



East Hampshire District Council

statement of accounts

2015/2016

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This report and further details of the Council's finances can also be viewed on the
Council's website
(<http://www.easthants.gov.uk>)

NARRATIVE STATEMENT

East Hampshire District Council

East Hampshire District Council is responsible for services such as rubbish collection and recycling, council tax collection, leisure services, planning and housing. Policies and strategies are developed and determined by our 44 councillors. The Council employs around 300 full and part time staff and serves a population of 115,608.

Our ambition is to improve people's lives by providing excellent public services that represent good value for money and meet our communities' needs. The grants we receive from central government are shrinking, our aim is to remove our reliance on those grants by 2019-20.

Our operational priorities that will help us deliver our corporate strategy mission are; financial sustainability, economic growth, environmental sustainability, public service excellence and creativity and innovation.

NARRATIVE STATEMENT

Overall Financial Position

The Council's overall financial position remains sustainable with adequate levels of reserves. There are robust processes in place for budget setting and forecasting, and the Council has in place a Medium Term Financial Strategy. There are sound systems in place to ensure cash is collected, that debtor balances are minimised and all funding streams are exploited.

The council has implemented a new Financial Accounting system during 2015/16 to improve the quality of data and speed of reporting. The Council has signed an inter authority agreement with Havant Borough Council to procure certain support services, as part of the corporate services contract that Havant has entered into with four other local authorities. The financial team is actively working with "5 Council" Partners to develop the migration to new systems and further improve process in 2017/18.

The council also implemented a new management structure in 2015/16 which refines the responsibilities and accountability of Heads of Service, and will support the continued drive for efficiency, savings and new income streams.

2016/17 Onwards

Continued uncertainty in future Central Government funding for local authorities, and the likely medium and long term impacts of the changes already in progress place a number of financial risks on the Council which need to be monitored, managed and mitigated. The EU referendum result impact is being assessed and may influence budgets and plans for 2017/18 onwards.

The Council has put in place strategies to address these risks and has demonstrated its confidence in its ability to deliver, by reducing Council Tax by 2% in 2016/17 and currently plans to reduce it further by 1% each year.

Stuart McGregor

(Section 151 Officer)

30th June 2016

NARRATIVE STATEMENT

Performance against Council Strategy

Financial sustainability

In order to continue providing our services for our most vulnerable residents and improving the lives of all our residents we are committed to being financially sustainable. During 2015- 2016 we continued the Council Tax freeze without any service reduction. We invested more than £7.4 million in property acquisition during the year, generating a net annual income of £460,000 in the future, a greater return than could be earned in interest from the cash. The Council property portfolio was valued at £21.6 million on 31 March 2016. In addition to property income we have begun receiving income from our consultancy services. Our RegenCo consultancy service and our Planning consultancy service generated over £140,000 net income in 2015-16.

Economic growth

During 2015-16 we continued to work towards the goals set out in our business strategy with the aim of becoming the most business friendly council in the UK. Through the Invest for Growth initiative, grant funding from the Enterprise M3 Local Enterprise Partnership is being used to develop new business premises with rental income to be re-invested in local economic development initiatives. Our apprenticeship scheme placed 10 people in 10 local businesses during 2015-16 and also provided two work experience placements and one construction apprenticeship. The council scheme boosts apprenticeship wages pay and contributes towards training and transport costs, making it a positive experience for employer and employee. The business start-up scheme helped 26 new businesses in 2015-16 by providing free business advice and business startup grants.

Environmental sustainability

2015-16 saw the first full year since launch of the EHDC Energy Strategy. Achievements during the year including the installation of electric vehicle charging points at Penns Place, Petersfield, a community energy workshop, energy requirements now included in planning policy for new developments and 303 assessments completed under the Cosy East Hampshire scheme. Our zero tolerance approach to litter led to our enforcement contractors issuing 1,473 fines for littering and dog fouling . Going forward we have been looking at alternative fuel sources.

Public Service Excellence

We are committed to developing and supporting our staff. Our senior management team have been realigned in order to deliver our priorities with the organisation now grouped into three interlinking directorates. We continued to develop a modern and effective employment package for our staff, the first phase of which was introduced in April 2015 and phase two under development for 2016/17. We have continued our quarterly You're a Star staff awards and our annual staff awards took place in November 2015, recognising individual and team achievements.

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Three new EHDC funded Police Community Support Officers (PCSOs) were recruited and started in September 2015, adding capacity to community safety in East Hampshire. Progress was made with neighbourhood plans approved by residents of Alton and further referendums on neighbourhood plans in Bentley and Medstead and Four Marks.

The council continued to deliver community events. The ninth Butserfest was held in September 2015 with over 1,200 attending and there was the successful delivery of our Auto Solo events, Rural Areas Play Project (RAPP) and Get Activ8'd.

Creativity and Innovation

East Hampshire District Council is an exciting and vibrant place to work. The Council provides community leadership and is at the cutting edge of innovation and practice. Innovations taken forward during 2015/16 include the establishment of a new trading company, East Hampshire Commercial Services Ltd. The Trading Company will provide environmental enforcement services and will be further developed in the future. The new EHDC website was launched in June 2015. The site has been designed to make priority services easy to find and will be key to the development of My East Hampshire web portal. My East Hampshire will be a new 24/7 online portal for our residents, businesses and visitors. The portal will be linked to our new customer relationship management (CRM) tool which will offer personalised services to residents and has been developed during 2015-16 for launch in 2016-17. Our Live-Help service was introduced in February, the system helps users find information they are looking for through our online chat facility.

Regeneration

Our involvement in the regeneration of Whitehill & Bordon continued throughout 2015-16, transforming public sector land into thriving communities with new homes, jobs and facilities. Whitehill & Bordon was awarded Healthy New Town status during 2015-16. The town will be the blueprint for how other communities across the county can become healthier and more vibrant. The expertise built up by the team has enabled the Council to provide consultancy services to other regeneration schemes, yielding income of £90,000.

NARRATIVE STATEMENT

Financial performance and capital summary

2015/16 Revenue Outturn

For the 2015/16 financial year, the Council agreed its budget for net revenue spending on General Fund services at £13,225,000.

Net revenue spending is financed in part by Government Grant and retained business rates, with the remainder being raised through council tax, use of reserves and interest on external investments. The Council Tax charge for Council services has remained at £137.30 for band D properties since 2012/13.

The table below compares the final outturn with the original budget. The basis for these figures is the Council's internal management accounts rather than the statutory published accounts which comply with International Financial Reporting Standards (IFRS).

	Original Budget £000	Revised Budget £000	Outturn £000	(Surplus)/ Deficit £000
Service Running Costs				
Executive	478	478	645	167
Environment & Communities	2,318	2,316	1,653	(663)
Governance & Logistics	4,870	4,610	3,869	(741)
Marketing & Development	2,282	2,545	2,050	(495)
New Ventures Income Target	(200)	(200)	0	200
Offices & Facilities	855	886	923	37
Planning & Economy	1,708	1,707	1,303	(404)
Refuse & Grounds	3,180	3,149	3,189	40
Whitehill & Bordon	736	736	678	(58)
Financing items	(3,002)	(3,002)	(1,965)	1,037
Net Expenditure	13,225	13,225	12,345	(880)
Funding	(13,225)	(13,225)	(13,725)	(500)
Surplus (-) / Deficit				(1,380)

Council services were funded through the following:

	2015-16 Revised Budget £000's	2015-16 Outturn £000's	Forecast Deficit / (Surplus) £000's
Revenue Support Grant	(1,390)	(1,390)	-
Council Tax	(6,520)	(6,520)	-
Retained Business Rates	(1,607)	(2,031)	(424)
New Homes Bonus	(2,645)	(2,651)	(6)
Other General Grants	(1,063)	(1,133)	(70)
TOTAL FUNDING	(13,225)	(13,725)	(500)

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The table below summarises the main reasons for the surplus generated in 2015/16:

	Adverse/ (Favourable)	Total
	£000's	£000's
Income Variances		
Car Parking income	(210)	
Land Charges income	(164)	
Regenco consultancy income	(96)	
Other favourable income variances	(203)	(673)
Expenditure Variances		
Staffing - Organisational changes and vacancy savings	(122)	
IT Contract savings	(253)	
Other Minor Variances Across Clusters	168	(207)
Funding variances		
Retained Business Rates	(425)	
Grant Variations	(75)	(500)
Adverse / (Favourable) variance		<u>(1,380)</u>

At the end of the year, the Council's General Fund Balance stood at £3,731,000. This reserve is held to provide financial stability to the Council, and enable it to meet unexpected demands.

NARRATIVE STATEMENT

Capital Spending and Receipts

Capital expenditure is defined as expenditure which generates an asset that has a useful life of more than one year. The expenditure in the year amounted to £9.587m. The main items of capital expenditure are detailed in the table below.

Main Items of Capital Expenditure	Actual £'000
Investment Property Purchases	7,405
Release of Developer Contributions	845
Disabled facilities grants	553
Replacement finance system	57
Penns Place refurbishment	196
All other schemes	531
Total	9,587
Funded by:	
Sums set aside from Revenue	372
Grants & Contributions	553
Capital Receipts	93
Developers Contributions	845
Redirection of cash investments	7,724
Total	9,587

NARRATIVE STATEMENT

Whitehill and Bordon Regeneration

The Council has been awarded significant funding towards the regeneration of Whitehill and Bordon, following the withdrawal of the Army from the town in 2015. The table below outlines the funding and expenditure since the original project plan was agreed by Council on 24th February 2010.

	Capital £000	Revenue £000	Total £000
Grant awarded 2009/10	(8,186)	(1,684)	(9,870)
Grant awarded 2011/12	-	(2,025)	(2,025)
Department of Environment and Climate Change Funding	(311)	-	(311)
Homes and Communities Agency	(960)	(60)	(1,020)
Louisburg Barracks Capacity Funding	-	(661)	(661)
Linking Environment and Farming Fund	-	(33)	(33)
Local Authority Business Growth Incentive Fund	-	(14)	(14)
Green Deal Funding	-	(12)	(12)
EHDC Funding 2010-2014/15	-	(2,281)	(2,281)
EHDC 2015-16	-	(960)	(960)
Green Deal Funding Grant	(2,945)	-	(2,945)
Large scale sites resource grant	(562)	-	(562)
Quebec Developer Contribution	(725)	-	(725)
DECC HEAT Networks Grant	(70)	-	(70)
Total Funding	(13,759)	(7,730)	(21,489)
Capital Expenditure 2009-2013	6,812	-	6,812
Capital Expenditure 2013/14	208	-	208
Capital Expenditure 2014/15	1,541	-	1,541
Capital Expenditure 2015/16	2,121	-	2,121
Revenue Expenditure 2009-2015	-	5,609	5,609
Revenue Expenditure 2015/16	-	1,662	1,662
Remaining Funding	(3,077)	(459)	(3,536)

The Whitehill and Bordon regeneration project is made up of several initiatives designed to implement and encourage sustainable development at Whitehill and Bordon, following the withdrawal of the MOD. Following successful bid to Central Government, significant grant funding has been secured and this is being used to fund a number of initiatives. The table below outlines some of the work undertaken in 2015/16.

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	Capital Expenditure £'000	Revenue Expenditure £'000	Total Expenditure £'000
Heat Network	41	29	70
Green Deal Communities	1,035	163	1,198
Bordon Inclosure	481	763	1,244
A325 By-Pass		168	168
Electric Vehicle Charging Network		87	87
New Projects	564	401	965
Transport	-	7	7
Salaries	-	19	19
Studies and evidence	-	25	25
Total	2,121	1,662	3,783

NARRATIVE STATEMENT

Business Rates Retention Scheme

The principle behind the scheme is that local authorities retain a share of Business Rates collected from their local businesses. Authorities retain a share of growth in the business base, giving councils incentive to invest in local infrastructure.

The government announced the continuation of a number of Business Rate reliefs throughout 2015/16. The impact of these reliefs was to reduce collectible business rates, and this has been offset by cash grants paid to the Council.

The surplus or deficit on business rates will be redistributed between the Government, East Hampshire District Council, Hampshire County Council, and Hampshire Fire and Rescue during 2016/17. The budget calculations for 2016/17 take into account this redistribution.

The table below demonstrates how the Council estimated its collectible business rates, how this is split between the participating authorities, the split of the 2015/16 deficit, and the impact on the General Fund in 2016/17, compared to actual performance in the year.

	Budget	Outturn
	£'000	£'000
Business Rates Yield		
Base Yield	35,073	33,726
Provision for backdated appeals	-	(1,399)
Bad Debts	(200)	(85)
Mandatory & Discretionary reliefs	(5,882)	(5,625)
Adjustment for provision for bad debt	(175)	(149)
Transitional protection payment	-	513
Business Rates Yield	28,816	26,981
Distribution		
Central Government (50%)	14,409	14,409
Hampshire County Council (9%)	2,593	2,593
Hampshire Fire (1%)	288	288
East Hampshire District Council baseline (40%)	11,526	11,526
Total Distribution	28,816	28,816
Reallocation of prior year balance – EHDC	268	268
Reallocation of prior year balance – Other	402	402
Total Expenditure	29,488	29,488
Collection Fund (Surplus)/Deficit B/Fwd	(671)	(1,171)
Collection Fund (Surplus)/Deficit in year	671	2,505
Collection Fund (Surplus)/Deficit C/fwd	-	1,334
Allocation of (Surplus)/Deficit in 2016/17		
Government Share (50%)	-	667
EHDC Share (40%)	-	534
Hampshire CC Share (9%)	-	120
Hampshire Fire (1%)	-	13
Total	-	1,334

NARRATIVE STATEMENT

Explanation of Core Statements

The Statement of Accounts for 2015/16 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The purpose of the published Statement of Accounts is to give electors, local taxpayers, Councillors and other interested parties clear information about the Council's finances. The statements inform readers of the cost of services provided by the Council in the year 2015/16, how services were paid for and the Council's assets and liabilities at the year end date of 31st March 2016.

The following key statements are included:

The Movements in Reserves Statement (page 26-27)

The Movements in Reserves Statement reconciles the balance on the Comprehensive Income and Expenditure Statement to the movement on the Council's reserves, both usable and unusable.

The Comprehensive Income & Expenditure Statement (page 28)

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

The Balance Sheet (page 29)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities of the Council.

The Cash Flow Statement (page 30)

The Cash Flow Statement reconciles the movement in cash and cash equivalents to the surplus or deficit on the Provision of Services within the Comprehensive Income & Expenditure Statement.

Notes to the Core Financial Statements (including pensions disclosures) (pages 31-88)

The Collection Fund (pages 89-91)

This account records all transactions relating to Council Tax and Business Rates. The Council draws its share of Council Tax and Business Rates from the Fund. More information on Council Tax and Retained Business Rates can be found in the Review of the Year.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

East Hampshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. East Hampshire District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, East Hampshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

East Hampshire District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Code can be found in the council's Constitution which can be found on our website at: <http://www.easthants.gov.uk/how-ehdc-works>. This statement explains how East Hampshire District Council has complied with the Code and also meets the requirements of The Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The Governance Framework comprises the systems, processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads the Community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Hampshire District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Hampshire District Council for the year ended 31st March 2016 and up to the date of approval of the Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT

The Governance Framework

The six key elements of good governance are:-

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Governance Framework at East Hampshire District Council is designed to reflect the six core principles of effective corporate governance. The way in which the Council meets these principles is outlined below.

1. Purpose and Vision

Following appropriate consultations East Hampshire District Council has laid out its mission, vision and values in its Council Strategy for the period 2014 to 2019. This document can be obtained either on the Council's website (www.easthants.gov.uk) or from the Council's offices. Business plans are prepared to support the Corporate Strategy. The Corporate Strategy, which is comprehensively reviewed regularly, is aspirational, recognises the need for the authority to innovate, and clearly sets out how the organisation will look by 2019.

The Council's operational services are divided into Services. The Business plans are agreed annually and identify objectives and targets for all services. There is a close link between business planning and budgeting, with financial plans for the year being costed from business plan outcomes. Risk is considered and recorded as part of the business planning process. The Council has a wide range of performance indicators, which are used to measure progress against the Council's priorities.

The Council has a Medium Term Financial Strategy, which is used to align resources to key priorities. The Financial Strategy is reviewed annually and forms the basis of the annual budgeting process. Quarterly financial forecasts are submitted to the Executive Board, alongside the Performance Indicator Information, and then informally to the Cabinet.

2. Members & Officers Purpose, Function & Roles

The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken.

The Council does this by appointing a Leader and Cabinet, which allocates specific executive responsibilities.

ANNUAL GOVERNANCE STATEMENT

There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities, and Councillor remuneration is reviewed and agreed by an independent remuneration panel.

All leadership roles, the roles of key officers and the Council's Scheme of Delegation are set out within the Council Constitution. The Council has a Governance and Audit Committee to provide assurance to the Council on the effectiveness of Internal Audit and the robustness of the Council's Annual Accounts. The Committee also oversees risk management.

All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. The first phase of a review of the Council's terms and conditions of employment was implemented on 1st April 2015. Consultation on the second phase of the review commenced in quarter 1 2016/17.

The Council has a joint management team with Havant Borough Council. Between April 2015 and February 2016 the management team was made up of the Chief Executive, two Executive Directors, five Executive Heads and the Project Director for Whitehill and Bordon regeneration. The Council employed shared Service Managers, covering all services except Waste Collection. The Waste Collection service is provided in partnership with Winchester City Council. A resourcing review took place during late 2015 and a new management structure implemented on 1 March 2016. The structure now consists of a Chief Executive, three Executive Directors, the Project Director for Whitehill and Bordon regeneration and 14 Heads of Service; following the merging of Executive Heads and Service Managers roles. The Council continues to have shared roles, covering all services except Waste Collection and Planning. The senior officers meet weekly as the Executive Board to lead the executive functions of the Council.

East Hampshire District Council provides certain environmental services in partnership with Winchester City Council. The partnership is governed by the Joint Environmental Services Committee, which consists of Councillors from both Councils. The Committee is responsible for the procurement and efficient management of waste and recycling collections, street cleaning, public convenience cleansing, grounds maintenance and associated services facilities for the treatment and disposal of residual waste. East Hampshire District Council acts as the administering authority for the contract, and costs are apportioned between the two councils according to the volume of work undertaken.

Statutory officer roles are the Chief Executive, as Head of Paid Service, the shared S151 Officer, who carries overall responsibility for the Council's financial administration and is a member of the Executive Board, and a shared Monitoring Officer, who carries responsibility for legal compliance.

The Council's Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti fraud and corruption, anti-bribery and whistle blowing.

The Council has a performance management framework. This includes induction and performance appraisal processes for all employees and a competency framework to encourage effective behaviours. Individual performance appraisals link to cluster business plans and the Corporate Strategy and are based on the Council's competency framework. The Competency framework was fully reviewed and updated for 2015/16.

Performance indicators clearly link individual clusters to the corporate objectives and include details of national and local performance indicators and risk.

ANNUAL GOVERNANCE STATEMENT

3. Values & Conduct

There are codes of conduct in place for all Councillors and Officers, and there is a requirement for Councillors to make any Declarations of Interest on an annual basis. The Governance and Audit Committee monitors the Code of Conduct for Councillors and receives reports from the Council's appointed independent persons who investigate any allegations of misconduct.

The Council has in place a complaints procedure including weekly reminders to managers responsible for the work. There are clearly defined disciplinary procedures for Officers.

4. Robust Decision Making

Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. The Governance and Audit Committee approves the Statement of Accounts.

The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items under the Access to Information Act. All decision records are publicly available, and the Forward Plan is published on the Council website. Decisions made by Cabinet can be called in for review by the Overview & Scrutiny Committee.

Decisions can also be made by officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific agreement by Cabinet or Council.

The Council has in place a number of policies and procedures to ensure decisions made are robust. These are included in the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers.

The Internal Audit function has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust.

5. Skills & Training

Following the District Council Elections, all Councillors are required to undertake a comprehensive and compulsory training programme. This includes Planning training, Code of Conduct training and Licensing training. Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken. The training programme ensures that they have an understanding of the procedures and protocols of the Council.

In addition to the compulsory training, a series of other courses and events are also offered. During the course of a Councillor's four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.

Officers are asked to identify their training needs and professional development requirements as part of the performance appraisal process. The Council invested in Leadership and Management training for managers across the authority during the year.

6. Public Accountability

Public Accountability is the way in which the Council engages with local stakeholders to ensure robust public accountability.

ANNUAL GOVERNANCE STATEMENT

The Council Strategy is formulated following the results of a survey which seeks feedback from the public, Councillors, staff and other key stakeholders. All decision making meetings are held in public, although some items are considered as exempt under the Access to Information Act. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings. The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information. Complaints are regularly monitored and reported to the Executive Board. The Council subscribes to the Government's transparency agenda and publishes information on remuneration for senior management, and information on items of expenditure over £500.

A conclusion on the arrangements the Council puts in place to provide value for money to its residents is made as part of the External Audit process. A positive Value for Money conclusion was reported in December 2015. The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting Statements incorporate the full requirements of best practice guidance.

The Council is subject to independent external audit by Ernst & Young. The External Audit plan outlines the work undertaken and the timing of external audit reports. The Council supplements this work with an internal audit team. The Governance & Audit Committee undertakes the core functions of an audit committee. The Council appointed the Executive Head of Governance and Logistics as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs, this has been replaced by the Head of Finance and Assets following the review.

Compliance with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010)

The CIPFA Statement on the role of the Chief Finance Officer was published during 2010 and outlines the governance requirements of the role. These governance requirements are divided into five key principles:

1. The Chief Finance Officer in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
2. The Chief Finance Officer in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
3. The Chief Finance Officer in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
4. The Chief Finance Officer in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
5. The Chief Finance Officer in a local authority must be professionally qualified and suitably experienced.

East Hampshire District Council shares a Chief Finance Officer with Havant Borough Council. The Chief Finance Officer role complies with 32 of the 33 requirements of the CIPFA Statement. The post does not report directly to the Chief Executive. The Chief Finance Officer reports to an Executive Director. The Chief Finance Officer has direct access to the Chief Executive through regular executive meetings.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

East Hampshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements includes wide input:-

INPUTS TO THE ANNUAL GOVERNANCE STATEMENT



The **Executive** bodies are the **Council**, which is responsible for deciding policies and budgets, and the **Cabinet**, which is responsible for day to day decisions. In order to ensure transparency in the decision making process, decision making meetings are normally open to the public, a forward plan of decisions to be taken is published, and agendas and minutes of all meetings are available.

The Council's **Governance and Audit Committee** meets four times per year as the Council's official Audit Committee. The Audit Committee is responsible for monitoring and receives reports from Internal and External Audit; and ensures that the Internal and External Audit reports are robust.

The **Overview and Scrutiny Committee** meets as required and provides the Council with the traditional scrutiny function.

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The **Joint Human Resources Committee** is responsible for setting policy direction on employee related matters, agree termination payments and oversee appeals and dismissals, noting appointment of chief executive and supporting the appointment process for executive directors.

The Council's **Internal Audit** is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An Audit plan, based on a full risk evaluation, is approved annually. Progress against the audit plan is reported quarterly to the Governance and Audit Committee. Any outstanding high risk actions are addressed as a matter of priority

The Council's **External Audit** is provided by Ernst & Young. The role of External Audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims.

Other governance arrangements include:

- **The Council Constitution.** This is a document which includes the roles, responsibilities, terms of reference and reporting arrangements of the Council and its committees, and the Council's Scheme of Delegation.
- **The Monitoring Officer** – This is a statutory role, shared with Havant Borough Council, which has a duty to ensure legal compliance and to monitor and review the operation of the constitution to ensure its aims and principles are given full effect. The Monitoring officer also provides training and advice on the Councillor code of Conduct, and will investigate instances where the Code is not complied with.
- **The Section 151 Officer** – This is a statutory role, shared with Havant Borough Council, which has a duty to make arrangements for the proper financial administration of the Council.
- **Risk Management Group** – The risk management group ensures that all corporate and service risks have been identified and recorded, and that mitigations are in place to address risk.
- **Policies and Procedures** – key areas of the Council's administration are covered by specifically approved policies which are reviewed appropriately. These include Treasury Management Policies and Practices and an annual review of Reserves and Balances and the Constitution.

ANNUAL GOVERNANCE STATEMENT

Issues arising during 2015/16

The review of the effectiveness of internal control during 2015/16 was structured around the core principles of the Code of Local Governance. The table below outlines issues which have arisen during the year and progress/actions taken and where relevant any governance activities for development in 2016/17:

Governance subject	Actions required	Actions Taken/Progress in 2015/16	Actions for 2016/17
IT Systems	Implementation of Hampshire IT Partnership Agreement to enable greater flexibility of working	Completion of the council wide upgrade to new desktop including Revenue and Benefits systems.	The Executive Board approved the Document Management procedure in 2015 and new/replacement DMS systems will be by business case basis during 2016/17. Work underway to develop a digital strategy and explore future service delivery options
Financial Climate	Uncertainty over the future of local government funding	Medium term financial framework currently assumes total loss of Revenue Support grant by 2020 and continuation of New Homes Bonus	Review of financial assumptions behind medium term financial planning; monitoring government policy. Work will continue to be both Grant Free and reduce Council tax although there are implications of Universal Credit and Revenue Support Grant.
Succession Planning	Further development of succession planning.	The People Plan has been developed to include a Talent Management process. The position of each employee has been identified on a talent matrix by management. The Service Manager HR held a moderation meeting with management in July to ensure consistency of the ranking	Talent Matrix training for all line managers will be rolled out in quarter 1 2016/17 and will feature in all staff appraisals in 2016/17.
Improving IT systems	Shared systems/databases where appropriate	Implementation of the Finance system in October 2015. JMT approved the business case of a replacement Customer Relationship Management System and work began on implementation during Quarter 4 2015.	The Customer Relationship Management system will go live with initial selected services (Customer Complaints, Freedom of Information Requests and RAPP) in Quarter 2 2016 and will continue to be rolled out across the organisation over the year.
Governance Groups	Instigation of HR Procedures without approval	JEB action tracking and weekly review of actions now in place. Confirmation that all Governance Groups operate similarly.	No Further Action

ANNUAL GOVERNANCE STATEMENT

Internal Audit Reports	Limited Assurance Audit Reports received for HR around Right to work	A number of recommendations were made and all actions have been reported as cleared	No Further Action
Policies and Procedures	Control weaknesses were identified in Treasury and Revenue & Benefits during the financial year. Breach of Contracts procedure rules in the appointment of consultant	A two-stage approval process and a validation process have now been implemented. Control Measures have been reaffirmed.	No Further Action

Opinion

It is our opinion that corporate governance, along with supporting controls and procedures, is strong. We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed

Signed




Sandy Hopkins
Chief Executive
East Hampshire District Council

Councillor Ferris Cowper
Leader of the Council
East Hampshire District Council

Dated 1st August 2016

Dated 1st August 2016

STATEMENT OF RESPONSIBILITIES 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 ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance & Assets (Section 151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Responsibilities of the Section 151 Officer:

The Head of Finance & Assets is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice).

In preparing this Statement of Accounts, the S151 Officer has selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Section 151 Officer also:

- has kept proper accounting records which were up to date.
- has 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 the financial position of the Authority and its income and expenditure for the year ended 31 March 2016.

Signed:



Stuart McGregor
Interim S151 Officer

Date: 30th June 2016

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Certification of the Audited Statement of Accounts:

I confirm that the Statement of Accounts have been audited and, in accordance with the Accounts and Audit Regulations (amendment) 2015, I certify that the Audited Statement of Accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2016.

Signed:



Stuart McGregor
Interim S151 Officer

Date: 13th September 2016

Certificate of approval by the Council:

I confirm that the Audited Statement of Accounts were approved at the Governance, Audit & Scrutiny Committee meeting of East Hampshire District Council on 15th September 2016.

Signed:



Cllr Anthony Williams FCA
Chairman
Governance, Audit and Scrutiny Committee

Date: 13th September 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST HAMPSHIRE DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of East Hampshire District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes 1 to 40,
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. This report is made solely to the members of East Hampshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities set out on pages 21-22, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 2015-16 Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST HAMPSHIRE DISTRICT COUNCIL

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of East Hampshire District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the 2015-16 Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Conclusion on East Hampshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST HAMPSHIRE DISTRICT COUNCIL

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, East Hampshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Andrew Brittain (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
14 September 2016

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance (Note 20) £'000	Earmarked Reserves (Notes 7 and 20) £'000	Usable Capital Receipts (Note 20) £'000	Capital Grants and Contributions Unapplied (Notes 20 and 30) £'000	Total Usable Reserves £'000	Unusable Reserves (Note 21) £'000	Total Authority Reserves £'000
Balance as at 31st March 2015	(6,692)	(9,473)	(4,481)	(11,033)	(31,679)	5,130	(26,549)
Surplus (-) / Deficit on Provision of Services	5,293	-	-	-	5,293	-	5,293
Other Comprehensive Income and Expenditure	-	-	-	-	-	(7,115)	(7,115)
Total Comprehensive Income and Expenditure	5,293	-	-	-	5,293	(7,115)	(1,822)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	(5,359)	-	(492)	920	(4,931)	4,931	-
Net Increase (-) / Decrease before Transfer to Earmarked Reserves	(66)	-	(492)	920	362	(2,184)	(1,822)
Contributions to / (-) from earmarked reserves (Note 7)	2,907	(2,554)	-	-	353	(353)	-
Increase (-) / Decrease in year	2,841	(2,554)	(492)	920	715	(2,537)	(1,822)
Balance as at 31st March 2016	(3,851)	(12,027)	(4,973)	(10,113)	(30,964)	2,593	(28,371)

MOVEMENT IN RESERVES STATEMENT

Comparative Movement in Reserves Statement for 2014/15:

	General Fund Balance (Note 20) £'000	Earmarked Reserves (Notes 7 and 20) £'000	Usable Capital Receipts (Note 20) £'000	Capital Grants and Contributions Unapplied (Notes 20 and 30) £'000	Total Usable Reserves £'000	Unusable Reserves (Note 21) £'000	Total Authority Reserves £'000
Balance as at 31st March 2014	(5,368)	(10,671)	(3,718)	(7,923)	(27,680)	67	(27,613)
Surplus (-) / Deficit on Provision of Services	(3,448)	-	-	-	(3,448)	-	(3,448)
Other Comprehensive Income and Expenditure	-	-	-	-	-	4,512	4,512
Total Comprehensive Income and Expenditure	(3,448)	-	-	-	(3,448)	4,512	1,064
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	2,969	-	(683)	(3,110)	(824)	824	-
Net Increase (-) / Decrease before Transfer to Reserves	(479)	-	(683)	(3,110)	(4,272)	5,336	1,064
Contributions to / (-) from earmarked reserves (Note 7)	(845)	1,198	(80)	-	273	(273)	-
Increase (-) / Decrease in year	(1,324)	1,198	(763)	(3,110)	(3,999)	5,063	1,064
Balance as at 31st March 2015	(6,692)	(9,473)	(4,481)	(11,033)	(31,679)	5,130	(26,549)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement as the net increase/decrease in General Fund balance for the year.

2014/15			Note	2015/16		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,794	(983)	811		Net Expenditure on Council Services	1,893	(937)
84	(7)	77	Central Services to the Public	115	(12)	103
2,011	(178)	1,833	Children's Services	3,696	(130)	3,566
5,987	(2,461)	3,526	Cultural Services	6,758	(1,881)	4,877
8,670	(3,865)	4,805	Environmental and Regulatory Services	10,422	(5,071)	5,351
222	(88)	134	Planning and Development Services	135	-	135
820	(1,662)	(842)	Health	1,675	(1,859)	(184)
26,610	(24,799)	1,811	Highways, Roads and Transport	26,630	(25,258)	1,372
3,876	(1,201)	2,675	General Fund Housing Services	4,014	(1,044)	2,970
140	-	140	Corporate and Democratic Core and Other Services	-	-	-
50,214	(35,244)	14,970	Net Cost of Services	55,338	(36,192)	19,146
3,210	(1,745)	1,465	Other Operating Income and Expenditure	3,238	(585)	2,653
4,779	(4,952)	(173)	Other Operating Income and Expenditure	4,155	(4,765)	(610)
(19,710)	(19,710)	(19,710)	Financing & Investment Income and Expenditure	-	(15,896)	(15,896)
58,203	(61,651)	(3,448)	Surplus (-) / Deficit for the Provision of Services	62,731	(57,438)	5,293
572	-	572	Surplus (-) / Deficit on Revaluation of Plant, Property and Equipment	-	(3,525)	(3,525)
3,940	-	3,940	Actuarial Gains (-) / Losses on the Pension Fund	-	(3,590)	(3,590)
4,512	-	4,512	Other comprehensive income & expenditure	-	(7,115)	(7,115)
62,715	(61,651)	1,064	Total Comprehensive Income (-) and Expenditure	62,731	(64,553)	(1,822)

BALANCE SHEET

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

31st March 2015 £'000		31st March 2016 £'000
21,865	Property, Plant and Equipment (Note 11)	22,538
13,730	Investment Property (Note 12)	21,610
159	Intangible Fixed Assets (Note 13)	263
10,122	Long Term Investments (Notes 14 and 38)	10,153
21	Long-Term Debtors (Notes 14 and 16)	52
45,897	Total Long-Term Assets	54,616
17,633	Short Term Investments (Note 14)	10,030
4,513	Short Term Debtors (Note 16)	8,075
11,390	Cash & Cash Equivalents (Note 14, 17)	7,452
33,536	Total Current Assets	25,557
-	Bank Overdraft (Note 17)	(460)
(121)	Short Term Provisions (Note 19)	(255)
(6,873)	Short Term Creditors (Note 18)	(7,165)
(6,994)	Total Current Liabilities	(7,880)
(213)	Long Term Creditors (Note 18)	(223)
(5,961)	Long Term Finance Lease (Note 18)	(5,723)
(436)	Provisions (Note 19)	(986)
(39,040)	Liability related to defined benefit pension scheme (Note 36)	(36,780)
(240)	Capital Grants and Contributions Received in Advance (Note 30)	(210)
(45,890)	Total Long Term Liabilities	(43,922)
26,549	NET ASSETS	28,371
31,679	Usable Reserves (Note 20)	30,964
(5,130)	Unusable Financial Reserves (Note 21)	(2,593)
26,549	TOTAL RESERVES	28,371

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Authority as at 31st March 2016 and its Comprehensive Income and Expenditure Statement for the year then ended. These financial statements replace the unaudited statements authorised for issue on 30th June 2016.

Stuart McGregor
Interim S151 Officer

Dated 13th September 2016

CASH FLOW STATEMENT

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

2014/15 £'000	Cashflow Statement	2015/16 £'000
3,448	Net Surplus / Deficit (-) on the provision of Services	(5,293)
2,674	Adjustments to net surplus / deficit on the provision of services for non-cash movements	1,744
(732)	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	(585)
5,390	Net Cash flows from operating activities (Note 22)	(4,134)
(96)	Cash flows from investing activities (Note 23)	(32)
(227)	Cash flows from financing activities (Note 24)	(232)
5,067	Net increase / (-) decrease in cash and cash equivalents	(4,398)
6,323	Cash and cash equivalents at the start of the reporting period (Note 17)	11,390
11,390	Cash and cash equivalents at the end of the reporting period (Note 17)	6,992

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as amended in 2015, which require it 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months from the date of acquisition and that 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 Authority's cash management.

iv. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority'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.

v. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed 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 is no accumulated gain in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. 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, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is estimated for the cost of holiday entitlements 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 Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

NOTES TO THE CORE FINANCIAL STATEMENTS

Post Employment Benefits

Employees of the Authority can be members of the Local Government Pension Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the authority.

The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on AA corporate bonds.

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated

NOTES TO THE CORE FINANCIAL STATEMENTS

according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority 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.

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.
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NOTES TO THE CORE FINANCIAL STATEMENTS

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority 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.

However, the Authority has made a number of loans to voluntary organisations at less than market rates, and offers employees an interest free loan to purchase a car (soft loans). When soft loans are made, under Accounting Standards a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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. However, these soft loans are not material to the Authority's accounts and consequently the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ix. 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 Authority when there is reasonable assurance that:

- the Authority 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Non-ring fenced government grants are general grants allocated by central government directly to local authorities as additional revenue funding. These grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

x. Heritage Assets

Heritage assets are defined as those assets that are held specifically to increase the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules may be relaxed in relation to heritage assets, where no reliable market value is available. The Authority currently has no asset meeting the definition of a heritage asset.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

NOTES TO THE CORE FINANCIAL STATEMENTS

xii. Inventories

Stocks and stores held in the Council's depot and Tourist Information Centre stock at the year end are included in the balance sheet at the latest purchase price. Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiv. Interests in Companies and Other Entities

Local authorities are required to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. In order to assess whether the Council has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations and other public bodies to determine whether:

- the authority has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the authority.
- if the authority does not have control, whether its interest involves it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.
- if the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities and the following disclosures have been made:-

- interests in other entities as shown in Note 31 to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

The relationship with the body disclosed is not material and therefore there is no entity where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

This position will be reviewed and updated on an annual basis.

xv. Leases

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

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

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

The Authority 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 Authority 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 authority at the end of the lease period).

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

Operating Leases

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

NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority 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 the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP).

NOTES TO THE CORE FINANCIAL STATEMENTS

The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, 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 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 Authority 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.

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise expenditure below a de minimis of £15,000, or borrowing costs incurred whilst assets are under construction.

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

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:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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. 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 assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over the assessed useful life of the asset concerned (life between 3 and 20 years) as advised by a suitably qualified officer
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NOTES TO THE CORE FINANCIAL STATEMENTS

- infrastructure – straight-line allocation over assessed useful life of the type of asset (life between 10 and 50 years) as advised by a suitably qualified officer

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.

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

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised

had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority.

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 Authority 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 21.

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 has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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

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

xxii. 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 Authority's financial performance.

2. Accounting Standards that have been issued but have not yet been adopted

There have been a number of changes made to International Financial Reporting Standards that have not yet been adopted. However, none of the changes have a material impact on the Statement of Accounts.

3. Critical Judgements in applying accounting policies

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

Future funding for local government – Consultation is underway on changes to the Business Rates Retention Scheme, which will ultimately replace existing government grants, creating uncertainty over future levels of funding. There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Asset reclassifications – the Council has made judgements on whether assets are classified as Investment Property 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 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 accounting treatment for operating and finance leases is significantly different 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). The procurement and control of waste, streetcare and grounds maintenance vehicles have been identified as embedded leases.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or regarding other uncertainties. Estimates are made taking into account historical experience, current trends and other relevant factors. However, due to this uncertainty, there is a risk that actual results could vary from the assumptions made.

The items in the authority's balance sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows.

Item	Uncertainties	Effect if results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on several complex judgements, including the discount rate used, the rate of salary increase, changes in retirement ages, mortality rates and expected returns from pension fund assets. A firm of actuaries is engaged by the pension fund administrator to provide expert advice.	Further information on the impact of changes to assumptions can be found at note 36.
Property, Plant and Equipment	When calculating the fair value of assets, assumptions are made around useful lives, level of repairs, and the impact of the current economic climate. Changes in these assumptions may result in a material change to the depreciation charges applied.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.
Doubtful Debts Allowance	The authority has sundry debts of £4.239m (£1.467m 2014/15). and for overpaid housing benefits of £1.799m (£1.743m in 2014/15). The Authority has made allowance for doubtful debt on a sliding scale dependent on the age of debt.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the bad debt provision of £59,000 (£56,000 2014/15)
Business Rates appeal provision	The Authority is liable for 40% of all for refunds to business ratepayers who successfully appeal against the rateable value of their properties. The estimate is based on the latest list of outstanding rating list proposals provided by the Valuation Office.	The Council has provided £1,905,000 for appeals within the Collection Fund, of which the Authority's share is £762,000. A 5% change in provision would require an adjustment of £95,000.

5. Material Items of Income and Expense

During 2015/16 the Pension Scheme recorded an actuarial gain of £3.59m which is reflected in the Comprehensive Income and Expenditure Account and is mostly responsible for the decrease in the Council's pension fund liabilities of £2.26m (see Notes 22 and 36).

NOTES TO THE CORE FINANCIAL STATEMENTS

6. Adjustments between the accounting basis and funding basis under regulations

This note details the adjustment that are made, in accordance with proper accounting practice, to the total comprehensive income and expenditure recognised by the Authority in the year to the resources that are specified by statutory provisions in 2015/16:

	General Fund £'000	Capital Grants Unapplied £'000	Usable Capital Receipts £'000	Movement in unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account (Note 21)				
Charges for Depreciation and impairment of non-current assets	(842)	-	-	842
Revaluation losses on Property, Plant and Equipment	(2,692)	-	-	2,692
Impairment Losses on Property, Plant and Equipment	(84)	-	-	84
Movements in the market value of Investment Properties	615	-	-	(615)
Amortisation of Intangible Assets	(53)	-	-	53
Revenue Expenditure Financed by Capital Under Statute	(1,398)	-	-	1,398
Revenue Contributions to Capital Expenditure	251	-	-	(251)
Adjustments primarily involving Capital Grants Unapplied (Note 20)				
Capital Grants & Contributions unapplied credited to the Comprehensive Income & Expenditure Account	2,866	(2,866)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(2,388)	3,786	-	(1,398)
Adjustments primarily involving the Capital Receipts Reserve (Note 20)				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income & Expenditure Statement	585	-	(585)	-
Use of the Usable Capital Receipts Reserve to finance new capital expenditure	-	-	93	(93)
Adjustments primarily involving the Pensions Reserve (Note 21)				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Account	(3,000)	-	-	3,000
Employers' Pension Contributions and direct payments to pensioners payable in the year	1,670	-	-	(1,670)
Adjustments primarily involving the Collection Fund Adjustment Account (Note 21)				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	111	-	-	(111)
Amount by which business rates income credited to the Comprehensive Income & Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(1,000)	-	-	1,000
Total adjustments between funded and statutory basis	(5,359)	920	(492)	4,931

NOTES TO THE CORE FINANCIAL STATEMENTS

The comparative adjustments made between accounting basis and funding basis in 2014/15 are as follows:

	General Fund £'000	Capital Grants Unapplied £'000	Usable Capital Receipts £'000	Movement in unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account (Note 21)				
Charges for Depreciation and impairment of non-current assets	(625)	-	-	625
Impairment Losses on Property, Plant and Equipment	(139)	-	-	139
Movements in the market value of Investment Properties	215	-	-	(215)
Amortisation of Intangible Assets	(69)	-	-	69
Revenue Expenditure Financed by Capital Under Statute	(1,597)	-	-	1,597
Revenue Contributions to Capital Expenditure	229	-	-	(229)
Capital financing applied	-	-	48	(48)
Adjustments primarily involving Capital Grants Unapplied (Note 20)				
Capital Grants & Contributions unapplied credited to the Comprehensive Income & Expenditure Account	4,661	(4,661)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	1,551	-	(1,551)
Adjustments primarily involving the Capital Receipts Reserve (Note 20)				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income & Expenditure Statement	731	-	(731)	-
Adjustments primarily involving the Pensions Reserve (Note 21)				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Account	(2,910)	-	-	2,910
Employers' Pension Contributions and direct payments to pensioners payable in the year	1,680	-	-	(1,680)
Adjustments primarily involving the Collection Fund Adjustment Account (Note 21)				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(59)	-	-	59
Amount by which business rates income credited to the Comprehensive Income & Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	852	-	-	(852)
Total adjustments between funded and statutory basis	2,969	(3,110)	(683)	824

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Transfers to/from earmarked reserves

The Authority holds a number of specific reserves for the purpose of supporting investment in services and Capital expenditure. This note sets out the total contributions to and from specific reserves during the year. More information on the use of reserves can be found in the Explanatory Foreword, and a summary of total usable reserves can be found at Note 20.

	Opening Balance 1st April 2015 £'000	Capital Contribution £'000	Contribution to General Fund £'000	Contribution from General Fund £'000	Closing Balance 31st March 2016 £'000
Right to Buy Reserve	715	-	-	-	715
Priorities & Initiatives Reserve	219	-	(67)	313	465
Transformation Reserve	1,825	(157)	(193)	3,984	5,459
Repairs & Maintenance Reserve	1,350	(196)	(217)	211	1,148
Income & Cost Risk Reserve	2,374	-	(48)	-	2,326
Revenue Grants & Contributions Reserve	1,533	-	(739)	81	875
Service Project Support	1,457	-	(590)	-	867
Financial Sustainability Reserve	-	-	-	172	172
Total Earmarked Reserves	9,473	(353)	(1,854)	4,761	12,027

8. Other Operating Expenditure

Other Operating Income and Expenditure, as shown in the Comprehensive Income & Expenditure Account, is made up of the following items. The Collection Fund Surplus (-) / Deficit is now accounted for as part of taxation & non specific grant income in note 10, however the prior year has not been restated.

	2014/15 £'000	2015/16 £'000
Parish Council Precepts	3,032	3,061
Parish Council Support Grants	178	177
Losses on disposal of assets	-	-
Total Other Operating Expenditure	3,210	3,238
Collection Fund Surplus (-) / Deficit	(1,013)	-
Gains (-) / Losses on disposal of assets	(732)	(585)
Total Other Operating Income	(1,745)	(585)
Total Other Operating Expenditure	1,465	2,653

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure, as shown in the Comprehensive Income & Expenditure Account, is made up of the following items:

	2014/15 £'000	2015/16 £'000
Pensions Interest Expenditure	3,860	3,260
Property Investment Expenditure	855	837
Cash Investment Expenditure	64	58
Total Financing and Investment Expenditure	4,779	4,155
Pensions Interest Income	(2,440)	(2,040)
Property Investment Income	(1,611)	(1,606)
Change in the fair value of investment properties	(215)	(615)
Cash Investment Income	(686)	(504)
Total Financing and Investment Income	(4,952)	(4,765)
Total Financing and Investment Income and Expenditure	(173)	(610)

10. Taxation and non-specific grant income

Taxation and Non-Specific Grant Income, as shown in the Comprehensive Income & Expenditure Account, is detailed in the table below. The Collection Fund Surplus (-) / Deficit is now accounted for as part of taxation & non specific grant income in this note 10, however the prior year has not been restated to reflect this. Specific revenue grants received have been credited to the relevant service line in the Net Cost of Services. Specific grants are disclosed at Note 30, and Council Tax and Business Rates income are disclosed at note 3 to the Collection Fund.

	2014/15 £'000	2015/16 £'000
Revenue Support Grant	(1,906)	(1,390)
New Homes Bonus	(1,917)	(2,651)
Other Non Specific general grants	(978)	(1,009)
Council Tax Income	(9,458)	(9,561)
Collection Fund Surplus (-) / Deficit - Council Tax	-	(129)
Business Rates retention income	(610)	(1,763)
Collection Fund Surplus (-) / Deficit - Business Rates retention	-	731
Capital Grants & Contributions	(4,841)	(124)
Total Taxation & Non Specific Grant Income	(19,710)	(15,896)

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Property, plant and equipment

The table below analyses the movements in property, plant and equipment for the year. Further information on additions and enhancements to fixed assets can be found at note 32.

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Held for Sale £'000	Total Property, Plant & Equipment £'000
Gross Cost / Valuation				
As at 1st April 2015	19,618	5,818	-	25,436
Additions	482	145	-	627
Revaluation increases recognised in the Revaluation Reserve	4,085	1,170	-	5,255
Revaluation decreases recognised in the Revaluation Reserve	(281)	-	-	(281)
Revaluation decreases recognised in the Comprehensive Income and Expenditure Statement	(869)	-	-	(869)
Impairments recognised in the Revaluation Reserve	(1,810)	(1,597)	-	(3,407)
Impairments recognised in the Comprehensive Income and Expenditure Statement	(546)	-	-	(546)
Write-downs	(87)	-	-	(87)
Reclassification of Fixed Assets	140	-	-	140
Gross Cost / Valuation as at 31st March 2016	20,732	5,536	-	26,268
Accumulated Depreciation & Impairment				
As at 1st April 2015	(1,179)	(2,392)	-	(3,571)
Depreciation Charge	(360)	(482)	-	(842)
Impairment	-	-	-	-
Depreciation written out to the Revaluation Reserve	361	-	-	361
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	322	-	322
Accumulated Depreciation & Impairments at 31st March 2016	(1,178)	(2,552)	-	(3,730)
Net Book Value 31/03/2016	19,554	2,984	-	22,538
Net Book Value 31/03/2015	18,439	3,426	-	21,865

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in 2014/15:

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Held for Sale £'000	Total Property, Plant & Equipment £'000
Gross Cost / Valuation				
As at 1st April 2014	20,401	5,700	-	26,101
Additions	-	118	-	118
Revaluation increases recognised in the Revaluation Reserve	700	-	-	700
Revaluation decreases recognised in the Revaluation Reserve	(588)	-	-	(588)
Revaluation decreases recognised in the Comprehensive Income and Expenditure Statement	(832)	-	-	(832)
Reclassification of Fixed Assets	(63)	-	-	(63)
Gross Cost / Valuation as at 31st March 2015	19,618	5,818	-	25,436
Accumulated Depreciation & Impairment				
As at 1st April 2014	(1,023)	(1,937)	-	(2,960)
Depreciation Charge	(169)	(455)	-	(624)
Impairment	(139)	-	-	(139)
Depreciation written out to the Revaluation Reserve	149	-	-	149
Reclassification of Fixed assets	3	-	-	3
Accumulated Depreciation & Impairments at 31st March 2015	(1,179)	(2,392)	-	(3,571)
Net Book Value 31/03/2015	18,439	3,426	-	21,865
Net Book Value 31/03/2014	19,378	3,763	-	23,141

* There was no PFI asset included in Property, Plant and Equipment in 2014/15 or 2015/16.

Depreciation:

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

- Buildings - 30 to 50 years
- Vehicles, Plant, Furniture and Equipment - 1 to 10 years

Capital Commitments:

There were no capital commitments outstanding as at 31 March 2016.

Effects of changes in estimates:

The Authority's Accounting Policy requires the componentisation of properties valued at over £5,000,000. The purpose of componentisation is to identify the value of plant, equipment and engineering services within a building and depreciate these separately. Reconsideration of the useful lives and fair value of each component is required when an asset is subject to enhancement expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluations:

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured to fair value is revalued at least every five years. All valuations are carried out externally by the independent valuers, Vail Williams LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and the accounting policies set out in Note 1 (xvii). Valuation of vehicles, plant and equipment are based on current prices, where there is an active market, historic cost or list prices adjusted for the condition of the asset.

The following assumptions are made when undertaking valuations:

- That there are no adverse covenants, possessory titles, leases or other matters unless specifically stated
- That no latent, or patent, defect exists within the asset unless specifically stated.
- That all properties have a lawful use for the existing purpose under current law
- That all details of leases, rental income and other factual matters provided to the valuer are assumed to be correct.

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Total Property, Plant & Equipment £'000
Carried at Historic Cost	106	298	404
Valued at fair value as at			
30th March 2016	6,231	(1,597)	4,634
31st March 2015	3,291	-	3,291
31st March 2014	-	-	-
31st March 2013	3,105	988	4,093
31st March 2012	-	1,867	1,867
31st March 2011	12,577	1,869	14,446
31st March 2010	7,852	-	7,852
Total Net Cost / Valuation	33,162	3,425	36,587

Heritage Assets

Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The council does not hold any assets that meet the definition of a heritage asset.

NOTES TO THE CORE FINANCIAL STATEMENTS

12. 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. Investment property income forms part of the Council's Investment Income & Expenditure, which is detailed in note 9.

	Investment Properties 2014/15 £'000	Investment Properties 2015/16 £'000
Balance at 1st April	11,989	13,730
Additions:		
Purchase of investment property	1,466	7,405
Transfer to (-) / from Property, Plant and Equipment	60	(140)
Net Gain/(loss) on fair value adjustments	215	615
Balance at 31st March	13,730	21,610

There is no restriction on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligation to purchase, construct, develop or enhance investment property. The following table summarises the movement in the fair value of investment properties over the year:

	2014/15 £'000	2015/16 £'000
Rental Income from Investment property	(1,611)	(1,606)
Direct Operating Expenditure arising from investment property	855	837
Total direct income and expenditure	(756)	(769)
Net Revaluation gains (-) / losses on investment property	(215)	(615)
Total gain (-) / loss on investment properties	(971)	(1,384)

13. Intangible Assets

The Authority 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 include purchased licences but not internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority will be up to 10 years.

The carrying value of intangible assets is cost less any accumulated amortisation and any accumulated impairment loss. The cost is amortised on a straight-line basis and was absorbed as an overhead across all the service headings in the Net Expenditure of Services.

NOTES TO THE CORE FINANCIAL STATEMENTS

The movement on Intangible Asset balances during the year is as follows:

	2014/15 £'000	2015/16 £'000
Balance at 1st April:		
Gross Carrying Amounts	646	159
Accumulated Amortisation	(578)	-
Net Carrying Amount at start of year	68	159
Purchases	159	157
Amortisation for the period	-	(53)
Impairment	(68)	-
Net carrying amount at 31st March:	159	263

There is one item of capitalised software that is individually material to the financial statements. This is the Financial information System (Civica), which was implemented in 2015/16. The current net book value of the system is £263,000.

14. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Current 2014/15 £'000	Long Term 2014/15 £'000	Current 2015/16 £'000	Long Term 2015/16 £'000
Investments				
Cash Equivalents	11,390	-	6,992	-
Loans and Receivables	17,633	10,122	10,030	10,153
Total Investments	29,023	10,122	17,022	10,153
Debtors				
Loans and Receivables	1,468	-	3,865	-
Financial Assets carried at contracted amounts	-	21	-	52
Total Debtors	1,468	21	3,865	52
Total Financial Assets	30,491	10,143	20,887	10,205
Other Long Term Liabilities				
Finance Lease Liabilities	(232)	(5,961)	(238)	(5,723)
Total Other Long Term Liabilities	(232)	(5,961)	(238)	(5,723)
Trade Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities at contracted amounts	(4,623)	(213)	(4,882)	(223)
Total Trade Creditors	(4,623)	(213)	(4,882)	(223)
Total Financial Liabilities	(4,855)	(6,174)	(5,120)	(5,946)

NOTES TO THE CORE FINANCIAL STATEMENTS

Material soft loans

The authority makes loans for car purchases, cycle purchases and rail season tickets. The Council has also issued eco fit loans for retrofitting insulation to homes. None of these loans are considered material for the purposes of this note.

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

	2014/15	2015/16
	Financial Assets - Loans and Receivables £'000	Financial Assets - Loans and Receivables £'000
Interest expenditure	27	21
Fee Expenditure	37	37
Total Expense	64	58
Interest income (Cash)	(789)	(422)
Interest income (Accrued)	103	(82)
Total Income	(686)	(504)
Net Gain / Loss (-) for the year	(622)	(446)

Financial assets and liabilities, represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost which is not materially different from their fair value.

	31st March 2015		31st March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Cash Equivalents	11,390	11,390	6,992	6,992
Deposits exceeding 1 year	10,122	10,122	10,153	10,153
Deposits under 1 year	17,633	17,633	10,030	10,030
Total value	39,145	39,145	27,175	27,175

15. Inventories

The Council did not hold stock of a material value at 31st March 2016.

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Debtors

Long term debtors are amounts owed to the Authority that are due after 12 months or more. Current debtors are amounts due to the authority during the next financial year.

	Balance 31st March 2015 £'000	Balance 31st March 2016 £'000
Amounts falling due within one year		
Prepayments and accrued income	1,729	1,930
Government departments	-	578
HM Revenue and Customs (Value Added Tax)	246	455
Other Local Authorities	550	-
Collection Fund - EHDC	367	514
Debtors for services	1,208	4,239
Housing Benefit Debtors	1,709	1,768
Debtors due within one year	5,809	9,484
Doubtful debts allowance		
General Fund	(1,131)	(1,186)
Collection Fund	(165)	(223)
Total Debtors due within 1 year	4,513	8,075
Long Term Debtors		
Employee Car Loans	21	52
Total Long Term Debtors	21	52

17. Cash and cash equivalents

The Authority defines cash equivalents as any financial instrument that can be immediately converted into a known amount of cash, without incurring penalty. The balance of Cash and Cash Equivalents is made up of the following elements:

	Balance 1st April 2015 £'000	Movement in year £'000	Balance 31st March 2016 £'000
Cash in Hand and Bank Balance	1	14	15
Investments repayable within three months	11,389	(3,952)	7,437
Total Cash Equivalents	11,390	(3,938)	7,452
Bank Overdraft	-	(460)	(460)
Total Cash and Cash Equivalents	11,390	(4,398)	6,992

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Creditors

Creditors are amounts owed by the Authority.

	Balance 31st March 2015 £'000	Balance 31st March 2016 £'000
Amounts falling due within one year		
Accruals and income in advance	2,944	2,929
Government departments	1,111	-
Her Majesty's Revenues and Customs (Income Tax)	215	233
Other Local Authorities	667	1,304
Collection Fund - EHDC	200	554
Council Tax balance due from precepting authorities	189	701
Business rates balance due from Govt and precepting authorities	1,003	790
Creditors for goods and services	312	416
Short Term Finance Lease Capital Liability	232	238
Total Creditors payable within 1 Year	6,873	7,165
Amounts falling due over one year		
Deferred liabilities	213	223
Finance Lease - Long Term Liabilities (Note 33)	5,961	5,723
Total Creditors payable after 1 year	6,174	5,946

19. Provisions

Provisions at 31 March 2016 represent amounts set aside for the purpose of providing for liabilities, which are likely or certain to be incurred but are uncertain as to the amount or the date on which they will arise.

	Developer contribution inflation £'000	Land Charges £'000	Municipal Mutual Insurance £'000	Damage Deposits £'000	Business Rates Appeals Provision £'000	Total £'000
Balance as at 1st April 2015	-	121	130	104	202	557
Additional Provisions	246	-	-	-	1,703	1,949
Amounts used	-	(118)	-	-	(1,144)	(1,262)
Unused amounts reversed	-	(3)	-	-	-	(3)
Balance as at 31st March 2016	246	-	130	104	761	1,241
Under one year	246	-	9	-	-	255
One year and over	-	-	121	104	761	986
Balance as at 31 March 2016	246	-	130	104	761	1,241

NOTES TO THE CORE FINANCIAL STATEMENTS

Business Rates Appeals Provision

Businesses in the East Hampshire District Council area are entitled to appeal against the rating valuation of their property. The Council bears 40% of the cost of business rates appeals. The provision is created on the basis of known appeals that have yet to be settled.

Municipal Mutual Insurance

Municipal Mutual Insurance (MMI) was a local authority owned mutual providing insurance to the Council which ceased business in 1992. However, MMI is still liable for certain insurance claims which, if not covered by MMI's remaining assets, will be apportioned between the member authorities. A Supreme Court ruling in March 2012 gave certainty that MMI will incur full liability for Mesothelioma claims, significantly increasing the likelihood that costs will be incurred by the Council. The latest estimate of potential liability is £130,000 and a provision has been created to ensure the council can meet this liability.

Damage Deposits

In order to meet statutory obligations for reducing homelessness, the Council will guarantee damage deposits on behalf of tenants moving into privately rented accommodation where certain criteria are met. The Council holds provision against damage deposits in order to undertake that guarantee.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Usable reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement, Note 7 for specific reserves and note 30 for capital grants & contributions.

Reserve	Description	Balance 1st April 2015 £'000	Net Movement £'000	Balance 31st March 2016 £'000	Note
Usable Capital Receipts	Capital Receipts from fixed asset sales, available for future capital expenditure.	4,481	492	4,973	MIRS
General Fund	Resources available to meet future service costs.	6,692	(2,841)	3,851	MIRS
Earmarked Reserves	Specific reserves created to meet future liabilities.	9,473	2,554	12,027	MIRS, Note 7
Capital Grants and Contributions unapplied	Grants and contributions received but not yet spent, where no restrictions exist or where restrictions have been met.	11,033	(920)	10,113	MIRS, Note 30
Total Usable Reserves		31,679	(715)	30,964	

21. Unusable reserves

Unusable reserves represent reserves that hold unrealised gains and losses, (for example, where amounts would only become available to provide services if assets are sold) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The table below summarises the Authority's unusable reserves.

	2014/15 £'000	2015/16 £'000
Revaluation Reserve	7,382	10,646
Capital Adjustment Account	26,114	24,016
Pension Reserve	(39,040)	(36,780)
Collection Fund Adjustment Account	497	(392)
Accumulated Absences Account	(83)	(83)
Total Unusable Reserves	(5,130)	(2,593)

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation reserve:

The revaluation reserve contains the gains made by the Authority 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 gain is 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 of the Capital Adjustment Account.

	31 March 2015		31 March 2016	
	£000	£000	£000	£000
Balance outstanding at start of year		7,701		7,382
Upward revaluation of assets	848		5,619	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(588)		(2,094)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		260		3,525
Accumulated gains on assets sold or scrapped		(506)		-
Difference between fair value depreciation and historical cost depreciation		(73)		(261)
Balance outstanding at end of year		7,382		10,646

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority 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 Authority.

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.

	2014/15 £'000	2015/16 £'000
Balance as at 1st April	26,481	26,114
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of non current assets	(625)	(842)
Charges for impairment of non current assets	(139)	(84)
Revaluation losses on Property, Plant and Equipment	(832)	(2,692)
Amortisation of intangible assets	(69)	(53)
Revenue Expenditure funded from Capital under Statute	(1,597)	(1,398)
Adjusting amounts written out of the Revaluation Reserve	579	261
Net written out amount of the cost of non current assets consumed in the year.	(2,683)	(4,808)
Capital Financing applied in the year		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	48	93
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,553	1,398
Application of revenue and reserve funding to capital financing	500	604
Movements in the market value of Investment Properties credited or debited to the Comprehensive Income and Expenditure Statement	215	615
Total Capital Financing applied	2,316	2,710
Balance as at 31st March	26,114	24,016

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority 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 Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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. Further information on the Council's pension scheme can be found at Note 36.

	2014/15 £'000	2015/16 £'000
Balance as at 1st April	(33,870)	(39,040)
Actuarial gains or losses on the pension assets or liabilities	(3,940)	3,590
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,910)	(3,000)
Employers' pension contributions and direct payments to pensioners payable in the year	1,680	1,670
Balance as at 31st March	(39,040)	(36,780)

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. The balance on the account represents East Hampshire District Council's share of the Collection Fund deficit carried forward.

	2014/15 £'000	2015/16 £'000
Balance as at 1st April	(296)	497
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(59)	111
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business rates income calculated for the year in accordance with statutory requirements	852	(1,000)
Balance as at 31st March	497	(392)

NOTES TO THE CORE FINANCIAL STATEMENTS

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, such as annual leave entitlements carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

	2014/15 £'000	2015/16 £'000
Balance as at 1st April	(83)	(83)
Settlement or cancellation of accrual made at the end of the preceding year	83	83
Amounts accrued at the end of the current year	(83)	(83)
Balance as at 31st March	(83)	(83)

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Net cash flow from operating activities

The cash flows for operating activities, shown in the cashflow statement, include the following items:

	2014/15 £'000	2015/16 £'000
Net Surplus / (-) Deficit on the Provision of Services	3,448	(5,293)
Adjustments to net surplus / deficit on the provision of services for non-cash movements		
Depreciation and amortisation of fixed assets	625	895
Impairment and downward revaluations	208	2,776
Increase / (-) Decrease in short term creditors	1,653	292
Increase / (-) Decrease in long term creditors	-	10
Increase / (-) Decrease in short term debtors	302	(3,562)
Increase (-) / Decrease in long term debtors	25	(31)
Increase (-) / Decrease in stock	-	-
Difference between pension contributions paid and amounts recognised in the income statement	1,230	1,330
Increase / (-) Decrease in provisions	(435)	684
Movements in value of investment properties	(215)	615
Other non cash adjustments	93	(88)
Revenue Contributions to Capital	229	251
Collection Fund surplus (-) / deficit	(1,013)	-
Capital grants applied to capital financing	-	(1,398)
Capital grants & contributions in advance	(28)	(30)
Total non-cash adjustments	2,674	1,744
Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities		
Profit (-) / Loss on disposal of fixed assets	(732)	(585)
Total Operating Activities	5,390	(4,134)

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Net cash flow from investing activities

The cashflows for investing activities, shown in the Cash Flow Statement, include the following items:

	2014/15 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(1,466)	(8,189)
Net Purchase (-) / Disposal of short term and long term investments	638	7,572
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	732	585
Net cash flows from investing activities	(96)	(32)

24. Net cash flow from financing activities

The cashflows for financing activities, shown in the Cashflow Statement, include the following items:

	2014/15 £'000	2015/16 £'000
Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	(227)	(232)
Net cash flows from financing activities	(227)	(232)

25. Amounts reported for resource allocation decisions

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

- no charge is made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- Expenditure on some support services is based on cashflows and not charged across the service clusters.
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- income and expenditure from investment properties is included in Governance and Logistics but has been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

NOTES TO THE CORE FINANCIAL STATEMENTS

The income and expenditure of the Authority's service clusters are recorded in the budget reports for the year as follows:

Service Head Income & Expenditure	Executive	Environment & Communities	Refuse & Grounds	Governance & Logistics	Marketing & Development	Planning & Economy	Offices & Facilities	Whitehill & Bordon Eco Town	Total
Total Income	-	(2,584)	(1,009)	(25,277)	(102)	(2,445)	(57)	-	(31,474)
Employee Expenses	608	2,055	497	3,045	916	2,592	319	637	10,669
Other Service Expenses	37	2,182	3,701	26,101	1,236	1,156	661	41	35,115
Total Expenditure	645	4,237	4,198	29,146	2,152	3,748	980	678	45,784
Net Expenditure	645	1,653	3,189	3,869	2,050	1,303	923	678	14,310

The income and expenditure of the Authority's service clusters are recorded in the budget reports for the prior year as follows:

Service Head Income & Expenditure	Executive	Economy & Communities	Environment and Neighbourhood Quality	Governance & Logistics	Marketing & Development	Planning and Built Environment	Whitehill & Bordon Eco Town	Total
Total Income	-	(2,092)	(1,576)	(25,690)	(85)	(2,776)	-	(32,219)
Employee Expenses	579	1,175	1,582	3,367	1,296	2,150	534	10,683
Other Service Expenses	18	2,082	3,319	26,081	1,448	1,165	372	34,485
Total Expenditure	597	3,257	4,901	29,448	2,744	3,315	906	45,168
Net Expenditure	597	1,165	3,325	3,758	2,659	539	906	12,949

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of Service Head Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows show the figures in the analysis of Service Head income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £'000	2015/16 £'000
Net expenditure in the Service Clusters analysis	12,949	14,310
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	2,021	4,836
Cost of Services in the Comprehensive Income and Expenditure Statement	14,970	19,146

Reconciliation to Subjective Analysis

These reconciliations show how the figures in the analysis of Service Head income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement for 2015/16 and 2014/15.

	Service Cluster Analysis	Amounts not reported to management in the analysis	Total
Total Income	(31,474)	-	(31,474)
Employee Expenses	10,669	-	10,669
Other Service Expenses	35,115	-	35,115
Accounting Adjustments:			
Depreciation, Amortisation and Impairment	-	275	275
Revaluation Losses	-	2,634	2,634
Grants & Contributions Received	-	166	166
Revenue Expenditure funded by Capital under Statute	-	1,398	1,398
Investment property costs	-	-	-
IAS19 Pension Adjustment	-	110	110
Finance Leases	-	253	253
Other Operating Expenditure (Note 8)	-	2,653	2,653
Financing and Investment Income and Expenditure (Note 9)	-	(610)	(610)
Taxation and non Specific Grant Income (Note 10)	-	(15,896)	(15,896)
Total Net Expenditure	45,784	(9,021)	36,753
Surplus or Deficit on the Provision of Services	14,310	(9,021)	5,293

NOTES TO THE CORE FINANCIAL STATEMENTS

The reconciliation for 2014/15 is shown below:

	Service Cluster Analysis	Amounts not reported to management in the analysis	Total
Total Income	(32,219)	-	(32,219)
Employee Expenses	10,683	-	10,683
Other Service Expenses	34,485	-	34,485
Accounting Adjustments:			
Depreciation, Amortisation and Impairment	-	899	899
Revaluation Losses	-	-	-
Grants & Contributions Received	-	(1,840)	(1,840)
Grants in Advance Applied	-	1,946	1,946
Revenue Expenditure funded by Capital under Statute	-	1,597	1,597
Investment property costs	-	(59)	(59)
IAS19 Pension Adjustment	-	(200)	(200)
Finance Leases	-	(245)	(245)
Accrual revisions	-	(77)	(77)
Other Operating Expenditure (Note 8)	-	1,465	1,465
Financing and Investment Income and Expenditure (Note 9)	-	(173)	(173)
Taxation and non Specific Grant Income (Note 10)	-	(19,710)	(19,710)
Total Net Expenditure	45,168	(16,397)	28,771
Surplus or Deficit on the Provision of Services	12,949	(16,397)	(3,448)

26. Agency services

Agency Services are services that the authority provides on behalf of another organisation. The Authority acts as an agent for the collection of Council Tax and Business Rates as an agent for major precepting bodies and Central Government. Income and Expenditure relating to these arrangements are disclosed within the Collection Fund outturn. The Authority acts as an agent for the South Downs National Park for certain planning services. The Authority also acts as an agent on behalf of Central Government for the payment of Housing Benefit. The cost of providing Housing Benefit is met from subsidy paid by Government.

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Members' Allowances

Members Allowances consist of a Basic Allowance for all Councillors of £4,500 and a Special Responsibility allowance, dependent on the Councillor's role in the authority. The Authority paid the following amounts to members of the council during the year.

	2014/15 £'000	2015/16 £'000
Basic Allowances	198	197
Special Responsibility Allowances	90	85
Expenses	17	11
Total	305	293

28. Officers' Remuneration

The remuneration paid to the Authority's senior employees is disclosed in the table below. A senior employee is defined as an officer who earns a salary of more than £150,000 per annum, or is the designated head of the paid service, or is a statutory chief officer, or is any person having responsibility for the strategic management of the council, to the extent that the officer has power to direct or control the major activities of the council, in particular activities involving the expenditure of money, whether solely or collectively with other officers. The contribution rate for pensions is 13.1% of pensionable pay plus an additional monetary amount relating to all scheme members of £509,700 in 2015/16 (£468,500 in 2014/15). East Hampshire District Council shares its senior employees with Havant Borough Council.

Post Holder information	Year	Salary, fees and allowances £	Payments for loss of employment £	Employers' pension contributions £	Net cost to Havant Borough Council £	Net cost to East Hampshire District Council £
Chief Executive	2015/16	130,066	-	17,019	73,542	73,542
	2014/15	128,144	-	16,787	72,466	72,466
Executive Director	2015/16	99,663	-	12,818	56,240	56,240
	2014/15	93,289	-	12,221	52,755	52,755
Executive Director	2015/16	98,298	-	12,639	55,469	55,469
	2014/15	95,227	-	12,462	53,845	53,845
Project Director - Whitehill & Bordon	2015/16	91,373	-	12,045	-	103,418
	2014/15	76,886	-	10,072	-	86,958
Executive Head (Environmental Services)	2015/16	71,536	-	9,371	40,454	40,454
	2014/15	10,984	-	1,439	6,212	6,212
Executive Head (Community)	2015/16	71,536	-	9,371	40,454	40,454
	2014/15	76,886	-	10,072	43,479	43,479
Executive Head (Economy & Planning)	2015/16	71,536	-	9,371	40,454	40,454
	2014/15	76,886	-	10,072	43,479	43,479
Executive Head (Governance and Logistics)	2015/16	71,536	-	9,371	40,454	40,454
	2014/15	76,961	-	10,072	43,517	43,517
Total cost of senior officers - 2015/16					347,066	450,485
Total cost of senior officers - 2014/15					315,751	402,709

NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Salary band	Number of Employees 2014/15		Number of Employees 2015/16	
	Including redundancy	Excluding redundancy	Including redundancy	Excluding redundancy
£115,000 to £120,000	-	-	1	-
£95,000 to £100,000	1	-	-	-
£80,000 to £85,000	1	-	-	-
£75,000 to £80,000	-	-	1	1
£60,000 to £65,000	-	-	4	5
£55,000 to £60,000	8	10	12	12
£50,000 to £55,000	-	-	5	5

The numbers of exit packages with total cost per band are set out in the table below. Further information on exit packages is given at Note 35.

Cost band	Number of compulsory redundancies		Number of other departures agreed		Total cost of exit packages £	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	-	-	-	-	-	-
£20,001 - £40,000	3	1	-	-	60,845	2,693
£40,001 - £60,000	1	1	1	-	176,213	58,270
Total	4	2	1	-	237,058	60,963

East Hampshire District Council received £29,135 from Havant Borough Council as a contribution to the redundancy costs of officers employed by East Hampshire District Council resulting from restructuring in 2015/2016 (£14,555 for 2014/2015). No contributions were paid to Havant Borough Council in respect of redundancy in 2015/2016 (£4,833 in 2014/2015).

NOTES TO THE CORE FINANCIAL STATEMENTS

29. External audit costs

The Authority 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 Authority's external auditors:

	2014/15 £'000	2015/16 £'000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed Auditor	59	45
Fees payable to Ernst & Young for the certification of grant claims and returns	16	9
Fees payable in respect of other services provided by the appointed Auditor	-	-
Total	75	54

30. Grant Income

The Authority credited the following grants, subsidies and contributions to the Comprehensive Income and Expenditure Statement in 2015/16. This note expands on the information given at note 10.

	2014/15 £'000	2015/16 £'000
Credited to Services		
Council Tax Support Scheme Subsidy	82	71
European Election Settlement grant	-	91
Fraud & Error Reduction Incentive scheme	-	12
Housing Benefits Subsidy	23,708	23,705
Housing Benefits Subsidy - Discretionary Housing payments	-	88
Housing Benefit Administration Grant	369	327
Housing Benefit Rent Rebate Subsidy	10	14
Homes and Communities Association Contribution to Alton Sports Centre feasibility study	104	-
Individual Electoral Registration Cabinet Office funding	66	-
Land Charges compensation grant	-	99
Local Authority Data Sharing and Real Time Information grant	-	21
Neighbourhood Planning Grants	35	45
Non Domestic Rates Cost of Collection Subsidy	152	152
Right to Move funding grant	-	3
Single Fraud Investigation Service	-	6
Welfare Reform Grant	-	45
Total	24,526	24,679

NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority also credited the following general grants and contributions to the Comprehensive Income and Expenditure Statement, as outlined in note 10:

	2014/15 £'000	2015/16 £'000
Credited to taxation and non specific grant income		
Additional Burdens Grant - Assets of Community Value	8	-
Additional Burdens Grant - Business Rates 2% cap	23	-
Additional Burdens Grant - Community Right to Challenge	8	-
Additional Burdens Grant - Council Tax Support Scheme	67	17
Additional Burdens Grant - Efficiency & Transformation	12	-
Additional Burdens Grant - Transparency	6	8
Additional Burdens Grant - Reoccupation Relief	5	6
Additional Burdens grant - Repair & Renew Administration	1	1
Additional Burdens grant - Retail Relief	219	332
Additional Burdens Grant - Second Property Relief	4	14
Additional Burdens Grant - Small Business Rates Relief scheme	501	535
Additional Burdens Grant - Smoke and Fire Alarms	-	1
Business Rates Main Programme Grant	20	-
Business Rates Transitional Relief	-	7
Community Advice & Support Grant	5	-
Council Tax Freeze Grant	69	69
Council Tax Family Annex Grant	7	18
Letting Agents T&R Scheme	-	1
New Homes Bonus Grant	1,917	2,645
New Homes Bonus redistribution Grant	6	6
Revenue Support Grant	1,906	1,390
Severe Weather Recovery Grant	17	-
Total General Grants	4,801	5,050
Capital Grants & Contributions		
Disabled Facilities Capital Grant	538	-
Housing Capacity Grant	-	124
Green Deal Funding Grant	2,945	-
Large Scale Sites resources Grant	562	-
Private Sector Contribution to Quebeck Barracks refurbishment	725	-
Decc Heat networks funding grant	71	-
Total Capital Grants & Contributions	4,841	124

The Authority has received a number of contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the contributors. These are referred to as Capital Grants and Contributions in Advance. The Authority also holds grants, contributions and donations that have been recognised as income but have not yet been applied to expenditure. These are known as capital grants & contributions unapplied. The table below outlines the movements in such grants.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £'000	2015/16 £'000
Capital Grants and Contributions Unapplied		
Disabled Facilities Grant	40	90
Department for Environment and Climate Change Grant	26	26
Low Carbon Challenge Retrofitting recycled fund	81	111
Whitehill and Bordon Eco Town Grant	863	449
Homes and Communities Association Contribution to Quebec Barracks Refurbishment	647	128
Developers' Contributions with no restrictions outstanding	5,635	7,451
Partnership for Urban South East Hampshire housing loans contribution	41	41
IER Funding	93	93
Green Deal Funding Grant	2,812	1,600
Quebec Private Sector Contributions	725	-
HEAT Networks Delivery funding	70	-
Housing Capacity Grant	-	124
Total Capital Grants and Contributions Unapplied	11,033	10,113
Capital Grants and Contributions in advance		
Developers' Contributions with restrictions outstanding	105	105
Low Carbon Challenge Retrofitting contributions	135	105
Total Capital Grants and Contributions in advance	240	210

31. Related Parties

The Authority 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 Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are detailed in Note 30.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 27. During 2015/16, no works or services were commissioned from companies in which Members had an interest. Grants totalling £11,000 were awarded to organisations in which Members were on the governing body (2014/15 £86,000). The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members Interests are available for public inspection.

NOTES TO THE CORE FINANCIAL STATEMENTS

Officers

There was no known material related party transaction with officers for 2015/16 or for 2014/15.

A Joint Management structure is established with Havant Borough Council. Details of the transactions with Havant Borough Council can be found in Note 28 Officers' remuneration.

32. 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 Authority, the expenditure results in an increase in the Prudential Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	1,035	1,239
Total Capital Expenditure		
Property, Plant and Equipment	118	627
Investment Properties	1,466	7,405
Intangible Assets	159	157
Revenue Expenditure funded from Capital under Statute	1,597	1,398
Total to finance from capital resources	3,340	9,587
Method of Finance		
Usable Capital Receipts	(48)	(93)
Specific Capital Grants	(498)	(553)
Capital Contributions	(1,055)	(845)
Sums set aside from Revenue	(500)	(604)
	(2,101)	(2,095)
Closing Capital Financing Requirement	2,274	8,731
Explanation of Movements in Year		
Increase in Capital Financing Requirement	1,466	7,724
Finance Lease capital repayment	(227)	(232)
Increase in Capital Financing Requirement	1,239	7,492

NOTES TO THE CORE FINANCIAL STATEMENTS

33. Leases

Authority as Lessee

The Authority may enter into lease arrangements to obtain assets used to provide services as an alternative to purchasing. Additionally, the Authority also leases out assets, for example, to community organisations. Lease arrangements may be finance or operating leases. The purpose of this note is to disclose the nature and extent of the Authority's leasing obligations.

Lease Classifications

Leases are classified either as finance leases or operating leases. A finance lease is an arrangement where substantially all of the risks and rewards that are incidental to ownership of the asset, transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risk and rewards are classified as operating leases. Where an arrangement includes both land and buildings, the land and buildings element are considered separately for classification and leases of land are generally considered to be operating leases.

Authority as Lessee: Finance Leases

The Authority entered into a lease with Liverpool Victoria in the late 1970s. Under the arrangement, the Authority leased land at Woolmer Way, Bordon to Liverpool Victoria, who built industrial units on the site and leased the land and buildings back to the Authority. The lease has subsequently transferred to the current lessor, K. S Hampshire. The buildings element of this lease is considered to be a Finance Lease under International Financial Reporting Standards adopted in 2010/11.

The Authority has jointly procured the provision of Environmental Services with Winchester City Council. The contract arrangements include an embedded lease within the contract for the provision of vehicles, specifically refuse freighters for the collection of refuse and recycling, and vehicles used in the provision of grass cutting and street maintenance. The embedded leases have been classified as finance leases.

The assets acquired under these leases are carried as Investment Properties and Plant & Equipment in the Balance Sheet (notes 11 and 12) at the following net amounts:

	2014/15 £'000	2015/16 £'000
Investment Property	-	-
Vehicles, Plant & Equipment	908	607
Total	908	607

NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the property acquired by the Authority, and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2015	31st March 2016
	£'000	£'000
Net Present Value of Minimum Lease Payments		
Current Liability (including finance costs)	551	550
Long Term Liability	5,959	5,722
Finance Costs payable in future years	3,117	2,978
Total Minimum Lease payments	9,627	9,250

The minimum lease payments will be payable over the following periods. The minimum lease payments do not include rents that are contingent on events taking place over time (such as periodic rent reviews).

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/15	31/03/16	31/03/15	31/03/16
	£'000	£'000	£'000	£'000
Up to 1 year	376	376	225	230
1 year to 5 years	1,514	1,269	860	632
Over 5 years	7,736	7,605	5,101	5,091
Total	9,626	9,250	6,186	5,953

The Authority sublets individual units held under the investment property finance lease. The total minimum lease payments receivable under non cancellable subleases was £2.7m at 31st March 2016 (£2.651m at 31st March 2015).

Authority as Lessee: Operating Leases

The authority has also acquired a number of assets under operating lease arrangements. Examples include buildings and equipment. Future minimum lease payments of £75,000 are due under non cancellable leases. No assets were subleased.

NOTES TO THE CORE FINANCIAL STATEMENTS

Minimum Lease Payments under Operating Leases	31st March 2015 £'000	31st March 2016 £'000
Up to 1 year	25	21
1 year to 5 years	46	25
Over 5 years	4	3
Total	75	49

Expenditure on operating leases was charged to the following service areas in the Comprehensive Income & Expenditure Statement:

Service Heading	31st March 2015 £'000	31st March 2016 £'000
Highways, Roads and Transport	15	11
Planning and Development	10	10
Housing Services (General Fund)	-	-
Total	25	21

Authority as Lessor: Finance Leases

The Authority does not lease any of its assets under a finance lease arrangement.

Authority as Lessor: Operating Leases

The Authority leases land and property under operating leases for the following purposes:

- For the provision of community services including sports facilities, community centres and village halls.
- For economic development purposes, to provide affordable retail accommodation for local business.
- To provide allotment space for local residents.

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

	31st March 2015 £'000	31st March 2016 £'000
Up to 1 year	518	696
1 year to 5 years	1,838	2,595
Over 5 years	7,529	8,092
Total	9,885	11,383

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Impairment losses

The valuations for 2015/16 resulted in a significant reduction in the net book value of Alton Sports Centre as the asset is approaching the end of its life. Impairment losses were recognised in 2014/15 in respect of the Council's Finance system.

35. Termination Benefits

The Authority terminated the contracts of two employees in 2015/16, incurring liabilities of £60,963 (five employees totalling £237,058 in 2014/15), in the form of compensation for loss of office. No enhancements to pension benefits were paid in 2015/16 (£132,346 in 2014/15).

36. Defined benefit pension schemes

The disclosures below relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme (the "LGPS"). The LGPS is a funded defined benefit plan, with benefits earned up to 31st March 2014 being linked to final salary. Benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007. The funded nature of the LGPS requires East Hampshire District Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets. Information on the framework for calculating contributions is set out in LGPS regulations 2013 and the Fund's Funding Strategy Statement. The contributions to be paid until the date of the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment certificate. The Fund Administering Authority, Hampshire County Council, is responsible for governance of the Fund.

The Employer's regular contributions to the Fund for the accounting period to 31st March 2016 are estimated to be £1.47m. Additional contributions may become due in respect of any employer discretions to enhance member benefits in the Fund over the next accounting period. The latest actuarial valuation of East Hampshire District Council's liabilities took place on 31st March 2013. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuations of the Fund for IAS19 purposes were:

Financial Assumptions	31st March 2014	31st March 2015	31st March 2016
Discount rate	4.3% pa	3.2% pa	3.4% pa
RPI Inflation	3.3% pa	2.9% pa	2.9% pa
CPI Inflation	2.3% pa	1.8% pa	1.8% pa
Pension Increases	2.3% pa	1.8% pa	1.8% pa
Pension Accounts revaluation rate	n/a	1.8% pa	1.8% pa
Rate of general increase of salaries	3.8% pa	3.3% pa	3.3% pa

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

NOTES TO THE CORE FINANCIAL STATEMENTS

Post Retirement Mortality	31st March 2015	31st March 2016
Male		
Member aged 65 at accounting date	24.5	24.6
Member aged 45 at accounting date	26.6	26.7
Female		
Member aged 65 at accounting date	26.3	26.4
Member aged 45 at accounting date	28.6	28.7

Expected Return on Assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below.

	Asset split as at 31/3/2015 (%)	Asset split as at 31/3/2016		
		Quoted (%)	Unquoted (%)	Total (%)
Equities	57.8	52.9	3.4	56.3
Property	8.0	0.9	7.3	8.2
Government Bonds	25.4	25.7	0.0	25.7
Corporate Bonds	1.6	2.0	0.1	2.1
Cash	3.7	4.7	0.0	4.7
Other**	3.5	-0.2	3.2	3.0
Total	100.0	86.0	14.0	100.0

Reconciliation of funded status to the Balance Sheet

	Value as at 31st March 2014		Value as at 31st March 2015		Value as at 31st March 2016	
	Funded £m	Unfunded £m	Funded £m	Unfunded £m	Funded £m	Unfunded £m
Fair value of assets	57.34	-	64.44	-	63.91	
Present value of defined benefit obligation	(88.00)	(3.21)	(100.19)	(3.29)	(97.62)	(3.07)
Funded status	(30.66)	(3.21)	(35.75)	(3.29)	(33.71)	(3.07)
Impact of minimum funding requirement / asset ceiling	-	-	-	-	-	-
Asset / (liability) recognised on the balance sheet	(30.66)	(3.21)	(35.75)	(3.29)	(33.71)	(3.07)

NOTES TO THE CORE FINANCIAL STATEMENTS

Breakdown of amounts recognised in the Surplus or Deficit on the Provision of Services and Other Comprehensive Income:

	Period Ending 31st March 2015 £m		Period Ending 31st March 2016 £m	
	Funded	Unfunded	Funded	Unfunded
Operating Costs				
Current Service Cost (including allowance for cost of collection of £0.02m)	1.35	-	1.78	-
Past Service Costs (including curtailments)	0.14	-	-	-
Financing Costs				
Interest on net defined benefit liability / (asset)	1.29	0.13	1.12	0.10
Pension expense recognised in Income & Expenditure	2.78	0.13	2.90	0.10
Remeasurements in Other Comprehensive Income				
Return on plan assets (in excess of) / below that recognised in net interest	(5.71)	-	1.12	-
Actuarial (gains) / losses due to changes in financial assumptions	10.07	0.19	(3.53)	(0.06)
Actuarial (gains) / losses due to changes in demographic assumptions	-	-	-	-
Actuarial (gains) / losses due to liability experience	(0.58)	(0.03)	(1.06)	(0.06)
Total amount recognised in Other Comprehensive Income	3.78	0.16	(3.47)	(0.12)
Total amount recognised	6.56	0.29	(0.57)	(0.02)

Changes to the Present Value of defined benefit obligation during the accounting period

This table reconciles the movement in the overall pension liability for the year.

	Period Ending 31st March 2015 £m		Period Ending 31st March 2016 £m	
	Funded	Unfunded	Funded	Unfunded
Opening defined benefit obligation	88.00	3.21	100.19	3.29
Current service cost	1.35	-	1.78	-
Interest expense on defined benefit obligation	3.73	0.13	3.16	0.10
Contributions by Participants	0.47	-	0.53	-
Actuarial Gains (-) / Losses - financial assumptions	10.07	0.19	(3.53)	(0.06)
Actuarial Gains (-) / Losses - demographic assumptions	-	-	-	-
Actuarial Gains (-) / Losses - experience	(0.58)	(0.03)	(1.06)	(0.06)
Net Benefits Paid out	(2.99)	(0.21)	(3.45)	(0.20)
Past Service Cost	0.14	-	-	-
Closing defined benefit obligations	100.19	3.29	97.62	3.07

NOTES TO THE CORE FINANCIAL STATEMENTS

Changes to the Fair Value of Assets during the Accounting Period

This table reconciles the movement in the fair value of pension assets for the year.

	Period Ending 31st March 2015 £m		Period Ending 31st March 2016 £m	
	Funded	Unfunded	Funded	Unfunded
Opening Fair Value of Assets	57.34	-	64.44	-
Expected return on Assets	2.44	-	2.04	-
Actuarial Gains / (-) Losses on assets	5.71	-	(1.12)	-
Contributions by the Employer	1.47	0.21	1.47	0.20
Contributions by Participants	0.47	-	0.53	-
Net Benefits Paid out*	(2.99)	(0.21)	(3.45)	(0.20)
Closing Fair Value of Assets	64.44	-	63.91	-

* Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Actual Return on Assets

This table shows the total return on pension fund assets. This includes the impact of any changes in assumptions made by the actuary.

	Period Ending 31st March 2015 £m	Period Ending 31st March 2016 £m
Interest income on Assets	2.44	2.04
Actuarial Gains / (-) Losses	5.71	-1.12
Actual Return on Assets	8.15	0.92

NOTES TO THE CORE FINANCIAL STATEMENTS

Sensitivity Analysis

The results shown in the Accounts are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2016 and the projected service cost for the year ending 31st March 2017 is set out below. In each case, the only assumption mentioned is altered; all other assumptions remain the same. Sensitivity on unfunded benefits are excluded on grounds of materiality.

Funded LGPS Benefits	+0.1% pa	Base Figure	-0.1% pa
Discount rate assumptions			
Present value of total obligation (£m)	95.92	97.62	99.35
% change in present value of total obligation	-1.70%		1.80%
Projected service costs (£m)	1.66	1.72	1.78
Approximate % change in service cost	-3.30%		3.40%
Rate of general increases in salaries			
Present value of total obligation (£m)	97.92	97.62	97.33
% change in present value of total obligation	0.30%		-0.30%
Projected service costs (£m)	1.72	1.72	1.72
Approximate % change in service cost	0.00%		0.00%
Rate of general increases in pensions in payment			
Present value of total obligation (£m)	99.05	97.62	95.13
% change in present value of total obligation	1.50%		-1.40%
Projected service costs (£m)	1.78	1.72	1.66
Approximate % change in service cost	3.40%		-3.30%
Post retirement mortality assumptions			
	+1 Year	Base Figure	-1 Year
Present value of total obligation (£m)	100.10	97.62	95.13
% change in present value of total obligation	2.50%		-2.50%
Projected service costs (£m)	1.78	1.72	1.66
Approximate % change in service cost	3.40%		-3.40%

NOTES TO THE CORE FINANCIAL STATEMENTS

Estimated Surplus or Deficit on the Provision of Services in 2016/17

Estimates of charges to the Comprehensive Income and Expenditure Account in future periods are based on assumptions in place as at 31st March 2017.

	2016/17	
	Funded £m	Unfunded £m
Projected Service Cost	1.72	-
Past Service Costs	-	-
Net interest on the net defined liability / (asset)	1.12	0.10
Total	2.84	0.10

Pension costs in future periods

The pension costs shown in the next accounting period's accounts will be different to that shown above. Although it is not possible to give a reliable indication of the impact, the figures shown are subject to change. Reasons why the pension cost may change include:

1. Actual increase in payroll being different to that used in the calculations. The projected payroll figure of £7.37m (£6.86m in 2014/15) has been estimated from the implied payroll over the accounting period. A difference in payroll will particularly affect current service costs.
2. Past service costs may not be zero. (These costs result from benefit augmentations or early retirements before age 60 or on the grounds of efficiency).
3. Curtailment / settlement events may occur (for example, outsourcing, redundancy exercises, or bulk transfers)
4. Actual cash flows over the next accounting period may differ from those assumed.

37. Contingent liabilities and contingent assets

At 31 March 2016 the authority has the following material contingent liabilities:

The Council has made an estimate of known Business Rates appeals (note 19 refers). However, the Council has based its estimate on known appeals as at 31st March 2016. The Council is unable to make a reliable estimate of potential appeals, but recognises that there is a risk to the Council arising from future appeals.

There were no contingent assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

38. Nature and extent of risks arising from financial instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central finance team, under policies approved by the council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down within the Strategy. The Strategy also imposes a maximum sum to be invested with any given financial institution for periods in excess of 12 months.

The Authority also receives income from Council Tax, Business Rates and Housing Benefit overpayments. These are statutory debts, and while every effort is made to collect this income, the Council cannot choose who its counterparties are.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £5m 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. Risks relating to recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise. The Council has experienced no loss arising from defaults on its investments during the last five years.

The Council does not generally allow credit for customers; if it does so the customers are assessed, taking into account their financial position, past experience and other factors wherever possible.

No credit limit was exceeded during the reporting period. The Council's debt profile was as follows:

Age	2014/15 Total £'000	2015/16 Total £'000
0-28 Days	639	2,044
29-42 Days	90	1,212
43-90 Days	214	75
91-180 Days	73	79
Over 180 Days	259	919
Grand Total	1,275	4,329

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed. If unexpected movements happen, the Authority has ready access to borrowing from the money markets, other local authorities, or the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority had no long or short term borrowing outstanding at the Balance Sheet date. However, the risk of borrowing in future is that the Authority is bound to repay at potentially unfavourable interest rates, and this risk is minimised through careful cash flow management. The Authority sets limits on the proportion of borrowing and the maturity profile of that borrowing.

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. Consequently there is minimal liquidity risk exposure for the Council.

Market Risk

Interest Rate Risk

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

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

The Council has no loans and therefore 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, if applicable, and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 65% of its investments in variable rate deposits. Due to the nature of the investments held at 31 March 2016, the authority was not exposed to significant interest rate risk.

Equity Price Risk

The Authority does not invest in equity shares, and thus has no exposure to equity price risk.

Foreign Exchange Risk

The Authority has no financial asset or liability denominated in a foreign currency and thus has no exposure to loss arising from movements in exchange rates.

39. Events after the Balance Sheet Date

The Statement of Accounts was approved by the Responsible Finance Officer on 30th June 2016, and this is the date up to which events after the balance sheet date have been considered for inclusion in the Accounts.

A trading company was incorporated by East Hampshire District Council in February 2016, and the company commenced trading in April 2016. There were no transactions between the Council and the Trading Company in respect of 2015/16.

40. Authorisation of the statement of accounts

The Statement of Accounts was authorised by the Responsible Finance Officer on 13th September 2016, and replaces the unaudited statements issued on 30th June 2016.

COLLECTION FUND

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

2014/15		2015/16	2015/16	2015/16
Total		Business	Council	Total
£000	<u>Income</u>	Rates	Tax	£000
£000		£000	£000	£000
68,627	Income from Council Tax	-	(70,174)	(70,174)
28,795	Income collectable from Business Ratepayers	(28,286)	-	(28,286)
97,422		(28,286)	(70,174)	(98,460)
	<u>Expenditure</u>			
68,127	Precepts paid to Police and Crime Commissioner, Fire Authority, County and District Councils	-	69,063	69,063
1,088	Distribution of previous year's estimated surplus	670	131	801
27,069	Business rates payable to central govt and Major Preceptors	28,818	-	28,818
(1,079)	Provision for Business rates appeals	1,399	-	1,399
-	Interest due on refunds	31	-	31
168	Transitional Relief due to/from (-) Central Government	(513)	-	(513)
151	Costs of collection	152	-	152
201	Net contribution to Bad Debt Provision	234	120	354
95,725		30,791	69,314	100,105
	<u>Movement on Fund Balance</u>			
313	Surplus brought forward	(1,171)	(213)	(1,384)
(1,697)	Surplus (-) or Deficit for the year	2,505	(860)	1,645
(1,384)	Surplus (-) / Deficit carried forward	1,334	(1,073)	261

NOTES TO THE COLLECTION FUND

1. Calculation of the council tax base

Council Tax is calculated by reference to the valuation band appropriate to each chargeable dwelling; the total yield being determined by what is known as the band D equivalent. The average band D charge in 2015/2016 was £1,458.49. The Council Tax base was as follows:-

Property Value	Tax Band	Dwellings	Band D Equivalents	Weighting
Disabled Relief	AR		3.79	5/9
Up to £40,000	A	2,860	1,002.46	6/9
Over £40,000 & up to £52,000	B	5,557	2,689.19	7/9
Over £52,000 & up to £68,000	C	12,148	8,473.15	8/9
Over £68,000 & up to £88,000	D	10,452	9,097.88	1
Over £88,000 & up to £120,000	E	8,567	9,554.62	11/9
Over £120,000 & up to £160,000	F	6,079	8,203.21	13/9
Over £160,000 & up to £320,000	G	4,589	7,151.61	15/9
Over £320,000	H	640	1,176.30	18/9
		50,892	47,352.21	

2. Non-Domestic Rateable Value and Rate Multiplier

The total non-domestic rateable value at the 31 March 2016 was £75,919,539 (£75,518,665 at 31 March 2015). The national non-domestic rate multiplier for the year was 49.3p (48.2p at 31 March 2015) and 48.0p for small businesses (47.1p at 31 March 2015).

3. Precepts and Demands on the Collection Fund

Hampshire County Council, Hampshire Police Authority, Hampshire Fire & Rescue Service and East Hampshire District Council precept upon the collection fund. The amounts of these precepts, together with the distribution of surpluses or recovery of deficits as at the end of the financial year, were:-

2014/2015		-----2015/2016-----		
Total £'000	Council tax	Precept / Demand £'000	Share of Deficit/ Surplus £'000	Total £'000
49,158	Hampshire County Council	49,132	93	49,225
7,305	Hampshire Police Authority	7,464	14	7,478
2,907	Hampshire Fire & Rescue Service	2,906	6	2,912
9,570	East Hampshire District Council	9,561	18	9,579
68,940		69,063	131	69,194

NOTES TO THE COLLECTION FUND

2014/2015		-----2015/2016-----		
Total £'000	Business Rates	Precept / Demand £'000	Share of Deficit/ surplus £'000	Total £'000
13,671	Central Government	14,409	335	14,744
2,461	Hampshire County Council	2,594	60	2,654
274	Hampshire Fire & Rescue Service	288	7	295
10,938	East Hampshire District Council	11,527	268	11,795
<u>27,344</u>		<u>28,818</u>	<u>670</u>	<u>29,488</u>

ANALYSIS OF 2015/16 SERVICE EXPENDITURE

	2015/16 Expenditure £000's	2015/16 Income £000's	2015/16 Net £000's
<u>Central Services to the Public</u>			
Local tax collection	1,026	(324)	702
Elections	308	(211)	97
Electoral Registration	228	1	229
Emergency planning	93	3	96
Local land charges	238	(406)	(168)
	<u>1,893</u>	<u>(937)</u>	<u>956</u>
<u>Childrens & Educational Services</u>			
Services to Young People	115	(12)	103
	<u>115</u>	<u>(12)</u>	<u>103</u>
<u>Cultural Services</u>			
Arts Development	690	(26)	664
Heritage	204	(55)	149
Community parks and open spaces	194	(46)	148
Sports & Recreation Facilities	2,608	(3)	2,605
	<u>3,696</u>	<u>(130)</u>	<u>3,566</u>
<u>Environmental and Regulatory Services</u>			
Cemeteries	321	(250)	71
Crime Reduction	343	(132)	211
Land drainage	291	(104)	187
Environmental Health	1,498	(432)	1,066
Public Conveniences	222	-	222
Street Cleaning (Non highways)	1,315	(53)	1,262
Household Waste Collection	2,768	(910)	1,858
	<u>6,758</u>	<u>(1,881)</u>	<u>4,877</u>
<u>Planning Services</u>			
Building Regulations	498	(359)	139
Application management	3,311	(4,130)	(819)
Community Development	375	(2)	373
Market undertakings	26	(45)	(19)
Promotion and Marketing	549	-	549
Regional and Sub Reg Planning	796	(111)	685
Urban Regeneration & Community Development	4,867	(424)	4,443
	<u>10,422</u>	<u>(5,071)</u>	<u>5,351</u>
<u>Health</u>			
Miscellaneous Public Health Services	135	-	135
	<u>135</u>	<u>-</u>	<u>135</u>
<u>Highways, Roads and Transport Services</u>			
Off Street Car Parking	1,470	(1,693)	(223)
On Street Car Parking	168	(166)	2
Street Furniture	37	-	37
	<u>1,675</u>	<u>(1,859)</u>	<u>(184)</u>
<u>Housing Services</u>			
Administration of Grants	711	(605)	106
Homelessness	445	(28)	417
Housing Benefits payments	23,935	(24,140)	(205)
Housing Benefits administration	1,240	(460)	780
Housing Strategy	299	(25)	274
	<u>26,630</u>	<u>(25,258)</u>	<u>1,372</u>
<u>Corporate and Democratic Core</u>			
Corporate Management	2,537	(844)	1,693
Democratic representation and management	1,477	(200)	1,277
	<u>4,014</u>	<u>(1,044)</u>	<u>2,970</u>
<u>Non Distributed Costs</u>			
	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<u>COST OF SERVICES</u>	<u>55,338</u>	<u>(36,192)</u>	<u>19,146</u>

GLOSSARY OF TERMS

Accrual

This concept means that income and expenditure is accounted for as it is earned or incurred, not as the money is received or paid (cash basis).

Asset

A tangible or intangible item, that is of value to the Authority. Tangible assets include land and buildings, plant and machinery, vehicles, fixtures and fittings. Intangible assets include computer software licenses and in house software development.

Actuarial Gains & Losses (Pensions)

Over reporting period, these consist of:

- Experience gains and losses are the effects of differences between previous assumptions made when calculating overall pension liability, and what has actually occurred, and
- The effects of changes in actuarial assumptions such as salary inflation and life expectancy on the pension liability.

Billing Authority

The Council responsible for collecting Council Tax from residents. East Hampshire District Council is a billing authority.

Business Rates Retention Scheme

A government funding scheme launched in 2013/14 which allows the Council to retain a share of the Business Rates collected in the Borough.

Capital Expenditure

Expenditure on the acquisition or construction of assets, or expenditure that enhances an existing asset that has a long-term value to the authority, particularly land and buildings.

Capital Adjustment Account (CAA)

An accounting reserve which forms part of the capital accounting system and is not available for use. It represents amounts that have been set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.

Capital Programme

The authority's plan of capital projects and spending over future years. Included in this category is the purchase or enhancement of land and buildings, vehicle purchases and other major items of equipment.

Capital Receipts

Income from the sale of land or buildings which can be used to finance new capital expenditure, or to repay outstanding debt on assets originally financed through loans.

Carrying Amount

The cost or value of an asset, less depreciation incurred against that asset.

Cash and Cash Equivalents

Cash relates to the Council's bank balance or overdraft, petty cash and change floats as at 31st March. Cash equivalents relate to cash deposits that are readily convertible into cash at any given time, for example, balances held in the Council's overnight investment account.

Central Services to the Public

This covers services to the public that are often provided by central departments and includes Local Tax Collection, Elections, Emergency Planning, and Local Land Charges.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

GLOSSARY OF TERMS

Collection Fund

Income and expenditure relating to the collection and distribution of Council Tax and National Non Domestic Rates.

Community Assets

Assets that the Council intend to hold in perpetuity for the benefit of the Community, that have no determinable useful life and that may have restrictions on their disposal. East Hampshire District Council's community assets relate mainly to open spaces.

Contingent Assets and Liabilities

A liability that, at the balance sheet date, can be anticipated to arise if a particular event occurs. A typical example is a court case pending against the Council, the outcome of which is uncertain, but if the judgement were to be awarded against the Council, could result in a financial cost being incurred (liability) or an award of income to the council (asset).

Creditors

A creditor is an organisation, body or individual from whom the Council has purchased goods or services but the payment for which has not yet been made.

Current Service Cost

The present value of pension benefits accrued to employees in the period of account.

Curtailment

Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

Organisations, bodies or individuals who have received goods or services from the Council for which the payment has not yet been received.

Deferred Credit

This is income that has been received before the period or periods to which it relates. Deferred income is shown in the Balance Sheet.

Deficit

A deficit arises where expenditure exceeds income. A deficit can be financed by reserves.

Depreciation

An annual charge made in the Council's revenue account reflecting the reduction in value of an asset caused by the day to day operation of that asset.

Expected Rate of Return on Assets (Pensions)

The expected increase in the value of pension fund assets, based on valuations and long-term expected returns as at the start of the accounting period.

Existing Use Value

This is a method of valuing property that achieves a valuation based on the current use of the asset.

Fair Value

A methodology used to determine the value of Council assets. For land and buildings it is the amount that would be paid for an asset in its existing use or, where this is not available, the cost of replacing the asset in its existing use.

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial Instruments include trade debtors and trade creditors, and treasury management transactions, for example, cash deposits, swaps, and embedded derivatives.

GLOSSARY OF TERMS

General Fund

The main revenue fund of the Council which contains the income and expenditure of all services provided by the District Council. The General Fund Balance represents the Council's minimum reserve balance to cover emergency expenditure.

Gross Book Value (GBV)

The GBV of a fixed asset is the value of the asset before depreciation has been applied.

Historic Cost

The historic cost of an asset is deemed to be the carrying amount of an asset as at 1 April 2007 (the date the revaluation reserve was created) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IFRS

International Financial Reporting Standards

Impairment Loss

A significant decline in the value of an asset that is specific to that asset which is caused through deterioration rather than a reduction in market value of the asset.

Interest Cost (Pensions)

Increase in present value of pension benefit obligations, which arise because the benefits are one year closer to payment.

Market Value

The Market Value of an asset is the value that could be achieved if the asset were offered for sale with no restrictions that could affect its value.

National Non-Domestic Rates (NNDR)

Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government. The proceeds are pooled nationally and are redistributed on the basis of a fixed amount per head of population.

Net Book Value

The value of an asset, less the depreciation that has been applied to the asset since its purchase or revaluation.

Current Replacement Cost

The cost of replacing an asset, reduced to reflect obsolescence. This cost is often used to value assets where market values or existing use values are not available.

Net Realisable Value

The existing use value of an asset, less any additional costs likely to be incurred to bring the asset into use.

Non-Current Assets

Tangible and intangible assets that yield benefits to the authority for a period of more than one year, for example, land and buildings.

Past Service Cost

The increase in the present value of pension benefits for employee service before the year of account, which result in the current period from the introduction of, or changes to, post-employment benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

GLOSSARY OF TERMS

Precept

The levy (demand) made by the County Council, Parish and Town Councils, on the District Council's Collection Fund for their net expenditure requirements.

Present value of defined benefit obligation

The value, in today's money, of expected future payments required to settle the pension obligation resulting from employee service.

Provisions

Amounts set aside to meet liabilities or losses which are likely to occur, or certain to occur in the future, but where the exact amounts and/or dates are uncertain.

Reserves

Amounts set aside to meet planned future capital or revenue expenditure, particularly projects.

Revenue Expenditure

Day to day income and expenditure, relating to the provision of the Council's services.

Revaluation Reserve

An unusable reserve, that represents the amount by which the Council's assets have been revalued since April 2007.

Revenue Support Grant (RSG)

A general government grant in support of local authority expenditure. The grant is calculated by Central Government and is based on the relative needs of the district.

SeRCOP

The Service Reporting Code of Practice. This guide is used by Councils to ensure that service expenditure is accounted for consistently across all Councils, to enable comparisons between authorities to be made, and to allow the calculation of the total cost of services provided by all local authorities.

Settlement (Pension)

Settlement occurs when the council enters into a transaction that eliminates all further obligation for part or all of the benefits provided under a defined benefit pension, for example, when a lump-sum cash payment is made to, or on behalf of, participants in exchange for their rights to receive specified post-employment benefits.

Surplus

A surplus occurs where income exceeds expenditure. In some cases, a surplus will be transferred to an appropriate reserve.



Further information

If you would like to find out more about our accounts for the year 2015/2016 please contact:

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