process is expected to be flexible enough to prevent significant changes to public services in the foreseeable future.

8. Further information

This Statement and a summary of accounts can be viewed via the Council's website at www.fareham.gov.uk. Further information about the Council's finances is published in the estimates book which is available from the Finance Team at the Civic Offices and also on the Council's website.

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

The accounts must be audited by the end of September and the auditor's report is included within the Statement.

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 2013.

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 2013 and its income and expenditure for the year then ended.

Signed:

A Wannell CPFA
Director of Finance and Resources

Date: 23 September 2013

CONFIRMATION OF APPROVAL BY MEMBERS

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 23 September 2013.

Signed on behalf of Fareham Borough Council:

Chairman of Audit and Governance Committee
Fareham Borough Council

Date: 23 September 2013

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the income and expenditure to the Council in the year on the provision of services and other operating activities. The total Comprehensive Income and Expenditure represents the total movement on net assets within the Balance Sheet. The statement includes some costs and income that are not allowed to be charged as income and expenditure to the General Fund (the account used to set the level of Council Tax). This means that to make a comparable presentation of the performance of the Council during the year it is necessary to adjust the surplus or deficit on the Comprehensive Income and Expenditure Statement to derive the movement on the General Fund. These adjustments are shown in the Movement in Reserves Statement and analysed in note 6.

2011/12				2012/13		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
6,356	(5,158)	1,198	Central services to the public	6,642	(5,197)	1,445
3,740	(544)	3,196	Cultural and related services	4,826	(559)	4,267
5,813	(1,978)	3,835	Environment and regulatory services	5,917	(1,715)	4,202
3,243	(1,060)	2,183	Planning services	3,569	(614)	2,955
1,957	(3,168)	(1,211)	Highways and transport services	2,056	(2,968)	(912)
8,198	(10,642)	(2,444)	Local authority housing (HRA)	6,129	(11,207)	(5,078)
49,268	0	49,268	- Exceptional costs for HRA (note 9)	0	0	0
20,017	(18,645)	1,372	Other housing services	21,677	(20,159)	1,518
2,970	(255)	2,715	Corporate and democratic core	2,674	(190)	2,484
152	(2)	150	Non distributed costs	71	(1)	70
101,714	(41,452)	60,262	Cost of Services	53,561	(42,610)	10,951
Other Operating Expenditure						
			284 (Gain) or loss on disposal of assets			(209)
			206 Housing capital receipts to Government pool			138
Financing and Investment Income and Expenditure						
			23 Interest payable and similar charges			1,401
			(774) Interest receivable			(648)
			1,290 Pension interest cost and expected return on assets (note 17)			1,460
			1,037 Changes in fair value of investment properties			1,503
			(2,308) Investment properties rental and expenses (note 19)			(2,125)
Taxation and Non-Specific Grant Income						
			(6,029) Income from the Collection Fund			(6,080)
			(3,404) Grants and contributions not distributable to services (note 8)			(2,593)
			(3,522) Distribution from the NNDR pool			(4,072)
		47,065	(Surplus) or Deficit on Provision of Services			(274)
Other Comprehensive Income and Expenditure						
			(Surplus) or deficit on revaluation of Property, Plant and			
			(4,592) Equipment assets			(2,140)
			11,580 Actuarial (gains)/losses on pension assets/liabilities			4,515
			16 Other			0
		7,004	Other Comprehensive Income and Expenditure			2,375
		54,069	Total Comprehensive Income and Expenditure			2,101

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 33 and 35.

31 March 2012 £'000		31 March 2013 £'000	Notes
	Property, Plant and Equipment		18
82,460	- Council dwellings	82,358	
32,903	- Other land and buildings	34,775	
2,602	- Infrastructure	2,186	
3,622	- Vehicles, plant, furniture, equipment	3,388	
359	- Community assets	356	
210	Heritage assets	202	20
32,090	Investment properties	30,587	19
409	Assets under construction	142	18
135	Surplus assets held for disposal	10	18
106	Intangible assets	161	21
5,000	Long term investments	0	36
87	Long term debtors	84	27
159,983	Long term assets	154,249	
17,182	Short term investments	22,304	36
90	Assets held for sale	1,310	22
23	Inventories	31	
2,510	Short term debtors	5,270	28
63	Payments in advance	57	
10,391	Cash and cash equivalents	10,376	26
30,259	Current assets	39,348	
(1,671)	Short term borrowing	(1,239)	36
(3,630)	Short term creditors	(3,191)	29
(874)	Depositors	(743)	30
(287)	Provisions	(459)	31
(6,462)	Current liabilities	(5,632)	
	Receipts in advance		32
(4,117)	- Capital grants	(4,025)	
(413)	- Revenue grants	(365)	
(40,000)	Long term borrowing	(40,600)	36
(53,615)	Pension scheme liability	(59,441)	17
(98,145)	Long term liabilities	(104,431)	
85,635	Net assets	83,534	
35,572	Usable reserves	38,726	33
50,063	Unusable reserves	44,808	35
85,635	Total Reserves	83,534	

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the council, analysed into usable reserves and unusable reserves. Usable reserves are used in the provision of services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are not used in the provision of services. This includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the 'Adjustments between accounting basis and funding basis under regulations'. Movements during the year come from the Comprehensive Income and Expenditure Statement. These are then adjusted by the difference between the accounting basis and the funding basis by transfers between the General Fund and the other reserves. This is shown more fully in note 6.

	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 2012	6,322	10,863	4,813	1,251	12,253	70	35,572	50,063	85,635
Movement in reserves during 2012/13									
Surplus/(deficit) on provision of services	(3,005)		3,279				274		274
Other Comprehensive Income and Expenditure							0	(2,375)	(2,375)
Total Comprehensive Income & Expenditure	(3,005)	0	3,279	0	0	0	274	(2,375)	(2,101)
Adjustments between accounting basis and funding basis under regulations	4,189	0	(1,654)	1,400	(1,004)	(51)	2,880	(2,880)	0
Net increase/(decrease) before transfers to earmarked reserves	1,184	0	1,625	1,400	(1,004)	(51)	3,154	(5,255)	(2,101)
Transfers to/from earmarked reserves	(530)	2,607	(2,080)	(1)	4		0		0
Increase/(decrease) in 2012/13	654	2,607	(455)	1,399	(1,000)	(51)	3,154	(5,255)	(2,101)
Balance at 31 March 2013 carried forward	6,976	13,470	4,358	2,650	11,253	19	38,726	44,808	83,534

	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 2011	5,201	9,244	4,646	1,012	12,667	116	32,886	106,819	139,705
Movement in reserves during 2011/12									
Surplus/(deficit) on provision of services	(328)	2	(46,739)	0	0	0	(47,065)	0	(47,065)
Other Comprehensive Income and Expenditure	(15)						(15)	(6,989)	(7,004)
Total Comprehensive Income and Expenditure	(343)	2	(46,739)	0	0	0	(47,080)	(6,989)	(54,069)
Adjustments between accounting basis and funding basis under regulations	3,059	0	46,927	239	(413)	(45)	49,767	(49,767)	0
Net increase/(decrease) before transfers to earmarked reserves	2,716	2	188	239	(413)	(45)	2,687	(56,756)	(54,069)
Transfers to/from earmarked reserves	(1,595)	1,617	(21)	0	(1)	(1)	(1)	0	(1)
Increase/(decrease) 2011/12	1,121	1,619	167	239	(414)	(46)	2,686	(56,756)	(54,070)
Balance at 31 March 2012 carried forward	6,322	10,863	4,813	1,251	12,253	70	35,572	50,063	85,635

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 all 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.

2011/12 £'000		2012/13 £'000	Notes
(47,065)	Net surplus or (deficit) on the provision of services	274	
4,873	Adjustments to surplus or deficit on the provision of services for non-cash movements	6,865	42
(2,084)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,497)	43
<u>(44,276)</u>	Net Cash flows from operating activities	<u>4,642</u>	41
	Investing Activities		
(3,932)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,914)	
(44,000)	Purchase of short-term and long-term investments	(28,000)	
992	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	631	
57,000	Proceeds from short-term and long-term investments	28,000	
1,008	Other receipts from investing activities	1,544	
<u>11,068</u>	Net Cash flows from Investing Activities	<u>(2,739)</u>	
	Financing Activities		
40,222	Cash receipts of short and long-term borrowing	1,303	
(418)	Other receipts from financing activities	(2,086)	
(1,403)	Repayments of short and long-term borrowing	(1,135)	
<u>38,401</u>	Net Cash flows from Financing Activities	<u>(1,918)</u>	
<u>5,193</u>	Net increase or decrease in cash and cash equivalents	<u>(15)</u>	
5,198	Cash and cash equivalents at the beginning of the reporting period	10,391	26
10,391	Cash and cash equivalents at the end of the reporting period	10,376	

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 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where 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 electricity 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. Depreciation, impairment losses, revaluation and amortisation 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.

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 17 to the core financial statements.

The change in the net pensions liability is analysed into seven components:

- **current service cost:** this is the increase in liabilities as a result of the number of years of service earned this year. This is shown as a cost to the services that the employees provide.
- **past service cost:** this is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is shown as a non-distributed cost.
- **interest cost:** this is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is shown as a financing cost within the Comprehensive Income and Expenditure Statement.
- **expected return on assets:** this is the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. This is shown as investment income within the Comprehensive Income and Expenditure Statement
- **gains or losses on settlements and curtailments:** this is the result of members of the scheme leaving, joining or stopping their contributions to the scheme. These actions relieve the Council of liabilities or reduce the expected future service or accrual of benefits of employees. This is shown as a non-distributed cost.
- **actuarial gains and losses:** these are 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. These are shown as other income and expenditure within the Comprehensive Income and Expenditure Statement.
- **contributions paid to the Hampshire County Council pension fund:** these are amounts paid as employer contributions to the pension fund and are included within the cost of services.

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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types; Loans and Receivables and Available for Sale assets. The Council has no Available for Sale assets.

Loans and receivables 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. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as 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 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 impairment of Heritage Assets will be considered in the event of physical deterioration or doubts as to its authenticity. Any impairment will be recognised and measured in accordance with the Council's general policies on impairment.

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. If an asset is disposed of, the proceeds will be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and receipts.

xii. Intangible Assets

Expenditure on assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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 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 and, in general, leases of land are considered to be operating leases.

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

The Council as Lessee - Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Council as Lessee - Operating Leases

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

The Council as Lessor - Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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 2012/13 (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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Depreciation

Depreciation is provided for on all 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 in line with the Government major repairs allowance as provided in the HRA Buyout Debt calculation
- 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.

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

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, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

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 then reverses out the amounts charged so that 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 it is 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. The following standard applies:

IAS 19 - Employee Benefits - This standard was amended in 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2013. The changes relate to the creation of some new classes of components of defined benefit costs and the re-measurement of the net defined benefit liability which are likely to have a material impact on the accounts. The pension fund actuaries have calculated that if the revised standard had been in place for 2012/13 then the expenses recognised for funded benefits would have increased from £3.30 million to £4.38 million. As this expense is notional and is reversed out via the Movement in Reserves Statement it would have no effect on the Balance Sheet.

Changes to other standards including IAS 1 - Presentation of Financial Statements, IFRS 7 - Financial Instruments and IAS12 - Income Taxes 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 2013 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 £197,100 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. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £10.23 million. During 2012/13, the Council's actuaries advised that the net pensions liability had increased by £0.17 million as a result of estimates being corrected as a result of experience and increased by £10.04 million attributable to updating of the 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 £1.85 million in 2012/13 (2011/12 £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 £92,500 (2011/12 £89,000).
Provisions	The Council has made provisions for outstanding insurance claims, accumulated absences and land charges. For 2012/13, the calculation for accumulated absences is based on 20% of the workforce.	A 10% increase or decrease in provisions would require an adjustment of £45,900 (2011/12 £28,700).

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 23 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

With effect from 1st April 2013 new arrangements for the retention of business rates came into force. Part of these arrangements mean that the Council has assumed some liability (estimated at £2 million) for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. The refunds relate to amounts that have previously been collected and paid over to Central Government. The Council will make an allowance for these refunds within the Collection Fund in 2013/14 and this will reduce the amount of income that is distributed from the Collection Fund to the Council's General Fund.

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
2012/13							
Capital Adjustment Account Adjustments							
Depreciation and impairment of non-current assets	3,023		2,489				(5,512)
Revaluation losses on Property, Plant and Equipment			(1,457)				1,457
Revaluation of Investment Properties	1,571		(68)				(1,503)
Amortisation of intangible assets	29						(29)
Capital grants and contributions applied	(1,867)		(33)				1,900
Revenue expenditure funded from capital under statute	812						(812)
Property written out on disposal	132		283				(415)
Capital expenditure charged to the General Fund and HRA balances	(584)		(48)				632
Capital Grants Unapplied Account Adjustments							
Capital grants and contributions unapplied							0
Application of grants to capital financing transferred to Capital Adjustment Account						(51)	51
Capital Receipts Reserve Adjustments							
Proceeds from disposal of property	(48)		(406)		454		0
Capital Receipts applied					(1,493)		1,493
Housing Capital Receipts	(170)				173		(3)
Payments to the Government housing capital receipts pool	138				(138)		0
Major Repairs Reserve Adjustments							
Major Repairs Allowance credited to HRA			(2,488)	2,488			0
Major Repairs Reserve to finance new capital expenditure				(1,088)			1,088
Financial Instruments Adjustment Account							
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements			(99)				99
Pensions Reserve Adjustments							
Net charges for retirement benefits	3,004		436				(3,440)
Employer's contribution to Pension Fund/directly to pensioners	(1,869)		(260)				2,129
Collection Fund Adjustment Account							
Collection Fund adjustment	63						(63)
Accumulated Absences Account Adjustments							
Accumulated Absences adjustment	(45)		(3)				48
Total Adjustments	4,189	0	(1,654)	1,400	(1,004)	(51)	(2,880)

2011/12	----- Usable Reserves -----							Unusable Reserves £'000
	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
Capital Adjustments Account Adjustments								
Depreciation and impairment of non-current assets	1,860		2,180					(4,040)
Revaluation losses on Property, Plant and Equipment			(2,372)					2,372
Revaluation of Investment Properties	946		90					(1,036)
Amortisation of intangible assets	38		0					(38)
Capital grants and contributions applied	(942)		(149)		6	117		968
HRA Buyout debt payment			49,268					(49,268)
Revenue expenditure funded from capital under statute	731							(731)
Property written out on disposal	1,150		141					(1,291)
Capital expenditure charged to the General Fund and HRA balances	(1,307)							1,307
Capital Grants Unapplied Account Adjustments								
Capital grants and contributions unapplied	(7)					7		0
Capital grants and contributions applied						(169)		169
Capital Receipts Reserve Adjustments								
Proceeds from disposal of property	(713)		(279)		992			0
Capital Receipts applied					(1,207)			1,207
Housing Capital Receipts					2			(2)
Payments to the Government housing capital receipts pool	206				(206)			0
Major Repairs Reserve Adjustments								
Major Repairs Allowance credited to HRA			(1,815)	1,815				0
Major Repairs Reserve to finance new capital expenditure				(1,576)				1,576
Financial Instruments Adjustment Account								
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements			(168)					168
Pension Reserve Adjustments								
Net charges for retirement benefits	3,073		47					(3,120)
Employer's contribution to Pension Fund/directly to pensioners	(2,046)		(29)					2,075
Collection Fund Adjustment Account								
Collection Fund adjustment	34							(34)
Accumulated Absences Account Adjustments								
Accumulated Absences adjustment	36		13					(49)
Total Adjustments	3,059	0	46,927	239	(413)	(45)		(49,767)

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 8 July 2013 for year ended 31 March 2013 and 16 July 2012 for year ended 31 March 2012 to the net cost of services shown in the Comprehensive Income and Expenditure Account.

For Year Ended 31 March 2013		L&RAC	L&C	Housing	Public Protection	PSF	Street-scene	SP&E	PC	HRA	Grand Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other											
Service Income	(272)	(426)	(395)	(476)	(4,037)	(1,414)	(2,598)	(396)	(11,162)	(21,176)	
Government Grants	0	0	(581)	0	(23,178)	0	(70)	0	0	(23,829)	
Total Income	(272)	(426)	(976)	(476)	(27,215)	(1,414)	(2,668)	(396)	(11,162)	(45,005)	
Employee Expenses	333	378	650	1,142	2,716	2,248	912	713	1,296	10,388	
Other Operating Expenses	264	2,805	1,245	1,246	26,862	2,779	1,116	184	5,660	42,161	
Support Service Recharges	130	449	204	612	1,269	611	261	220	724	4,480	
Total Operating Expenses	727	3,632	2,099	3,000	30,847	5,638	2,289	1,117	7,680	57,029	
Net Cost to Services	455	3,206	1,123	2,524	3,632	4,224	(379)	721	(3,482)	12,024	
For Year Ended 31 March 2012		L&RAC	L&C	Housing	Public Protection	PSF	Street-scene	SP&E	PC	HRA	Grand Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other											
Service Income	(298)	(520)	(324)	(521)	(3,764)	(1,463)	(2,773)	(481)	(10,586)	(20,730)	
Government Grants	0	0	(561)	0	(22,286)	0	(100)	0	0	(22,947)	
Total Income	(298)	(520)	(885)	(521)	(26,050)	(1,463)	(2,873)	(481)	(10,586)	(43,677)	
Employee Expenses	437	320	675	1,169	2,663	2,291	827	658	1,279	10,319	
Other Operating Expenses	11	1,426	1,202	1,180	24,989	2,470	964	169	57,648	90,059	
Support Service Recharges	150	446	224	644	1,406	724	281	231	747	4,853	
Total Operating Expenses	598	2,192	2,101	2,993	29,058	5,485	2,072	1,058	59,674	105,231	
Net Cost to Services	300	1,672	1,216	2,472	3,008	4,022	(801)	577	49,088	61,554	

In 2012/13 changes were made to the portfolio structure taking effect from May 2011.

L&RAC = Licensing and Regulatory Affairs Committee

L&C = Leisure and Community

PSF = Policy Strategy and Finance

SP&E = Strategic Planning and

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 2012/13	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Mgt £'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	(21,176)	(150)		2,056	(275)	(19,545)	(2,124)	(21,669)
Interest and Investment Income						0	753	753
Income from Council Tax						0	(6,080)	(6,080)
Government Grants	(23,829)					(23,829)	(6,665)	(30,494)
Total Income	(45,005)	(150)	0	2,056	(275)	(43,374)	(14,116)	(57,490)
Employee Expenses	10,388				2,992	13,380		13,380
Other Operating Expenses	42,161			(1,509)	1,544	42,196	2,969	45,165
Support Service Recharges	4,480				(4,261)	219		219
Depreciation, Amortisation & Impairment			(1,457)	(20)		(1,477)		(1,477)
Payments to Housing Capital Receipts Pool						0	138	138
Gain or Loss on Disposal of Non-Current Assets						0	(209)	(209)
Total Operating Expenses	57,029	0	(1,457)	(1,529)	275	54,318	2,898	57,216
Surplus or Deficit on the provision of services	12,024	(150)	(1,457)	527	0	10,944	(11,218)	(274)

Reconciliation to Subjective Analysis 2011/12	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Mgt £'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	(20,730)	(140)	(440)	4,910	(75)	(16,475)	(2,308)	(18,783)
Interest and Investment Income						0	(751)	(751)
Income from Council Tax						0	(6,029)	(6,029)
Government Grants	(22,947)		60	149		(22,738)	(6,926)	(29,664)
Total Income	(43,677)	(140)	(380)	5,059	(75)	(39,213)	(16,014)	(55,227)
Employee Expenses	10,319		(185)		3,202	13,336		13,336
Other Operating Expenses	90,059	263	253	(3,814)	1,729	88,490	2,327	90,817
Support Service Recharges	4,853		(139)		(4,856)	(142)		(142)
Depreciation, Amortisation & Impairment			(2,072)	(137)		(2,209)		(2,209)
Payments to Housing Capital Receipts Pool						0	206	206
Gain or Loss on Disposal of Non-Current Assets						0	284	284
Total Operating Expenses	105,231	263	(2,143)	(3,951)	75	99,475	2,817	102,292
Surplus or Deficit on the provision of services	61,554	123	(2,523)	1,108	0	60,262	(13,197)	47,065

8. Grant Income

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

	2012/13 £'000	2011/12 £'000
Service Specific Revenue Grants and Contributions (included in Cost of Services)		
Department for Works and Pensions:		
- Rent Allowances Subsidy	13,017	11,865
- Rent Rebates	6,075	5,682
- Council Tax Benefit Subsidy	4,332	4,276
- Housing and Council Tax Benefit Administration	531	519
- Discretionary Housing Payments	34	20
Department for Communities and Local Government		
- Disabled Facilities Grant	336	292
- NNDR Collection Allowance	143	144
- NNDR Collection	3	3
- Homelessness Initiatives	0	30
Homes and Communities Agency		
- 101 Gosport Road	30	0
- SDA Studies	0	100
- Coldeast Close	0	100
Hampshire County Council		
- Lockwood Community Centre	64	0
- Community Safety Partnership	15	15
- Play Ranger Services	10	0
- Community Development	0	271
- Town Centre TRO	0	47
- Bus Shelters	0	3
Other		
- Portchester Crematorium	150	140
- Natural England	70	0
- Developer Contributions	61	153
- Whiteley Joint Fund	48	70
- Allotment Associations	8	0
- Fareham Community Action	8	0
- Partnership for Urban South Hampshire	0	65
- Big Lottery	0	50
	<u>24,935</u>	<u>23,845</u>

	2012/13 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income		
Department for Communities and Local Government		
- NNDR Entitlement	4,072	3,522
- New Homes Bonus	658	227
- Council Tax Freeze Grant	152	150
- Town Centre Regeneration	100	0
- Revenue Support Grant	79	1,089
- Local Services Support Grant	57	57
- Community Right to Bid/Challenge Grants	13	0
Homes and Communities Agency		
- National Affordable Housing Programme	33	117
Hampshire County Council		
- Portchester Community Centre	708	0
Other		
- Developer Contributions	578	1,758
- Football Foundation	215	0
Total	<u>6,665</u>	<u>6,920</u>

9. Exceptional Items

There were no exceptional items during 2012/13. However, during 2011/12 the Council took on debt of £49.268 million to leave the Housing Revenue Account Subsidy System. £40 million of long term loans for between 40 and 50 years were borrowed from the Public Loans Work Board (PWLB) and £9.268 million from internal borrowing.

10. 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 auditors, Ernst & Young LLP and the Audit Commission.

	2012/13 £'000	2011/12 £'000
External audit services	63	98
Certification of grant claims and returns	18	33
Total	<u>81</u>	<u>131</u>

11. Agency Services

The Council carried out certain work on an agency basis for which it was fully reimbursed. The Council also received a contribution towards the related administrative work for the Highways Agency. This is classified in the Comprehensive Income and Expenditure Statement under Highways and Transport Services.

As highways agent for Hampshire County Council, the Head of Community Safety and Enforcement was responsible for the supervision of highways maintenance and certain improvement schemes. Net expenditure reimbursed by Hampshire County Council in 2012/13 was £351,581 (2011/12 was £344,137).

12. Trading Operations

The Council has considerable holdings of commercial land and property. The Council also has a Building Services trading account which provides building services for the Council under arrangements equivalent to commercial contracts, the objective being to break even. Building Services surpluses have been credited to service accounts. The trading results are shown below.

	2012/13			2011/12
	Income	Expenditure	Surplus	(Surplus)/ Deficit
	£'000	£'000	£'000	£'000
Fareham Shopping Centre	(822)	50	(772)	(900)
Market Quay	(317)	27	(290)	(315)
Industrial/Commercial estates	(1,182)	110	(1,072)	(1,049)
Other land and property holdings	(211)	190	(21)	(79)
Building Services	(479)	450	(29)	(61)
Total	(3,011)	827	(2,184)	(2,404)

13. Members' Allowances

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

	2012/13	2011/12
	£'000	£'000
Basic Allowances	202	203
Special Responsibility Allowances	165	158
Superannuation and National Insurance	35	35
Travelling and Subsistence Allowances	8	5
Conference Expenses	4	3
Internet Rental Allowance	1	1
Total	415	405

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

14. Remuneration of Staff

The number of employees, including senior officers (see note 15), whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2012/13	2011/12
	Number of employees	Number of employees
£50,000 - £54,999	2	5
£55,000 - £59,999	12	11
£60,000 - £64,999	2	0
£65,000 - £69,999	2	0
£70,000 - £74,999	0	0
£75,000 - £79,999	2	3
£80,000 - £84,999	2	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	1	0

15. 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 £
2012/13								
Chief Executive Officer (1)	117,264	0	0	0	0	117,264	13,689	130,953
Director of Planning & Environment	79,325	0	0	0	0	79,325	10,387	89,712
Director of Regulatory & Democratic Services	82,960	0	0	0	0	82,960	10,868	93,828
Director of Community	79,161	0	0	0	0	79,161	10,387	89,548
Director of Finance & Resources	81,012	0	0	0	0	81,012	10,627	91,639
Director of Streetscene (2)	64,180	0	0	0	0	64,180	8,408	72,588
	503,902	0	0	0	0	503,902	64,366	568,268
2011/12								
Chief Executive Officer (1)	106,401	0	0	0	0	106,401	13,287	119,688
Solicitor to the Council	6,760	0	0	88,991	0	95,751	886	96,637
Director of Planning & Environment	77,528	0	0	0	0	77,528	10,146	87,674
Director of Regulatory & Democratic Services	81,123	0	0	0	0	81,123	10,627	91,750
Director of Community & Streetscene	77,451	0	0	0	0	77,451	10,146	87,597
Director of Finance & Resources	79,287	0	0	0	0	79,287	10,387	89,674
	428,550	0	0	88,991	0	517,541	55,479	573,020

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 Council elections.

(2) New post with effect from 01/11/2012.

16. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £409,671 (£63,730 in 2011/12). 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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	0	0	14	19	14	19	£63,730	£79,638
£20,001 - £40,000	0	0	0	7	0	7	£0	£213,564
£40,001 - £60,000	0	0	0	1	0	1	£0	£47,178
£60,001 - £80,000	0	0	0	1	0	1	£0	£69,291
	<u>0</u>	<u>0</u>	<u>14</u>	<u>28</u>	<u>14</u>	<u>28</u>	<u>£63,730</u>	<u>£409,671</u>

17. 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 that need to be disclosed at the time that employees earn their future entitlement.

The disclosures below relate to the following schemes:

- The Local Government Pension Scheme (LGPS) which is administered by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- 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 Council recognises gains and losses in full, immediately through the Other Comprehensive Income and Expenditure Statement.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Funded Benefits		Unfunded Benefits	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
- Current service cost	(1,910)	(1,680)	0	0
- Past service cost	(70)	(150)	0	0
Financing and Investment Income and Expenditure				
- Expected return on pension fund assets	4,030	4,370	0	0
- Interest cost on pension scheme liabilities	(5,350)	(5,500)	(140)	(160)
Surplus/(deficit) on the provision of services	<u>(3,300)</u>	<u>(2,960)</u>	<u>(140)</u>	<u>(160)</u>
Other charged to the Comprehensive Income and Expenditure Statement				
- Actuarial (gains) and losses	4,215	11,360	300	220
Total charged to the Comprehensive Income and Expenditure Statement	<u>915</u>	<u>8,400</u>	<u>160</u>	<u>60</u>
Movement in Reserves Statement				
Reversal of net charges made to the (surplus)/deficit in accordance with the Code	3,300	2,960	140	160
Actual amount charged against the General Fund				
Balance for pensions in the year:				
Employers' contributions payable to scheme	(1,913)	(1,861)	0	0
Retirement benefits payable to pensioners	0	0	(216)	(214)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £66.50 million.

Assets and liabilities in relation to post employment benefits

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

	Funded Benefits		Unfunded Benefits	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Opening balance at 1 April	114,500	100,920	3,106	2,940
Current service cost	1,910	1,680	0	0
Interest cost	5,350	5,500	140	160
Contributions by scheme participants	620	640	0	0
Actuarial (gains) and losses	9,870	9,940	304	220
Benefits paid	(3,980)	(4,330)	(216)	(214)
Past service costs	70	150	0	0
Settlements and curtailments	0	0	0	0
Closing balance at 31 March	<u>128,340</u>	<u>114,500</u>	<u>3,334</u>	<u>3,106</u>

Reconciliation of fair value of the scheme assets:

	2012/13 £'000	2011/12 £'000
Opening balance at 1 April	63,991	62,870
Expected rate of return	4,030	4,370
Actuarial gains and (losses)	5,659	(1,420)
Employer contributions	1,913	1,861
Contributions by scheme participants	620	640
Benefits paid	(3,980)	(4,330)
Settlements	0	0
Closing balance at 31 March	<u>72,233</u>	<u>63,991</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £9.52 million (2011/12 £2.95 million).

Scheme history

The history of asset values, the present value of liabilities and surplus/deficit is shown in the table below.

	Fair value of assets £'000	Present value of liabilities £'000	Surplus/ (deficit) £'000
At 31 March 2013	72,233	(128,340)	(56,107)
At 31 March 2012	63,991	(114,500)	(50,509)
At 31 March 2011	62,870	(100,920)	(38,050)
At 31 March 2010	58,940	(116,190)	(57,250)
At 31 March 2009	44,860	(85,110)	(40,250)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £128.34 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £59.4 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £1.97 million. In addition, Strain on Fund Contributions may be required. For the unfunded benefits scheme in the year to 31 March 2014, the Council expects to pay £0.22 million directly to beneficiaries.

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 2010 for funded benefits and 31 March 2013 for unfunded benefits.

The principal assumptions used by the actuary have been:

	Funded Benefits		Unfunded Benefits	
	31 March		31 March	
	2013	2012	2013	2012
	% p.a.	% p.a.	% p.a.	% p.a.
Mortality assumptions:				
Longevity at age 65 for current pensioners:				
Men	24.0	23.9	24.0	23.9
Women	25.0	24.9	25.0	24.9
Longevity at age 65 for future pensioners:				
Men	25.7	25.6	n/a	n/a
Women	26.9	26.8	n/a	n/a
Principal financial assumptions (% per annum):				
Discount rate for scheme liabilities	4.3	4.7	4.1	4.6
RPI inflation	3.6	3.5	3.5	3.4
CPI inflation	2.7	2.5	2.6	2.4
Rate of increase to pensions in payment	2.7	2.5	2.6	2.4
Rate of increase to deferred pensions	2.7	2.5	n/a	n/a
Rate of general increase in salaries	4.6	5.0	n/a	n/a

Expected Rate of Return

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held. Also shown are the assumed rates of return adopted by the Employer for the purposes of IAS 19.

	Long term		Long term	
	expected rate of return at 31 March 2013	Asset split at 31 March 2013	expected rate of return at 31 March 2012	Asset split at 31 March 2012
	% pa	%	% pa	%
Equities	7.8	57.6	8.1	55.1
Property	7.3	7.8	7.6	7.7
Government Bonds	2.8	24.9	3.1	27.0
Corporate Bonds	3.8	1.3	3.7	1.5
Cash	0.9	2.3	1.8	4.1
Other	7.8	6.1	8.1	4.6
Total	<u>6.3</u>	<u>100.0</u>	<u>6.4</u>	<u>100.0</u>

The Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher

returns consistent with widely accepted capital market principals. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2013.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2012/13	2011/12
	%	%
Experience gains/(losses) on funded assets	7.6	(2.2)
Experience gains/(losses) on funded liabilities	0.1	(0.8)
Experience gains/(losses) on unfunded liabilities	1.5	(0.6)

18. Property, Plant and Equipment

Valuation information

The Council's property portfolio has been revalued in accordance with the statement of accounting policies. The portfolio was completely re-valued in 1998/99 by the Council's own valuer, D. M. Quainton 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 re-valued as at April 2012 by Hellier Langston, chartered surveyors. 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	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000
Historic		1,216	8,923		10,139
2008/09		3,189			3,189
2009/10		3,480		10	3,490
2010/11		1,789			1,789
2011/12		6,443			6,443
2012/13	84,769	19,115			103,884
	<u>84,769</u>	<u>35,232</u>	<u>8,923</u>	<u>10</u>	<u>128,934</u>

Movement in Non Current Assets 2012/13

	Council Dwellings £'000	HRA Garages and other land £'000	Other Land & Buildings £'000	Total 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 2012	84,273	3,218	31,847	35,065	8,414	4,982	377	135	409	133,655
Additions	946	0	1,089	1,089	619				1,613	4,267
Revaluation increases/(decreases) to RR	22	292	(452)	(160)				296		158
Revaluation increases/(decreases) to SDPS	(355)		17	17				63		(275)
Derecognition - Disposals	(280)	(12)	(20)	(32)	(110)	(59)				(481)
Reclassified to/from Held for Sale			(748)	(748)				(484)	(1,717)	(2,949)
Other movements	163			0					(163)	0
At 31 March 2013	84,769	3,498	31,733	35,231	8,923	4,923	377	10	142	134,375
Depreciation and Impairment										
At 1 April 2012	1,813	64	2,098	2,162	4,792	2,380	18	0	0	11,165
Depreciation Charge	2,418	70	215	285	830	373	3			3,909
Depreciation written out to RR	0	(64)	(1,914)	(1,978)						(1,978)
Depreciation written out to SDPS	(1,812)		(12)	(12)						(1,824)
Derecognition - Disposals	(8)		(1)	(1)	(87)	(16)				(112)
At 31 March 2013	2,411	70	386	456	5,535	2,737	21	0	0	11,160
Net Book Value										
At 31 March 2013	82,358	3,428	31,347	34,775	3,388	2,186	356	10	142	123,215
At 31 March 2012	82,460	3,154	29,749	32,903	3,622	2,602	359	135	409	122,490

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

**Comparative Movements in 2011/12
Restated**

	Council Dwellings £'000	HRA Garages and other land £'000	Other Land & Buildings £'000	Total 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 2011	81,836	3,206	28,626	31,832	7,573	4,981	354	135	143	126,854
Additions	1,428		603	603	1,650				780	4,461
Revaluation increases/(decreases) to RR			2,137	2,137	78					2,215
Revaluation increases/(decreases) to SDPS	637		(236)	(236)						401
Derecognition - Disposals	(141)		(721)	(721)	(823)					(1,685)
Other movements			1,679	1,679	57					1,736
Other reclassifications	513	12	(242)	(230)	(121)	1	23		(513)	(327)
At 31 March 2012	84,273	3,218	31,846	35,064	8,414	4,982	377	135	410	133,655
Depreciation and Impairment										
At 1 April 2011	1,464	64	2,134	2,198	4,937	1,998	15	0	0	10,612
Depreciation Charge	1,815	64	514	578	684	382	3			3,462
Depreciation written out to RR	(27)	(64)	(549)	(613)						(640)
Depreciation written out to SDPS	(1,735)			0						(1,735)
Impairment losses/(reversals) to SDPS	299			0						299
Derecognition - Disposals	(3)			0	(796)					(799)
Reclassifications			(1)	(1)	(33)					(34)
At 31 March 2012	1,813	64	2,098	2,162	4,792	2,380	18	0	0	11,165
Net Book Value										
At 31 March 2012	82,460	3,154	29,748	32,902	3,622	2,602	359	135	410	122,490
At 31 March 2011	80,372	3,142	26,492	29,634	2,636	2,983	339	135	143	116,242

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

Other movements relate to assets previously valued below the de-minimus level of £10,000 that have now been revalued and recognised as above.

Impairments of £24,425,000 on Council Dwellings since 2008/09 should have been reflected in the 'At 1 April 2011' Cost or Valuation section not the 'At 1 April 2011' Depreciation and Impairment section. The Council has restated the prior year information for 2011/12 to reflect this change.

The figure for additions includes capital expenditure which substantially lengthens the life of the assets or substantially increases the market value.

Council dwellings were revalued as at 1 April 2012 (the previous valuation was as at 1 April 2011). 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	- use of Major Repairs Allowance
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

Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years, budgeted to cost £2.3 million. Similar commitments at 31 March 2012 were £1.6 million. The major commitments are:

	2012/13 £'000
Works to council houses and flats	1,520
Vehicles and plant	596
Environmental improvements	120
Community grants	33
Sport and recreation	33

19. 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 revalued in accordance with the statement of accounting policies by K. Boothroyd BSc (Hons) MRICS.

	2012/13 £'000	2011/12 £'000
Rental income and service charges from investment property	(2,590)	(2,775)
Direct operating expenses arising from investment property	465	467
Net (gain)/loss	<u>(2,125)</u>	<u>(2,308)</u>

Movement in Fair Value of Investment Properties	2012/13 £'000	2011/12 £'000
Balance at 1 April	32,090	33,310
Disposals	0	(390)
Net gains/losses from fair value adjustments	(1,503)	(1,037)
Transfers to/from Property, Plant and Equipment	0	207
Balance at 31 March	<u>30,587</u>	<u>32,090</u>

20. Heritage Assets

	Sculptures and Structures	
	2012/13 £'000	2011/12 £'000
Cost or Valuation at 1 April	316	316
Additions/(Disposals)	<u>0</u>	<u>0</u>
Gross Book Value at 31 March	316	316
Depreciation and Impairment at 1 April	106	63
Depreciation charge	8	8
Impairment recognised in Surplus/ Deficit on the Provision of Services	<u>0</u>	<u>35</u>
At 31 March	114	106
Net Book Value at 31 March	202	210

In the late 1990's, the Council commissioned a series of ironwork sculptures to commemorate the life and works of Henry Cort. These can be viewed along West Street precinct, Fareham.

To commemorate Her Majesty's Golden Anniversary, the Council commissioned the design and construction of "HM Jubilee Gates". These are situated at southern end of Market Quay Car Park.

To commemorate the 25th Anniversary of the Falklands Conflict, the Council commissioned the design and construction of the "Falklands Arch" which is situated in Cremer Mall.

These assets are valued in the Balance Sheet at depreciated historic cost.

21. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets comprise software licences which are written off over their useful life.

	2012/13 £'000	2011/12 £'000
Balance at 1 April		
- Gross carrying amount	982	947
- Accumulated amortisation	(876)	(838)
Net carrying amount at 1 April	<u>106</u>	<u>109</u>
Additions		
- Purchases	84	35
- Amortisation for the period	(29)	(38)
Net carrying amount at 31 March	<u>161</u>	<u>106</u>
Comprising:		
- Gross carrying amount	1,066	982
- Accumulated amortisation	(905)	(876)

The Council has several software suites which are amortised over what is considered to be their individual useful economic lives. These range from 3 to 10 years.

22. Assets Held for Sale

	Non-Current Assets	
	2012/13 £'000	2011/12 £'000
Balance at 1 April	90	15
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,949	90
Revaluation losses	(1,684)	0
Assets sold	(45)	(15)
Balance at 31 March	<u>1,310</u>	<u>90</u>

The assets currently held for sale are:

- A caravan plot site at Dibbles Caravan Park. This is being sold to enable the Council to improve housing options for local people in housing need. The plot is administered by Housing Services.
- The site and adjoining land of the old and new community centres in Portchester. These are being sold as part of the arrangement with Hampshire County Council for the continued provision of community facilities in that area.
- Plots of land in Fareham town centre. These are being sold to a Housing Association who will provide additional housing in the Borough.

23. Impairment Losses

During 2012/13, the Council de-recognised impairment losses incurred and charged to Surplus/Deficit on Provision of Services in earlier years of £188,035. This relates to the revaluation of the Civic Offices and other land in the Borough.

The Council also recognised impairment losses of £1,684,448. This related to the revaluing of the new and old Community Centres in Portchester to the lower of carrying value or fair value upon transfer to Assets Held for Sale.

24. Leases

Council as Lessee

Finance Leases

The Council has not acquired any assets under Finance Leases.

Operating Leases

The Council has not acquired any vehicles or equipment by entering into operating leases.

The Council has acquired some land by entering into operating leases, with varying lives. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £'000	31 March 2012 £'000
Not later than one year	15	15
Later than one year and not later than five years	80	79
Later than five years	150	135
	<u>245</u>	<u>229</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2013 £'000	31 March 2012 £'000
Minimum lease payments	13	15
Contingent rents	18	17
	<u>31</u>	<u>32</u>

Council as Lessor

Finance Leases

The Council has not leased out any property under a Finance Lease.

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 2013 £'000	31 March 2012 £'000
Not later than one year	1,804	1,550
Later than one year and not later than five years	5,189	4,705
Later than five years	39,104	39,960
	<u>46,097</u>	<u>46,215</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 2012/13, contingent rents of £1.03 million were receivable by the Council (2011/12 £1.02 million).

25. 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:

2011/12 £'000	2012/13 £'000
1,782 Opening Capital Finance Requirement	51,050
Capital Investment	
4,461 Property, Plant and Equipment	4,268
35 Intangible Assets	84
731 Revenue Expenditure Funded from Capital under Statute	812
49,268 HRA Buyout Debt Payment	0
Sources of Finance	
(1,207) Capital receipts	(1,493)
(2,713) Government grants and other contributions	(3,039)
Sums set aside from revenue:	
(1,307) Direct revenue contributions	(632)
51,050 Closing Capital Finance Requirement	51,050
Explanation of movements in year	
49,268 Increase in underlying need to borrow	0
49,268	0

For 2011/12, the Council omitted a line for the HRA Buyout Debt Payment of £49,268,000. In order to correct this omission, the Council has amended the prior year information for 2011/12 including a line explaining the movement in the year.

26. Cash and Cash Equivalents

	31 March	
	2013	2012
	£'000	£'000
Cash held by the Council	10	10
Bank current accounts	(464)	(548)
Short-term deposits with banks	10,830	10,929
Total	10,376	10,391

27. Long Term Debtors

	31 March	
	2013	2012
	£'000	£'000
Mortgages - sale of council houses	4	5
Mortgages - other	<u>80</u>	<u>82</u>
Total	<u>84</u>	<u>87</u>

28. Short Term Debtors

	31 March	
	2013	2012
	£'000	£'000
Central government bodies	2,460	241
Other local authorities	1,223	466
NHS bodies	0	1
Public corporation and trading funds	0	0
Other entities and individuals	<u>3,438</u>	<u>3,584</u>
Total	<u>7,121</u>	<u>4,292</u>
Provision for Doubtful Debts	<u>(1,851)</u>	<u>(1,782)</u>
Total	<u>5,270</u>	<u>2,510</u>

29. Short Term Creditors

	31 March	
	2013	2012
	£'000	£'000
Central government bodies	1,210	870
Other local authorities	574	775
NHS bodies	0	0
Public corporation and trading funds	21	0
Other entities and individuals	<u>1,386</u>	<u>1,985</u>
Total	<u>3,191</u>	<u>3,630</u>

30. Depositors

	31 March	
	2013	2012
	£'000	£'000
Property Rent Deposits	43	31
Other	<u>700</u>	<u>843</u>
	<u>743</u>	<u>874</u>

31. Provisions

	Balance at 1 April £'000	Provision in year £'000	Applied in year £'000	Balance at 31 March £'000
Insurance	51	97	27	121
Employee Related	236	188	236	188
Land Charges	0	150	0	150
Total 2012/13	<u>287</u>	<u>435</u>	<u>263</u>	<u>459</u>
Total 2011/12	<u>243</u>	<u>272</u>	<u>228</u>	<u>287</u>

The insurance provision is set up to meet certain known liabilities in respect of risks e.g. fire, explosion, storm, flood, burst pipes, impact. This also includes a £22,000 provision for liabilities relating to MMI Limited for which there is also a contingent liability, see note 40. The employee related provision is used for accumulated absences due. A new provision has been set up in 2012/13 for personal search litigation for land charges.

32. 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	
	2013 £'000	2012 £'000
Balance at 1 April	4,530	5,794
Movements in year:		
Amounts received (with conditions)	1,853	964
Amounts recognised as income (conditions subsequently met):		
- Within Cost of Services	(492)	(347)
- Within Taxation and Non-Specific Grants	<u>(1,501)</u>	<u>(1,881)</u>
Balance at 31 March	<u>4,390</u>	<u>4,530</u>
Grants Receipts in Advance (Capital Grants)		
Leisure developer contributions	3,583	3,759
Affordable housing developer contributions	30	0
Other developer contributions	<u>412</u>	<u>358</u>
	<u>4,025</u>	<u>4,117</u>
Grants Receipts in Advance (Revenue Grants)		
Whiteley developer contributions	354	402
Other developer contributions	<u>11</u>	<u>11</u>
	<u>365</u>	<u>413</u>
Total Receipts in Advance	<u>4,390</u>	<u>4,530</u>

33. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 6 and 34.

34. 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 in 2012/13.

	Balance at 1 April 2011 £'000			Balance at 31 March 2012 £'000			Balance at 31 March 2013 £'000
	Transfers Out £'000	Transfers In £'000	Transfers Out £'000	Transfers In £'000	Transfers Out £'000	Transfers In £'000	
General Fund							
Major Repairs and Renewals Reserve	1,125	0	155	1,280	0	22	1,302
Other Earmarked Reserves	1,787	(388)	1,406	2,805	(480)	74	2,399
Earmarked Capital Reserve	4,301	(1,256)	1,682	4,727	(1,132)	2,044	5,639
Total	7,213	(1,644)	3,243	8,812	(1,612)	2,140	9,340
HRA							
Housing Repairs Account	1,800	(2,658)	2,658	1,800	(84)	84	1,800
Capital Development Fund	0			0	0	2,164	2,164
Leaseholder Repairs Reserve	231	0	20	251	(85)	0	166
Total	2,031	(2,658)	2,678	2,051	(169)	2,248	4,130
Grand Total	9,244	(4,301)	5,921	10,863	(1,781)	4,388	13,470

35. Unusable Reserves

	31 March	
	2013 £'000	2012 £'000
Revaluation Reserve	8,828	6,773
Capital Adjustment Account	95,591	97,158
Financial Instruments Adjustment Account	0	(99)
Deferred Capital Receipts Account	4	5
Pensions Reserve	(59,441)	(53,615)
Collection Fund Adjustment Account	14	77
Accumulated Absences Account	(188)	(236)
	<u>44,808</u>	<u>50,063</u>

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 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.

2011/12 £'000		2012/13 £'000
2,675	Balance at 1 April	6,773
4,684	Upward revaluation of assets	3,580
	Downward revaluation of assets and impairment losses not	
(93)	charged to Surplus/Deficit on the Provision of Services	(1,440)
4,591		2,140
	Difference between fair value depreciation and historical	
0	cost depreciation	(42)
	Accumulated gains on assets disposed or reclassified to	
(493)	Investment Properties	(43)
(493)	Amount written off to the Capital Adjustment Account	(85)
6,773	Balance at 31 March	8,828

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2011/12 £'000	2012/13 £'000
145,471 Balance at 1 April	97,158
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(4,040) Charges for depreciation and impairment of non-current assets	(5,512)
2,372 Revaluation losses on Property, Plant and Equipment	1,457
(38) Amortisation of Intangible Assets	(29)
(731) Revenue expenditure funded from capital under statute	(812)
(49,268) HRA Buyout payment to DCLG	0
(1,291) 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	(415)
92,475	(5,311)
(2) Amount credited to Capital Receipts Reserve relating to part repayment of principle on long term debtor	(2)
494 Cumulative (gains)/losses on assets sold or reclassified as Investment Properties	43
0 Adjustment amounts written out of the Revaluation Reserve	42
92,967	91,930
Capital financing applied in the year	
1,207 Use of the Capital Receipts Reserve to finance new capital expenditure	1,493
1,576 Use of the Major Repairs Reserve to finance new capital expenditure	1,088
968 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,899
169 Application of grants to capital financing from the Capital Grants Unapplied Account	52
1,307 Capital expenditure charged against the General Fund and HRA balances	632
5,227	5,164
Movements in the market value of Investment Properties	
(1,036) debited or credited to the Comprehensive Income and Expenditure Statement	(1,503)
97,158	95,591
Balance at 31 March	95,591

Financial Instruments Adjustment Reserve

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund or HRA Balance as appropriate to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund or HRA Balance in accordance with statutory arrangements for spreading the burden on council tax or council rents. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the HRA over the next year.

2011/12 £'000	2012/13 £'000
(267) Balance at 1 April	(99)
Proportion of premiums incurred in previous financial years to be charged against the General Fund or HRA Balance in accordance with statutory requirements	99
<u>168</u> Balance at 31 March	<u>0</u>

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2011/12 £'000	2012/13 £'000
7 Balance at 1 April	5
<u>(2)</u> Transfer to the Capital Receipts Reserve upon receipt of cash	<u>(1)</u>
<u>5</u> Balance at 31 March	<u>4</u>

Pensions Reserve

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

2011/12 £'000	2012/13 £'000
(40,990) Balance at 1 April	(53,615)
(11,580) Actuarial gains or losses on pension assets and liabilities	(4,515)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the	
(3,120) Comprehensive Income and Expenditure Statement	(3,440)
Employers' pension contributions and direct payments to pensioners	
2,075 payable in the year.	2,129
<u>(53,615)</u> Balance at 31 March	<u>(59,441)</u>

Collection Fund Adjustment Account

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

2011/12 £'000	2012/13 £'000
110 Balance at 1 April	77
Amount by which council tax income credited to the Comprehensive	
(33) Income and Expenditure Statement is different from council tax	(63)
calculated for the year in accordance with statutory requirements	
<u>77</u> Balance at 31 March	<u>14</u>

Accumulated Absences Account

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

2011/12 £'000	2012/13 £'000
(187) Balance at 1 April	(236)
Settlement or cancellation of accrual made at the end of the	
187 preceding year	236
(236) Amounts accrued at the end of the current year	<u>(188)</u>
Amount by which officer remuneration charged to the	
(49) Comprehensive Income and Expenditure Statement on an	48
accruals basis is different from remuneration chargeable in	
the year in accordance with statutory requirements	
<u>(236)</u> Balance at 31 March	<u>(188)</u>

36. 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 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Borrowing at amortised cost	40,600	40,000	1,239	1,671
Trade Creditors	0	0	1,756	1,558
Financial Liabilities	<u>40,600</u>	<u>40,000</u>	<u>2,995</u>	<u>3,229</u>
Loans and receivables	0	5,000	32,681	27,573
Mortgages	84	87	0	0
Trade Debtors	0	0	1,679	1,720
Financial Assets	<u>84</u>	<u>5,087</u>	<u>34,360</u>	<u>29,293</u>

All borrowing is on fixed terms so there is no possibility of profit or loss and therefore they are shown as at amortised cost. A 5 year interest free loan of £1 million was received from Hampshire County Council during 2012/13. Of the £800,000 balance remaining, £600,000 is shown within long term borrowing and £200,000 within short term borrowing.

The Council has no financial assets that can be traded and no unquoted equity investments and therefore 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 2013 of £335,000 is included within the total investment outstanding of £32,681,000.

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, NNDR, government grants etc. are excluded.

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates as at 31 March 2013 of 4.03% to 4.05% for loans from the PWLB and rates of between 0.35% and 0.80% for loans receivable, based on new lending rates for equivalent loans and investments at that date.
- no early repayment or impairment is anticipated.
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

	31 March 2013		31 March 2012	
	Balance Sheet £'000	Fair Value £'000	Balance Sheet £'000	Fair Value £'000
Borrowing	40,600	36,117	41,671	33,067
Mortgages	84	84	87	87

The fair value of the borrowing is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013) arising from a commitment to pay interest to lenders below current market rates.

The fair value of the loans and receivables is the same as the carrying amount because the Council's portfolio of investments includes fixed rate loans which will all mature within 12 months of the Balance Sheet date.

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

37. Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

Credit risk - the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, along with quarterly updates to the Executive and a mid-year update to the Audit and Governance Committee.

The prudential indicators and the annual treasury management strategy approved by Council on 24 February 2012 are available on the Council website. The key issues within the revised strategy were:

- The Authorised Limit for 2012/13 was set at £66 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £55 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 10% based on the Council's net debt.

These policies are implemented by the Council's treasury officers. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors' credit ratings services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term F1, Long Term A, Support bb- and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- Part-nationalised UK institutions.

The following analysis shows the gross credit exposure by credit rating of the Council's investments as at 31 March 2013.

Rating Category	£'000
AAA or equivalent	0
AA or equivalent	6,009
A or equivalent	26,672
Rating not strong	0
Not rated	0
Total	<u>32,681</u>

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

The Council's maximum exposure to credit risk in relation to its £32.7 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 2013 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 (£767,000 at 31 March 2013, £797,000 as at 31 March 2012). 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 2013		Bad Debt Provision		Amount Outstanding as at 31 March 2012		Bad Debt Provision	
	£'000	%	£'000	%	£'000	%	£'000	
Less than 1 year old	491	21	103		630	15	97	
1 and 2 years old	256	63	162		167	69	115	
2 and 3 years old	106	75	79		152	79	119	
More than 3 years old	445	95	423		490	95	466	
Total	1,298		767		1,439		797	

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

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This 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. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

Maturity of Investments	As at 31 March 2013	As at 31 March 2012
	£'000	£'000
Less than 3 months	18,681	21,573
3 to 6 months	6,000	3,000
6 months to 1 year	8,000	3,000
1 to 2 years	0	5,000
More than 2 years	0	0
Total	32,681	32,573

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

Refinancing and Maturity risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Council's treasury officers address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	Amount Outstanding	
	As at 31 March 2013 £'000	As at 31 March 2012 £'000
Maturity analysis of financial liabilities		
Less than 3 months	1,039	1,671
3 to 6 months	0	0
6 months to 1 year	200	0
1 year to 5 years	600	0
More than 39 years	40,000	40,000
Total	<u>41,839</u>	<u>41,671</u>

All other trade and payables are due to be paid in less than one year.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

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

The interest rate profile of the Council's financial liabilities and assets that are all in sterling is shown in the following table:

Interest Rate Profile	Financial Liabilities £'000	Financial Assets £'000
Non-interest bearing	2,556	2,980
Floating rate	0	0
Fixed rate	<u>41,039</u>	<u>32,765</u>
Total	<u>43,595</u>	<u>35,745</u>
Fixed Rate		
Weighted Average Interest Rate (%)	3.50	1.54
Weighted Average Period (in years)	45.00	0.64

The following table provides a sensitivity analysis based on the impact of a 1% change in interest rates (with all other variables held constant).

Impact	Increase by 1% £'000	Decrease by 1% £'000
On interest payable	403	(400)
On interest receivable	<u>320</u>	<u>(199)</u>
On surplus/deficit on the provision of services	<u>723</u>	<u>(599)</u>

In 2012/13, a decrease of 1% would have reduced the interest on certain investments and borrowings to zero.

Price risk and Foreign exchange risk - The Council has no equity shares or shareholdings, and has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to fluctuations regarding price and foreign exchange risks.

38. 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 £282,677 at 31 March 2013.

In 2012/13, the fund's income was £2,487 and there was no expenditure. (In 2011/12, the fund's income was £2,498 and there was no expenditure). The fund's only asset was investments with the Council of £282,677 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	10	10	land
Swanwick Lane recreation ground	2	2	land
King George V playing fields	2	2	land
Crofton recreation ground	17	17	land
Titchfield recreation ground	15	15	land
Hook & Warsash allotments	2	2	land

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

39. 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 2012/13, 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 2012/13 is shown in Note 13.

Chief Officers

Chief Officers have the ability to influence the Council. During 2012/13, 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. Further information can be obtained from The Treasurer to the Joint Committee, Civic Offices, Civic Way, Fareham, PO16 7AZ.

Fareham Borough Council's share of the net assets of PCJC is £1,413,000 (2011/12 £1,353,000). In 2012/13, PCJC paid a contribution of £150,000 to the Council (£140,000 in 2011/12). The PCJC has an investment policy of placing all surplus funds with the Council. At 31 March 2013, £750,000 was invested with the Council (£1,370,000 at 31 March 2012).

Gosport and Fareham Building Control Partnership

The Gosport and Fareham Building Control Partnership provides building control services to both Fareham and Gosport Borough Council. The Partnership has been in operation since 2003. During 2012/13, the Partnership charged Gosport Borough Council £146,911 (2011/12 £163,040) 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 2013, the balance of retained surplus for future investment in the service held by Fareham Borough Council

was £66,903 and £48,389 held by Gosport Borough Council.

40. 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, have determined that a Levy rate of 15% of the value of outstanding claims of £148,000 will be required. A provision for £22,000 has been made (note 31) and a contingent liability of £126,000 for the remaining balance.

41. Cash Flow Statement - Operating Activities (Interest)

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

2011/12 £'000	2012/13 £'000
836 Interest received	526
<u>(8) Interest paid</u>	<u>(1,401)</u>
<u>828</u>	<u>(875)</u>

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

2011/12 £'000	2012/13 £'000
4,040 Depreciation and impairment	5,512
(2,371) Downward valuations	(1,457)
38 Amortisation of intangible assets	29
15 Increase/decrease in interest creditors	0
(718) Increase/decrease in creditors	350
62 Increase/decrease in interest debtors	(122)
390 Increase/decrease in debtors	(840)
1 Increase/decrease in inventories	(8)
1,045 Movement in pension liability	1,311
44 Contributions to/(from) provisions	172
1,291 Carrying amount of non-current assets and non-current assets held for sale, sold, or derecognised	415
<u>1,036 Movement in investment property values</u>	<u>1,503</u>
<u>4,873</u>	<u>6,865</u>

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

2011/12 £'000	2012/13 £'000
(1,092) Capital grants credited to surplus/deficit on the provision of services	(1,867)
(992) Proceeds from the sale of property plant and equipment, investment property and intangible assets	(630)
<u>(2,084)</u>	<u>(2,497)</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.

	2012/13 £'000	2011/12 £'000
Income		
Gross rent income		
- Dwellings	(10,049)	(9,388)
- Other	(234)	(239)
Charges for services and facilities	(631)	(677)
Contributions towards expenditure	(293)	(338)
Total income from service	(11,207)	(10,642)
Expenditure		
Repairs and maintenance	2,227	2,563
Supervision and management	2,734	2,544
Rents, rates, taxes and other charges	35	34
Payment of negative subsidy to Government (Note 10)	(4)	3,032
Depreciation and impairment of non-current assets (Note 8)	1,031	(193)
Debt management expenses	24	48
Provision for doubtful debts	82	170
Exceptional expenditure (Note 13)	0	49,268
Total expenditure on service	6,129	57,466
Net expenditure or Income of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement	(5,078)	46,824
HRA service share of corporate and democratic core	139	173
Net Expenditure for HRA Services	(4,939)	46,997
Gain on sale of HRA non-current assets	(123)	(138)
Change in fair value of Investment Properties	(68)	90
Interest payable	1,864	43
Interest receivable	(165)	(124)
Pension interest cost and expected return on pension assets	185	20
Capital grants and contributions receivable	(33)	(149)
(Surplus)/Deficit for year on HRA Services	(3,279)	46,739

MOVEMENT ON THE HRA STATEMENT

	2012/13 £'000	2011/12 £'000
Balance on the HRA at the end of previous year	(4,814)	(4,647)
(Surplus) or Deficit for year on HRA I&E Statement	(3,279)	46,739
Remove gain on sale of HRA non-current assets	123	138
Pension reserve contributions	(176)	(17)
Amortisation of premiums and discounts	99	168
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	3	(13)
Capital expenditure charged to revenue	48	0
Transfers to/from Major Repairs Reserve	2,488	1,815
Transfers to/from Capital Adjustment Account	(930)	(49,016)
Adjustments between accounting basis and funding basis under statute	1,655	(46,925)
Net (increase) or decrease before transfers to or from the reserves	(1,624)	(186)
Transfer to/(from) reserves	2,080	19
Increase or (decrease) in year on the HRA	456	(167)
Surplus Carried Forward	(4,358)	(4,814)

The total surplus carried forward excludes balances of:

- Repairs Account;
- Leaseholders Reserve Account;
- 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 2013	31 March 2012	
Houses	818.75	820.25	
Flats	1,413.00	1,417.00	
Bungalows	165.00	166.00	
	<u>2,396.75</u>	<u>2,403.25</u>	

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 2012 is £262,743,250. 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 2012/13					
Cost or Valuation					
At 1 April 2012	84,273	3,218	38	51	87,580
Additions	946			254	1,200
Revaluation Increases/(decreases) to RR	22	292			314
Revaluation Increases/(decreases) to SDPS	(355)				(355)
Recognition - Other	163			(163)	0
Derecognition - Disposals	(280)	(12)			(292)
At 31 March 2013	<u>84,769</u>	<u>3,498</u>	<u>38</u>	<u>142</u>	<u>88,447</u>
Depreciation and Impairment					
At 1 April 2012	1,813	64			1,877
Depreciation Charge	2,418	70	1		2,489
Depreciation written out to RR	(216)	(64)			(280)
Depreciation written out to SDPS	(1,596)				(1,596)
Derecognition - Disposals	(8)				(8)
At 31 March 2013	<u>2,411</u>	<u>70</u>	<u>1</u>	<u>0</u>	<u>2,482</u>
Net Book Value					
At 31 March 2013	82,358	3,428	37	142	85,965
At 31 March 2012	82,460	3,154	38	51	85,703

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

Movement in Values 2011/12	Council Dwellings £'000	Other Land & Buildings £'000	Plant & Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation					
At 1 April 2011	81,836	3,206		143	85,185
Additions	1,428		38	421	1,887
Revaluation Increases/(decreases) to SDPS	637				637
Reclassifications	513	12		(513)	12
Derecognition - Disposals	(141)				(141)
At 31 March 2012	84,273	3,218	38	51	87,580
Depreciation and Impairment					
At 1 April 2011	1,464	64			1,528
Depreciation Charge	1,815	64			1,879
Depreciation written out to RR	(27)	(64)			(91)
Depreciation written out to SDPS	(1,735)				(1,735)
Impairment losses/(reversals) to SDPS	299				299
Derecognition - Disposals	(3)				(3)
At 31 March 2012	1,813	64	0	0	1,877
Net Book Value					
At 31 March 2012	82,460	3,154	38	51	85,703
At 31 March 2011	80,372	3,142	0	143	83,657

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

3. Investment Properties

Movement in Fair Value of HRA Investment Properties

	2012/13 £'000	2011/12 £'000
Balance at 1 April	38	140
Net gains/losses from fair value adjustments	68	(90)
Transfer to/from Property, Plant and Equipment	0	(12)
Balance at 31 March	106	38

4. Major Repairs Reserve

	2012/13 £'000	2011/12 £'000
Balance at 1 April	1,251	1,011
Receipts in year	2,488	1,815
Used in year:		
- Houses and flats	(1,089)	(1,537)
- Solar Panels	0	(38)
Balance at 31 March	2,650	1,251

5. Housing Repairs Account

	2012/13 £'000	2011/12 £'000
Balance at 1 April	1,800	1,800
Contribution from Housing Revenue Account	2,127	2,604
Other Income	38	54
Expenditure	<u>(2,165)</u>	<u>(2,658)</u>
Balance at 31 March	<u>1,800</u>	<u>1,800</u>

6. 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	0	112	112
Major Repairs reserve	946	142	1,088
Expenditure in 2012/13	<u>946</u>	<u>254</u>	<u>1,200</u>

7. Capital Receipts

Capital receipts from the sale of Housing Revenue Account property in the year were as follows:

	2012/13 £'000	2011/12 £'000
Right to buy sales of houses and flats	<u>406</u>	<u>279</u>
	<u>406</u>	<u>279</u>

8. Depreciation and Impairment

		2012/13 £'000	2011/12 £'000
Depreciation	Dwellings	2,417	1,815
	Garages	70	64
	Plant & Equipment	1	0
	Total	<u>2,488</u>	<u>1,879</u>
Impairment	Dwellings	<u>140</u>	<u>299</u>
	Total	<u>140</u>	<u>299</u>
Revaluation gain	Dwellings	<u>(1,597)</u>	<u>(2,371)</u>
	Total	<u>(1,597)</u>	<u>(2,371)</u>
Total charge		<u>1,031</u>	<u>(193)</u>

The impairment charge in 2012/13 relates to the difference between the historic cost of a newly built council dwelling and its Existing Use-Social Housing Valuation plus a revaluation of properties as part of the new Collingwood House development to a non-operational basis.

For 2012/13, there has been no change to the adjustment factor applied to the market value of properties to derive the Existing Use-Social Housing Valuation but there has been a decrease in market values. This is represented by the revaluation loss.

9. Capital Asset Charges Accounting Adjustment

The HRA is debited with a sum equal to the impairment, depreciation of dwellings and other assets held within the account.

10. Subsidy

The amount of HRA subsidy receivable for the financial year is as follows:

	2012/13 £'000	2011/12 £'000
Management and maintenance	0	3,948
Major repairs allowance	0	1,815
Charges for capital and interest	5	271
Rent income	(1)	(9,066)
Total subsidy (payable to)/received from the Government under the 1989 Act	4	(3,032)

In 2011/12, the HRA Subsidy System was abolished by the Government. The monies received in 2012/13 represent a refund of monies paid during 2011/12 based upon estimates that could not be quantified as actuals until the end of 2011/12.

11. Arrears

At 31 March 2013, arrears were 4.29% of the gross income due in the year. 2012/13 and 2011/12 were 52 week rent years. The arrears figures are as follows:

	2012/13 £'000	2011/12 £'000
Arrears at 31 March	459	377
Gross incomes	10,704	10,345
Provision for uncollectable rents	370	293
Arrears as a percentage of gross income	4.29%	3.65%

12. Pensions (see also note 17 to the core financial statements)

The service cost of pensions under IAS19 is included in Housing Revenue Account expenditure and a contribution is made either to or from the pensions reserve to bring the amount charged in the account to that actually paid in the year, so there is no effect on rents.

13. Exceptional Expenditure

There was no exceptional expenditure in 2012/13. However, in 2011/12 £49.268 million was paid to the Department for Communities and Local Government (DCLG) to leave the HRA Subsidy System.

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. The Collection Fund is consolidated with the Council's other accounts.

	2012/13		2011/12
	£'000	£'000	£'000
Income			
Income from Council tax (note 1)			
Billed to taxpayers	55,910		55,662
Council tax benefits	4,281		4,233
		60,191	59,895
Income from business ratepayers (note 2)		37,338	38,196
		97,529	98,091
Expenditure			
Distribution of previous year's Collection Fund surplus			
From Fareham Borough Council	49		61
From Hampshire County Council	364		455
From Hampshire Police Authority	51		64
From Hampshire Fire and Rescue	21	485	27
Precepts and demands from County and District			
Fareham Borough Council	6,095		6,001
Hampshire County Council	45,111		44,417
Hampshire Police Authority	6,357		6,259
Hampshire Fire and Rescue	2,668	60,231	2,627
Business rate (note 2)			
Payment to national pool	37,195		38,052
Costs of collection	143	37,338	144
Provision for doubtful Council Tax debts:			
Increase/(Reduction) in Provision	123		160
Written Off in Year	(23)		77
Council Tax Benefit 2010/11 Final Claim Adjustment	0	100	78
		98,154	98,422
Surplus/(deficit) for the year: movement on fund balance		(625)	(331)
Fund balance brought forward at 1 April		761	1,092
Fund balance carried forward at 31 March		136	761

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 estimating 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, Hampshire Police Authority (now known as 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; 43,465 for 2012/13 (42,796 for 2011/12). 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:

	2012/13	2011/12
	£	£
Fareham Borough Council	140.22	140.22
Hampshire Police Authority	146.25	146.25
Hampshire Fire and Rescue Authority	61.38	61.38
Hampshire County Council	1,037.88	1,037.88
Total	1,385.73	1,385.73

Council tax bills were based on the following proportions for Bands A to H;

Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (in 2012/13, 45.0p for small businesses and 45.8p for large; in 2011/12, 42.6p for small businesses and 43.3p 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 but pays the proceeds into an NNDR pool administered by the Government. The Government re-distributes the sums paid into the pool back to local authorities' general funds on the basis of a fixed amount per head of population.

The rateable value at 31 March 2013 was £103,927,458 (£102,230,459 as at 31 March 2012). This rateable value is based on the valuation list effective from 1 April 2010.

3. Collection Fund Balance

The Collection Fund balance attributable to the Council and the amounts payable to precepting authorities are as follows:

	2012/13 £'000	2011/12 £'000
Fareham Borough Council	14	77
Precepting Authorities - Local Authorities	122	684
Total	<u>136</u>	<u>761</u>

4. Collection Fund - Balance Sheet Items (Council Tax)

The accounting code reflects the view that billing authorities in England act as agents, collecting council tax on behalf of major preceptors and itself. This means that council tax transactions and balances need to be allocated between the billing council and major preceptors.

The Council has accounted for the Collection Fund balances in the statement of accounts by showing the balances which are attributable to the Council as follows:

- In the Balance Sheet at 31 March 2013, a debtor of £266,362 (£99,998 in 2011/12) has been shown within debtors as Council Tax payers' arrears and a creditor of £41,313 (£44,028 for 2011/12) has been shown within creditors as Council Tax payers in advance.
- There is also a debtor totalling £374,863 (creditor of £186,895 for 2011/12) included within debtors as Local Authorities. This represents the balance of the Collection Fund surplus and Balance Sheet items which is attributable to the major preceptors.

5. Collection Fund - Balance Sheet Items (NNDR)

The accounting code reflects the view that billing authorities in England collect NNDR under what is in substance an agency arrangement with the Government. This means that any NNDR debtor and creditor balances with taxpayers at year end are not assets or liabilities of the billing Council and should not be recognised in the Council's Balance Sheet.

The Council has accounted for the NNDR balances in the statement by showing the net total of the NNDR balance sheet items and the amount due from the Government as at 31 March 2013 as a debtor of £1,304,578 (creditor of £220,468 for 2011/12) within Government Departments.

6. Collection Fund - Movement in Reserves Statement

In the Movement in Reserves Statement, there is line for attributable movement on the Collection Fund balance to record a movement of £66,324.60 (£33,526 in 2011/12). This is because the accounting code requires that the Collection Fund income shown in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year instead of the amount that under regulation to be transferred to the General Fund.

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.

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 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

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