

EASTLEIGH BOROUGH COUNCIL

Statement of Accounts

for the financial year 2009-10

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(Chief Finance Officer)**

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EXPLANATORY FOREWORD

1 Introduction

The accounting statements that follow show the Council's financial performance for the year 2009-10. The style of presentation of the statement is determined by a code of practice that the Council is legally required to follow. The Council's accounts for the year 2009-10 consist of the following statements:

- **Statement of Accounting Policies** - the purpose of which is to explain the basis of recognition, measurement and disclosure of transactions and other events in the accounts.
- **Statement of Responsibilities for the Statement of Accounts** - this statement describes the Authority's and Chief Financial Officer's responsibilities in relation to the administration of the Council's affairs.
- **The Accounting Statements** - there are five core financial statements, listed below:

Income and Expenditure Account - report of the net cost for the year of all the functions for which the Council is responsible, together with a summary of how that cost has been financed from central government grants and income from local taxpayers.

Statement of Movement on the General Fund Balance - a statement of the amounts in addition to the Income and Expenditure Account for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund.

Statement of Total Recognised Gains and Losses (STRGL) - This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth.

Balance Sheet - a fundamental statement of the Council's financial position at the year end. It shows balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Cash Flow Statement - this consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- **Notes to the Accounts** - these are essential notes that the reader will find of particular assistance regarding interpretation of the core financial statements.
- **Collection Fund** - this account reflects the statutory requirement for the Council (as a billing Authority) to maintain a separate Collection Fund, which shows the transactions of the Council as a billing Authority in relation to non-domestic rates and the council tax. The statements to the fund illustrate the way in which these have been distributed to preceptors and the General Fund.
- **Notes to the Collection Fund** - further explanatory information about the collection fund.
- **Independent auditors report to the members of Eastleigh Borough Council**
- **Glossary of terms**

1 Introduction (continued)

- **Annual Governance Statement - including details on the effectiveness of the system of Internal Control** - regulation 4(2) of The Accounts and Audit Regulations 2003 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with the Statement of Accounts.

The preparation and publication of the Annual Governance Statement in accordance with "Delivering Good Governance in Local Government" fulfils the statutory requirement. Readers of this Statement of Accounts will therefore find reference to the effectiveness of the system of internal control within the Annual Governance Statement for 2009-10.

2 Statutory changes regarding the SORP 2009

For 2009-10, the statements contained within this set of accounts incorporate some changes from the statement of accounts that the Council produced in 2008-09 and earlier years. The substantive changes that have effect on the Council are:

- **Collection Fund** - It has been concluded that billing authorities act as agents of major precepting authorities in collecting their attributable share of council tax. A change to agency accounting is therefore applied, resulting in a prior period adjustment in respect of transactions and final stated balances for the year 2008-09.

- **Accounting for Public Finance Initiative (PFI) and similar contracts** - the accounting requirements for PFI and similar contracts is no longer based on the UK accounting standard FRS 5 but on a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements. The Council has a contract that bears distinct similarity to a PFI, and application of the requirements of IFRIC 12 have necessitated a prior period adjustment to be included in this set of accounts.

Further information is available on page 25 in respect of both items discussed above.

EXPLANATORY FOREWORD continued

3 Net revenue service expenditure and sources of funding, compared to budget

The 2009-10 service expenditure, interest payable and other operating costs is disclosed in the table below, showing income from grants, local taxpayers and other sources, compared to the approved budget for the year.

2008-09 Net revenue service expenditure and sources of funding		2009-10		
Actual		Approved Budget	Actual	
Net Exp £000		Net Exp £000	Net Exp £000	Variance £000
18,085	Net Cost of Services	22,189	21,288	(901)
199	Interest payable and similar charges *	233	311	78
(1,227)	Interest and investment income	(192)	(267)	(75)
3,502	All other operating costs	4,051	4,177	126
20,559	Net Operating Expenditure	26,281	25,509	(772)
(7,856)	Demand on the Collection Fund *	(8,095)	(8,095)	-
(1,055)	General government grants	(1,634)	(1,634)	-
(6,662)	Non-domestic rates redistribution	(6,236)	(6,236)	-
4,986	Deficit for the year	10,316	9,544	(772)
(4,175)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund *	(9,742)	(9,462)	280
811	Decrease (Increase) in General Fund Balance	574	82	(492)

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

● Summary of financial performance - The overall revenue position for the Income and Expenditure Account in 2009-10 results in a deficit of £82,000 being transferred to the General Fund Reserve. This compares favourably against the approved budget for the financial year, which projected a contribution being required from the General Fund Reserve of £574,000.

The Management Team intend to undertake a review in 2010-11 to consider areas where budget forecasts were significantly inaccurate, and whether methods relating to the computation of future budgets should be improved. However, the favourable variance enabled members to approve the following initiatives in 2010-11 which total £199,000.

International Financial Reporting Standards
Town Centre Management
Global Walking Challenge
Eastleigh River Side
Core Strategy

Customer Service Centre
Economic Development
Asset Management Plan
Corporate Pay & Reward

EXPLANATORY FOREWORD continued

4 Material assets acquired or liabilities incurred in the year

Items of capital expenditure that resulted in material additions to fixed assets in the year are listed below.

Material assets acquired

2008-09 £000	Items of material capital expenditure that resulted in addition to fixed assets in the year 2009-10 (The amount of expenditure for the same assets is given for 2008-09).	2009-10 £000
	- Channon Retail Park	11,454
	- Land south of Shakespeare Road (B&Q Site)	8,434
493	The Point Phase 3	2,618
448	Vehicle Replacement Programme	1,585
	- Rosebowl Development	1,059
913	Disabled Facility Grants	798
	- Earth Bar	683
1	Home Tavern	641
36	Wildern Studio Theatre	635
178	Hiltingbury Community Building	212
32	Woodside Ave Allotment	212
	- Network Infrastructure upgrade	137
133	Kitchen Waste Expansion	115
	- Ensign Way to Kings Ave Cycleway	128
	- Environmental Mitigation Project	104
2,234	Total value of all material capital expenditure items that resulted in fixed assets in the year 2009-10	28,815

Material liabilities incurred

New material liabilities arose in the financial year 2009-10. The Council acquired a significant tranche of income yielding property assets during the financial year financed by borrowing. In addition, an element of the community investment program relating to other capital items was also financed by borrowing. The borrowing opportunity for both groups of capital expenditure was provided by utilisation of the prudential code.

Interest rates on short-term borrowing were relatively attractive during the financial year, and the Council decided to delay the decision to undertake long-term borrowing in relation to the capital expenditure described in the above paragraph until the next financial year (2010-11).

For the above reasons, the Council's short-term borrowing liability has significantly increased at 31st March 2010 in the sum of £30,815,000 compared to the previous year at 31st March 2009 of £742,000, whilst short-term investments remained relatively stable; £10,287,000 at 31st March 2010 compared to £12,095,000 at 31st March 2009.

Additionally, a prior period adjustment in relation to the application of accounting for Service Concessions Arrangements (IFRIC 12) has introduced a long term liability on the Council's balance sheet as at 31st March 2010 in the (written down) sum of £135,000, although this liability is offset by additional fixed assets, net of an adjustment entry in the capital adjustment account.

EXPLANATORY FOREWORD continued

4 Material assets acquired or liabilities incurred in the year continued

Capital expenditure, in the form of fixed assets and revenue expenditure financed by capital under statute and each of the liabilities discussed on page 4 are presented in detail within the notes to the accounts starting on page 25.

5 Other significant changes

● **Significance of pensions liability** - Under the requirements of Financial Reporting Standard 17 (FRS17), costs of services delivered by the Council are restated to include an actuarially assessed cost of the increased liability falling upon the Council in respect of pensions under the Local Government Pension Scheme, as opposed to the actual employer contributions paid during the year in accordance with the scheme.

Adjustments are made to the cost of services in the Income & Expenditure account to ensure that the impact on council tax is neutral. The requirements are linked to the Pension scheme's assets and liabilities, offset by a Pension Reserve.

At 31st March 2010 there was a Pension liability of £49.32million (m) with a corresponding negative Pension Reserve. This Pension liability is the difference between the value at 31st March 2010 of the scheme's assets (investments and other items) attributable to the Council and the present value of the liabilities relating to pensions for Council employees (past and present). The Pension liability of £49.32m at 31st March 2010 has significantly changed from 31st March 2009 (£33.56m).

● **Material charge or credit** - The Council secured the acquisition of several income generating properties during the financial year (as discussed on page 4) to foster economic growth and to enjoy rental yields which were significantly higher than could have been gained by way of utilisation of investments.

● **Significant change in accounting policies** - there have been no significant changes to the Council's accounting policies in the financial year 2009-10 other than those required to comply with changes to the SORP 2009.

● **Major change in statutory function** - there have been no changes in statutory functions made in the year 2009-10.

6 Current borrowing facilities and capital borrowing

The table below shows the changes related to capital expenditure incurred that is financed by borrowing, net of minimum revenue provision calculated in accordance with the Council's policy for the financial year.

2008-09 £000	Changes made to borrowing as defined by the Prudential Code	2009-10 £000
3,660	Accumulated Prudential Code debt outstanding at the beginning of the year	7,344
	<u>Transactions in the year</u>	
3,824	Capital expenditure funded by borrowing	25,896
(140)	Minimum revenue provision transferred to I & E Account	(223)
-	- Adjustment regarding discharge of liability related to IFRIC 12	12
7,344	Prudential Code debt outstanding at the end of the financial year	33,029

EXPLANATORY FOREWORD continued

6 Current borrowing facilities and capital borrowing continued

Current borrowing is entirely of a short-term nature, and has increased significantly at 31st March 2010 when compared to 31st March 2009. The reasons for the increase are given at item 4 on page 4. Due to the nature of the money market short-term loans are taken to maintain cash flow. The table below shows the borrowing at the end of the year 2009-10, compared to the position at the end of the previous financial year.

31 03 09 £000	Current borrowing	31 03 10 £000
(742)	Short-term borrowing	(30,815)
(742)	Total of all current borrowing	(30,815)

The Council was able to fully discharge a small element of outstanding long-term debt during the year 2008-09 and did not incur any further long-term debt in 2009-10. No duration maturity analysis is therefore provided in this statement of accounts.

7 Summary of the Council's internal and external sources of funds to meet capital expenditure

The resources applied to finance the year's capital expenditure therefore fully accord to the equivalent value of the year's expenditure. The table below gives a brief analysis of the resources applied.

2008-09 £000	Capital expenditure and resources applied for the year	2009-10 £000
6,868	Capital expenditure resulting in the creation of fixed assets	28,590
4,043	Revenue expenditure funded from capital under statute	3,626
10,911	The above revenue expenditure funded from capital under statute forms part of the deficit on the Income and Expenditure at page 20 Total capital expenditure in the year	32,216
	Resources applied to finance capital expenditure incurred in the year	
	<u>External resources</u>	
1,652	Grants	1,417
2,174	Developer's contributions	1,219
	<u>Internal resources</u>	
3,019	Capital receipts	3,432
149	Revenue contribution to capital	170
93	Use of reserves	82
7,087	Total of all resources applied to finance capital expenditure	6,320
3,824	Use of prudential code borrowing to finance specific element of the capital expenditure	25,896
10,911	Total capital expenditure in the year	32,216

The Council's actual capital expenditure in the year was £32,216,000. The Council achieved 95% of the final approved capital budget of £33,840,000.

STATEMENT OF ACCOUNTING POLICIES

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2009-10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2009 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2 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:

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

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 stocks on the balance sheet where the items purchased are of a material nature.

Works are charged as expenditure when they are completed, before which they are carried as assets under construction on the balance sheet.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the fixed cash flows determined by the contract.

Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

STATEMENT OF ACCOUNTING POLICIES continued

3 Provisions continued

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is reasonably certain that reimbursement will be received if the obligation is settled.

4 Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the council - these reserves are explained in the relevant policies that follow.

5 Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme meaning that the liabilities of the Hampshire County Council pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and extrapolation of projected earnings for current employees.

Liabilities are discounted to their value at current prices in respect of the Council after the accounting date using the projected unit method. Allowance is made for the expected future increases in pay and pension. The liability value represents the amount of money that needs to be set-aside now to meet the benefits that the Council is committed to provide for the service up to the accounting date on the basis of the assumptions made.

6 Retirement Benefits continued

The assets of the Hampshire County Council pension fund attributable to the Council are included in the balance sheet by making assumptions about their long-term rate of return. In particular, the key financial assumption for discount rates at 31 March 2010 and 31 March 2009 are based on the Hewitt derived AA corporate bond yield curve and the average weighted liability duration for the Employer.

The change in the net pension's liability is analysed into seven components:

Current service cost - the increase in liabilities arising from years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.

Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account.

Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Income and Expenditure Account.

Gains/losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses.

Contributions paid to the Hampshire County Council pension fund - cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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 amounts payable to the fund but unpaid at the year-end.

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

7 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

8 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core - costs relating to the Council's status as a multi-functional democratic organisation.

Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are combined in the Income and Expenditure Account as part of Net Cost of Services.

9 Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Amortisation on software licences is applied over a 5 year period utilising the straight line method. Detailed information on amortisation is given on page 35.

10 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties (which were subject to a revaluation at 1 April 2009), and assets surplus to requirements have been included on the balance sheet at full market value.

10 Tangible Fixed Assets continued

- Other land and buildings - lower of net current replacement cost or net realisable value in existing use.

- Vehicles, plant and equipment - historic cost (lower of net current replacement cost or net realisable value)

- Infrastructure assets and community assets - depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties - existing use value.

- Specialised operational properties - depreciated replacement cost.

- Investment properties - market value.

- Assets under construction - historic cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of impairment losses previously charged to a service revenue account.

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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted in one of the following two ways:

- Where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account.

- Otherwise - written off against any revaluation gains attributable to the relevant asset in the revaluation reserve with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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).

STATEMENT OF ACCOUNTING POLICIES continued

10 Tangible Fixed Assets continued

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts associated to housing related item disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. The Council's policy is disclosed in the table below.

Asset classification	Years	%	Depreciation method
Buildings, community, infrastructure	-	2	reducing balance
Land and Investment properties	-	-	not depreciated
Vehicles	5	-	straight line
Playgrounds	10	-	straight line
Plant and equipment	3 - 15	-	straight line
Assets under construction	-	-	not depreciated

Detailed information on depreciation is given on page 34.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service account.

11 Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service; and other losses where there are no accumulated gains in the revaluation reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an aggregate of amounts specified by the Council's minimum revenue provision policy). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12 Revaluations

In accordance with the accounting code of practice, periodic revaluation of fixed assets is undertaken every five years or less. Upon revaluation, the fixed assets figure in the balance sheet is amended to reflect the revised valuation along with a corresponding entry in the revaluation reserve. Most land and buildings were subject to revaluation on 1 April 2009 following work undertaken by RICS qualified staff in the District Valuer Service of the VOA.

13 Income from disposals of fixed assets

Income received from the disposal of fixed assets has been applied to the usable capital receipts reserve on the balance sheet with the exception of some housing asset disposals which are deemed to be revenue income as they are under £10,000. At the time of disposal, the net book value of the asset sold is deducted from the relevant fixed asset category on the balance sheet and written off against the fixed asset restatement account. In addition, receipts for less than £10,000 derived from the sale of vehicles are retained by services and not applied to the Usable Capital Receipts Reserve.

14 Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets for the Council. Revenue expenditure funded from capital under statute charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

15 Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

16 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

16 Financial Liabilities continued

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

17 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

Loans and receivables - are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

17 Financial Assets continued

Available-for-sale assets - are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. These instruments could be traded on any market day and are therefore categorised as short-term investments on the balance sheet.

- Assets are maintained in the Balance Sheet as short-term investments at fair value. Values are based on the following principles:
- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

18 Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost.

19 Contingent Liabilities

Where the Council is aware of potential liabilities (usually from pending court decisions) that are likely to occur a provision is made. Where it is unlikely but possible, a contingent liability is disclosed in the notes to the accounts.

20 Contingent Assets

Where the Council is aware of significant contingent assets, a note is contained in the accounts describing the nature, value and date of potential receipt.

21 Area Based Grant (ABG) & Local Area Business Grant Incentive (LABGI)

The Council recognises that ABG & LABGI are non-ringfenced grants, and no conditions on their use are imposed as part of the grant determination. This allows for full local control over how the funding can be used. ABG & LABGI are general grants, included in the Income and Expenditure Account with other general income sources such as income from the collection fund and NNDR distribution.

22 Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The fund key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as a billing authority the council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself.
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.
- Up to 2008-09 the SORP required the Council Tax income included in the Income and Expenditure Account to be that under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority.
- From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.
- Since the collection of Council Tax and NNDR Income is in substance an agency arrangement:

Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and

Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

23 Private Finance Initiative

PFI contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement. As the Council is deemed to control the services that are provided under its PFI and similar arrangement schemes, and as the ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the balance sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the balance sheet are revalued and depreciated in the same way as property plant and equipment owned by the Council.

The amounts payable to the PFI and similar arrangement operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Income and Expenditure Account
- Finance cost - an interest charge on the outstanding balance sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Payment towards liability - applied to write down the balance sheet liability towards the PFI operator
- Lifecycle replacement costs - recognised as fixed assets on the balance sheet

A de minimis level of £250,000 of the fair value of an asset at the time of recognition on to the Council's balance sheet is determined in relation to providing the full accounting effect for service concession arrangements in accordance with the SORP 2009 adaptation of IFRIC 12.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

Cllr L McNulty

Chair of the Audit & Risk Management Committee

Original signature available on enquiry to
Financial Services Unit - Eastleigh BC
corporate.accountancy@eastleigh.gov.uk

Date: 21st September 2010

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts presents fairly the financial position of Eastleigh Borough Council and its income and expenditure for the year ended 31st March 2010.

Nick Tustian CPFA

Corporate Director (CFO)

Original signature available on enquiry to
Financial Services Unit - Eastleigh BC
corporate.accountancy@eastleigh.gov.uk

Date: 21st September 2010

INCOME AND EXPENDITURE ACCOUNT

This statement is fundamental regarding the Council's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Council's functions.

2008-09 Net Exp £000	Income and Expenditure Account	2009-10		Net Exp £000	Note
		Gross Exp £000	Gross Income £000		
799	Central Services to the Public	1,410	762	648	
10,390	Cultural, Environmental and Planning Services	26,604	12,317	14,287	
1,178	Highways, Roads and Transport Services	6,461	5,600	861	
1,258	Housing Services	33,528	32,608	920	
10	Social Services	151	138	13	
4,450	Corporate and Democratic Core & non-distributed costs	6,861	2,302	4,559	
18,085	Net Cost of Services	75,015	53,727	21,288	
92	Deficit/(Surplus) arising on the disposal of fixed assets			(525)	
1,970	Precepts of local precepting authorities			2,042	
199	Interest payable and similar charges *			311	51
(1,227)	Interest and investment income			(267)	51
1,440	Pensions interest cost and expected return on pensions assets			2,660	2
20,559	Net Operating Expenditure			25,509	
(7,856)	Demand on the Collection Fund *			(8,095)	
(1,055)	General government grants			(1,634)	
(6,662)	Non-domestic rates redistribution			(6,236)	
4,986	Deficit for the year			9,544	

* Subject to a prior period adjustment for 2008-09, the nature of which is disclosed on page 25.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This is a statement of the amounts in addition to the Income and Expenditure Account deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund.

2008-09 Net Exp £000	Statement of movement on the General Fund balance	2009-10 Net Exp £000	Note
4,986	Deficit for the year on the Income and Expenditure Account *	9,544	
(4,175)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Reconciling items within this amount are shown below) *	(9,462)	
811	Decrease in General Fund Balance for the year	82	3
<u>3,076</u>	General Fund Balance Brought Forward	<u>2,265</u>	43
2,265	General Fund Balance Carried Forward	2,183	43
2008-09 Net Exp £000	Detail of the statutory and non-statutory amounts debited and credited to the General Fund	2009-10 Net Exp £000	
	Amounts included in the Income & Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(83)	Amortisation of intangible fixed assets	(88)	12
(2,063)	Depreciation and impairment of fixed assets	(6,448)	13
2,481	Government grants deferred amortisation	1,620	31
(4,043)	Revenue expenditure funded from capital under statute	(3,647)	
(92)	Net gain on the sale of fixed assets	525	
(3,210)	Net charges made for retirement benefits in accordance with FRS17	(4,360)	33
(37)	Amount by which council tax income and residual community charge adjustment in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation *	32	34
			&
			35
	Amounts not included in the Income & Expenditure Account, but required to be included by statute when determining the Movement on the General Fund Balance for the year		
152	Minimum revenue provision for capital financing	223	38
149	Capital Expenditure charged in year to the General Fund Balance	170	
2,240	Employer's contributions payable to the HCC pension fund	2,380	34
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
331	Net transfer to/(from) reserves	131	44
(4,175)	Net Additional Amount required to be credited to the General Fund Balance for the year *	(9,462)	

* Subject to a prior period adjustment for 2008-09, the nature of which is disclosed on page 25.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account it includes unrealised gains and losses relating to the valuation of fixed assets and investments, the re-measurement of the net liability to cover the cost of retirement benefits and other relevant items to show the increase/(decrease) in net worth of the balance sheet.

2008-09 Net Exp £000	Statement of total recognised gains and losses	2009-10 Net Exp £000	Note
(4,986)	(Deficit) for the year on the Income and Expenditure account (page 19) *	(9,544)	
	- Net surplus arising on the revaluation of fixed assets	6,501	37
	- Adjustment regarding derecognition of asset	(331)	38
42	Surplus arising on the revaluation of available for sale financial assets	66	42
(12,820)	Actuarial gains and losses on Pension Fund assets and liabilities	(13,780)	36
(17,764)	Total recognised gains/(losses) in the year	(17,088)	

* Subject to a prior period adjustment for 2008-09, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76. Previous reference to surplus/deficit on the collection fund in the year 2008-09 accounts is no longer necessary.

BALANCE SHEET

The balance sheet represents a quantitative summary of the Council's financial condition at a specific point in time, including assets, liabilities and net worth.

@ 31 March 2009			Balance Sheet	@ 31 March 2010			Note
£000	£000	£000		£000	£000	£000	
275			Intangible assets	274			12
			Tangible fixed assets				
			Operational assets				
33,264			Other land and buildings *	35,341			13
5,268			Vehicles, plant and equipment	6,774			13
1,326			Infrastructure Assets	1,448			13
10,311			Community Assets	10,955			13
			Non-Operational assets				
26,164			Investment Properties	49,198			13
2,026			Assets Under Construction	2,782			13
	78,634		Total Fixed Assets		106,772		
-			Long-term investments	-			24
381			Long-term debtors	400			25
	381				400		
		79,015	Total long-term assets			107,172	
122			Stocks and work in progress	112			
12			Cash and bank	7			
4,481			Debtors *	7,050			26
12,095			Investments	10,287			27
	16,710		Total current assets		17,456		
(742)			Short-term borrowing	(30,815)			51
(5,376)			Creditors *	(5,718)			28
(2,547)			Bank overdraft	(897)			51
	(8,665)				(37,430)		
		8,045	Total current assets less current liabilities			(19,974)	
		87,060	Total assets less current liabilities			87,198	
	(65)		Provisions		(640)		29
	(6,394)		Capital contributions unapplied		(6,280)		30
	(5,053)		Government grants deferred		(6,070)		31
	(147)		Deferred liabilities	*	(135)		32
	(33,560)		Liability related to defined benefit pension scheme		(49,320)		33
		(45,219)	Total long-term liabilities			(62,445)	
		41,841	Total assets less liabilities			24,753	

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

BALANCE SHEET continued

@ 31 March 2009 £000	@ 31 March 2010 £000	Note
	Represented by:	
-	Revaluation Reserve	6,480 37
86	Collection Fund Adjustment Account *	118 39
63,544	Capital Adjustment Account *	58,513 38
(33,560)	Pensions Reserve	(49,320) 33
7,393	Usable Capital Receipts Reserve	4,573 40
59	Deferred Capital Receipts	37 41
42	Available for Sale Financial Instruments Reserve	108 42
2,265	General Fund Balance	2,183 43
2,012	Earmarked reserves *	2,061 44
		45
		&
		46
41,841	# 24,753	

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

The cumulative effect of the prior period adjustment made for the year 2008-09 on the Council's balance sheet equity of £24,753,000 is composed of the following sums:

All amounts affecting the Capital Adjustment Account	£000
Prior period adjustment for 2008-09 in relation to IFRIC 12 (Sports Hall)	144
Amount written down in relation to the above adjustment for the year 2009/10	(12)
Cumulative effect of the prior period adjustment as at 31st March 2010	132

Note - the prior period adjustment made in relation to the Collection Fund has no financial effect on the Council's balance sheet equity for 31st March 2009 or 31st March 2010.

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit & Risk Management Committee on 29th June 2010.

Nick Tustian CPFA

Original signature available on enquiry to

Financial Services Unit - Eastleigh BC

corporate.accountancy@eastleigh.gov.uk

Corporate Director (CFO)

Date: 21st September 2010

CASH FLOW STATEMENT

The cash flow statement presents movements in cash and other assets that are similar to cash (cash equivalents). The purpose of the cash-flow statement is to explain the movement in cash and bank balances held by the Council from the end of the previous financial year (2008-09) through to the end of the financial year 2009-10.

Restated

2008-09 £000	Cash flow statement	2009-10		
		£000	£000	£000
6,300	Net Revenue Activities cash (inflow)/outflow			1,972
	Returns on Investments and Servicing of Finance			
	Cash outflows:			
1	Interest paid			283
	Cash inflows:			
(1,176)	Interest received			(327)
(1,175)	Net Returns on Investments and Servicing cash (inflow)/outflow			(44)
	Capital activity			
	Cash outflows:			
6,576	Purchase of fixed assets	28,461		
178	Other capital cash payments	263		
6,754				28,724
	Cash inflows:			
(14)	Sale of fixed assets	(527)		
(2,032)	Capital grants received	(1,413)		
(790)	Other capital cash receipts	(1,300)		
(10)	Sale of long-term investments	-		
(2,846)				(3,240)
3,908	Net capital activity cash (inflow)/outflow			25,484
9,033	Net cash (inflow)/outflow before financing			27,412
	Management of liquid resources			
(7,786)	Net increase/(decrease) in short term deposits	(1,748)		
(12)	Net increase/(decrease) in other liquid resources	2,655		
				907
	Financing			
	Cash outflows:			
686	Repayments of amounts borrowed			47,112
	Cash inflows:			
(629)	New short-term loans raised in the year			(77,076)
1,292	Net movement in cash			(1,645)

Reconciliations for the cash flow statement are at note 50 on page 57.

NOTES TO THE ACCOUNTS

1 Prior period adjustments in accordance with the SORP 2009

Prior period adjustment in relation to change in collection fund accounting requirements

Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be more or less than predicted. The effect of any bad debts written off or movement in the impairment provision are also shared proportionately.

For these reasons the SORP 2009 concluded that billing authorities act as agents of major precepting authorities in collecting their attributable share of council tax. The SORP requires a change to agency accounting to be treated as a prior period adjustment in respect of transactions and final stated balances for the year 2008-09.

The prior period adjustment resulting from the change in Collection Fund accounting for 2008-09 affects the following disclosures:

	Page No.
Income and Expenditure Account	19
Statement of movement on the General Fund balance	20
Statement of total recognised gains and losses	21
Balance Sheet	22 & 23

In addition, the following items in the Notes to the Accounts have been amended in respect of the Collection Fund accounting prior period adjustment:

	Note No.	Page No.
Debtors	26	40
Creditors	28	41
Earmarked reserves	44	52
Cash Flow reconciliations	50	57

Detail of this prior period adjustment is given in the Notes to Accounts on pages 72 to 76.

Prior period IFRIC 12 adjustment in relation to SORP 2009

The Council is currently engaged in a long-term contract with DCL for the management of Fleming Park, a sports and leisure complex situated near Eastleigh town centre. An effect of this matter is that at the time of the contract start, a large sports hall building on the site was erected at the expense of DCL. Subsequent asset enhancements have also been funded by the contractor during the term of the contract to date, although these enhancements are de minimis in nature and have not been subject to the detailed requirement of IFRIC 12. At the end of the contract in the year 2020, the sports hall and enhanced assets will pass to the ownership of the Council.

Previous editions of the SORP required such situations to be accounted for in accordance with FRS 5 Substance of Transactions. The SORP 2009 however now requires such a issue as described above to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements. There is a requirement to carry out a prior period adjustment and restatement of the 2008-09 corresponding amounts for the sports hall building in accordance with the provisions of the SORP.

NOTES TO THE ACCOUNTS continued

Prior period IFRIC 12 adjustment in relation to SORP 2009 continued

The prior period adjustment resulting from the requirement to be consistent with the adaptation of IFRIC 12 Service Concession Arrangements affects the following disclosures:

	Page No.
Income and Expenditure Account	19
Statement of Movement on the General Fund Balance	20
Statement of Total Recognised Gains and Losses	21
Balance Sheet	22 & 23

In addition, the following items in the Notes to the Accounts have been amended in respect of the IFRIC 12 accounting prior period adjustment:

	Note No.	Page No.
Summary of capital expenditure and fixed asset disposals	13	33
Creditors	28	41
Deferred Liabilities	32	42
Capital Adjustment Account	38	49

Detail of this prior period adjustment is given in the Notes to Accounts on pages 72 to 76.

Detail of the repayments of liability, interest and service charges for the remainder of the PFI contract period are listed below:

	Liability £000	Service £000	Interest £000
Within one year	12	(15)	3
Within two to five years	51	(62)	11
Within six to ten years	57	(62)	5
Within eleven to fifteen years	15	(15)	-

The gross value of the asset written into Other Land and Buildings was £291,000.

No accumulated depreciation has been made at the time of entering the asset into the Council's accounts.

2 Pensions interest cost and expected return on pensions assets

Detail of the pensions' interest charge shown in the I & E Account (£2,660,000 for the year 2009-10) and the expected return on pension's assets is provided in significant detail within notes 33 to 36 starting on page 42.

3 Statement of the significance of the movement on the General Fund balance for the year

The Income and Expenditure Account on page 19 brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set-aside in providing services during the financial year.

Item 3 continues on the following page.

NOTES TO THE ACCOUNTS continued

3 Statement of the significance of the movement on the General Fund balance for the year continued

However, the accounting basis differs with the statutory provisions that specify the net expenditure that the Council needs to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the financial year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account is reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance contained on page 20 provides the necessary reconciliation. The detail of the reconciling transactions is included within the core financial statements to enable the reader to identify the decrease in the General Fund Balance for the year in the sum of £82,000.

4 Trading Operations

The following trading operations are included within the body of the Income and Expenditure Account.

2008-09 £000	Trading Operations	Expenditure £000	2009-10 Income £000	Net (Profit) / Loss £000
	Environment			
(38)	Trade Refuse	510	(578)	(68)
	Health and Prosperity			
(1,534)	Corporation Estates	3,099	(3,536)	(437)
(75)	Open Air Markets	19	(76)	(57)
(418)	Wessex House	588	(918)	(330)
	Transport and Streetscene			
113	Highway Maintenance and Construction	-	-	-
(1,952)	Total of Trading Operations	4,216	(5,108)	(892)

5 Agency income and expenditure

The Council currently undertakes work on an agency basis for Hampshire County Council. The reimbursable expenditure for the year 2009-10 was £808,065 and comparison to the previous financial year is shown in the table below.

2008-09 £000	Agency income and expenditure	2009-10 £000
235	Environmental	231
15	Traffic regulation order works	6
414	Capital schemes	342
226	Administration	229
890	Expenditure reimbursed by income from Hampshire County Council	808

NOTES TO THE ACCOUNTS continued

6 Government grants not attributable to specific services

2008-09 £000	Government Grants not attributable to specific services	2009-10 £000
927	General government grants	1,439
128	Area based grant	115
-	- Local Authority Business Growth Incentive	80
6,662	Non-domestic rates redistribution	6,236
7,717	Total of all Government Grants not attributable to specific services	7,870

The council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government funding to finance work towards jointly agreed objectives for local public services. The original agreement and action plan was signed in February 2006 and the outcomes, indicators and targets were updated in 2007-08.

In 2008-09 a new national Local Area Agreement framework was introduced which required LAA partnerships to select up to 35 of the new national indicators as priorities for the development of targets for agreement with government. As well as these targets the government also included 10 statutory early years targets. With the new national framework the LAA arrangements, which continued to involve the partners identified below, changed from a voluntary to a statutory obligation for public sector organisations. These LAA partnership targets were renegotiated with government towards the end of 2009-10.

The purpose of the Hampshire LAA is:

- To provide over arching management in Hampshire for delivering agreed LAA priority targets
- To agree specific outcomes and targets that will be achieved over the life of each LAA 3 year agreement.
- To form an agreement between relevant Public, Private and Voluntary sector organisations capable of delivering cross cutting outcomes.
- The LAA Partners are: - Hampshire County Council; 11 Hampshire District Councils; the Fire and Rescue Service; Hampshire Constabulary; The Primary Care Trust; Hampshire Strategic Partnership; District Strategic Partnerships and a range of other County wide organisations. More information can be found at <http://www3.hants.gov.uk/localareaagreement.htm>

Eastleigh Borough Council is an LAA Local Authority partner that is not the accountable body.

NOTES TO THE ACCOUNTS continued

7 Total remuneration to elected and coopted Members

A detailed analysis of the payments made to members in respect of basic, responsibility and special allowances can be found on the Council's website by referring to the agenda of the Council's Cabinet meeting held on 24th June 2010. Information on these members' allowances was also disclosed in a local newspaper in June 2010. The disclosure shown below is made as a requirement of the Local Authorities (Members' Allowances) Regulations 2003. The table shows all reimbursement to members including travelling, subsistence and other minor sums for the years 2008-09 and 2009-10. The total amount shown does not include employer's insurance contributions associated with these payments.

2008-09 Restated £000	Total remuneration to elected and coopted Members	2009-10 £000
394	Total members' allowance paid in the year	398

8 Number of officers whose remuneration in the year was £50,000 or more

This information is a requirement of the Accounts and Audit Regulations 2003 (SI 2003/533), as amended by the Accounts and Audit Regulations 2006 & 2009.

2008-09 No	Number of employees whose remuneration was in the range:	2009-10 No
11	£50,000 - £54,999	9
3	£55,000 - £59,999	2
3	£60,000 - £64,999	3
2	£65,000 - £69,999	2
-	£70,000 - £74,999	-
2	£75,000 - £79,999	1
1	£80,000 - £84,999	1
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
1	£100,000 - £104,999	-
-	£105,000 - £110,000	1
23	Total number of officers whose remuneration exceeded £50,000	19

9 Senior Officer Remuneration

The following tables (2009-10 shown on the following page, and the comparative year 2008-09 shown on page 31) set out the remuneration disclosures for Senior Officers of the Council whose salary is less than £150,000 but equal to or more than £50,000 per year.

This information is a requirement of the Accounts and Audit Regulations 2003 (SI 2003/533), as amended by the Accounts and Audit Regulations 2006 & 2009. The compilation of this information is made on the basis the specified staff included in the tables have responsibility for the management of the relevant body to the extent that the persons have power to direct or control the major activities of the body (in particular activities involving the expenditure of money), whether solely or collectively with other persons.

NOTES TO THE ACCOUNTS continued

9 Senior Officer Remuneration continued

Information for 2009-10

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2009-10)				
Post Title	Salary	Total	Pension	Total
	including fees & allowances	Remuneration excluding pension contributions	Contributions	including pension contributions
	£	£	£	£
Chief Executive	109,362	109,362	20,341	129,703
Corporate Director	83,001	83,001	15,438	98,439
Corporate Director	78,582	78,582	14,564	93,146
Head of Legal & Democratic Services	67,632	67,632	12,579	80,211
Head of Revenue & Benefits	61,518	61,518	11,405	72,923
Head of Development Control	61,624	61,624	11,405	73,029
Head of Housing	59,405	59,405	10,998	70,403
Head of Culture	55,747	55,747	10,369	66,116
Head of Regeneration & Planning Policy	54,300	54,300	10,099	64,399
Head of Customer Service & ICT	52,556	52,556	9,775	62,331
Area Coordinator	52,664	52,664	9,647	62,311
Head of HR	52,385	52,385	9,743	62,128
Area Coordinator	52,539	52,539	9,554	62,093
Head of Direct Services - Started 11.05.09 Annualised salary £54,407. Annualised essential user allow £1,170	49,096	49,096	8,938	58,034
Head of Transport & Engineering Reduced hours to 22.5 per week from 01.07.09. Annualised ft salary and allowance £61,152	43,623	43,623	8,062	51,685
Corporate Director - Started 02.11.09 Annualised £74,000	30,627	30,627	5,696	36,323
Corporate Director - Left 30.04.09 Annualised salary £78,081	8,202	8,202	1,251	9,453
Head of Transport & Engineering Started 15.03.10. Annualised salary £55,000	2,513	2,513	467	2,980

The Council had no staff who were paid more than £150,000 in 2009-10
None of the above posts were paid "compensation for loss of office"

Comparative Information for 2008-09 appears on the following page.

NOTES TO THE ACCOUNTS continued

9 Senior Officer Remuneration continued

Comparative Information for 2008-09

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2008-09)				
Post Title	Salary	Total	Pension	Total
	including fees & allowances	Remuneration excluding pension contributions	Contributions	including pension contributions
	£	£	£	£
Chief Executive	102,886	102,886	18,622	121,508
Corporate Director	82,518	82,518	14,935	97,453
Corporate Director	75,864	75,864	13,681	89,545
Corporate Director	75,589	75,589	13,681	89,270
Head of Legal & Democratic Services	70,807	70,807	12,224	83,031
Head of Transport & Engineering	64,142	64,142	11,560	75,702
Head of Revenue & Benefits	61,069	61,069	11,017	72,086
Head of Development Control	61,175	61,175	11,017	72,192
Head of Housing	57,568	57,568	10,371	67,939
Head of Culture	55,331	55,331	10,014	65,345
Head of Regeneration & Planning Policy	52,493	52,493	9,501	61,994
Head of Direct Services	52,992	52,992	8,750	61,742
Left 01.02.09. Annualised salary and allowance of £60,869				
Head of Customer Service & ICT	52,249	52,249	9,457	61,706
Area Coordinator	52,565	52,565	9,280	61,845
Area Coordinator	52,365	52,365	9,280	61,645
Head of HR	52,211	52,211	9,428	61,639
Area Coordinator	52,023	52,023	9,280	61,303
Area Coordinator - Works 22 hours per week Ft salary £51,070	32,090	32,090	5,517	37,607

The Council had no staff who were paid more than £150,000 in 2008-09
None of the above posts were paid "compensation for loss of office"

NOTES TO THE ACCOUNTS continued

10 Audit Fees

Audit fees charged were £142,632 in the year. These fees are analysed in the table below.

2008-09 £000	Audit Fees	2009-10 £000
100	Work related to Code of Practice Audit	102
31	Certification of grant claims	34
7	Inspections of a statutory nature	7
3	All other work	-
141	Total of all audit fees	143

11 Leases

Vehicles and plant - the Council uses vehicles and plant financed under terms of an operating lease. The amount paid under these arrangements in 2009-10 was £10,867 (2008-09 £29,544).

Commitments under operating leases - the Council remains committed at 31 March 2010 to making the following payments under operating leases.

Commitments under operating leases for vehicles and plant	£000
Leases expiring in the year 2010-11	2
Leases expiring between 2011-12 and 2014-15	-
Leases expiring after 2014-15	-

The Council holds no finance leases.

12 Intangible assets

Software licences are held in relation to information systems. The cost is written off over the five-year life of the licences once they become operational. The table below gives an analysis of the movement in intangible assets.

Movement in intangible assets (all software licences)	£000
Cost or valuation	
At 1 April 2009	482
Additions	97
At 31 March 2010	579
Depreciation and impairments	
At 1 April 2009	(207)
Reclassifications	(10)
Revaluations	(88)
At 31 March 2010	(305)
Balance sheet amount:	
At 31 March 2010	274
At 31 March 2009	275

NOTES TO THE ACCOUNTS continued

13 Summary of capital expenditure and fixed asset disposals

In accordance with the requirements of the SORP 2007 cumulative depreciation up until 31 March 2007 was netted off against the book value of related assets to enable all assets to be stated as "net book value" as at 31 March 2007. Hence, the value of the assets as at 31 March 2009 and 2010 under the heading "Balance Sheet amount" on operational fixed assets below represents the net book value of those assets with accumulated depreciation appropriately deducted in relation to the periods 2007-08, 2008-09 & 2009-10.

Movement on operational fixed assets						
Operational	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Infra- structure £000	Community Assets £000		Total of all operational assets £000
Cost or valuation						
At 1 April 2009 *	34,269	7,677	1,380	10,669		53,995
Additions	2,863	2,581	39	395		5,878
Disposals	(1)	(580)	-	(50)		(631)
Reclassifications	493	275	109	265		1,142
Revaluations	1,698	-	-	392		2,090
At 31 March 2010	39,322	9,953	1,528	11,671		62,474
Depreciation and impairments						
At 1 April 2009	(1,005)	(2,409)	(54)	(358)		(3,826)
Charge for 2009-10	(500)	(1,331)	(26)	(209)		(2,066)
Disposals	-	561	-	5		566
Reclassifications	-	-	-	-		-
Revaluations	(2,476)	-	-	(154)		(2,630)
At 31 March 2010	(3,981)	(3,179)	(80)	(716)		(7,956)
Balance sheet amount:						
At 31 March 2010	35,341	6,774	1,448	10,955		54,518
At 31 March 2009 *	33,264	5,268	1,326	10,311		50,169

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

All assets are owned by the council, with the exception of a sports hall located at the Fleming Park Leisure Centre, which is recognised on the Council's balance sheet as an asset in relation to an adaptation of IFRIC 12 (contract with similarity to a Private Finance Initiative).

NOTES TO THE ACCOUNTS continued

13 Summary of capital expenditure and fixed asset disposals continued

Movement on non-operational fixed assets				
Non-operational	Investment Properties £000	Assets under construction £000		Total of all non- operational assets £000
Cost or valuation				
At 1 April 2009	26,164	2,026		28,190
Additions	21,217	1,443		22,660
Disposals	-	-		-
Reclassifications	(468)	(687)		(1,155)
Revaluations	5,077	-		5,077
At 31 March 2010	51,990	2,782		54,772
Depreciation and impairments				
At 1 April 2009	-	-		-
Charge for 2009-10	-	-		-
Disposals	-	-		-
Reclassifications	-	-		-
Revaluations	(2,792)	-		(2,792)
At 31 March 2010	(2,792)	-		(2,792)
Balance sheet amount:				
At 31 March 2010	49,198	2,782		51,980
At 31 March 2009	26,164	2,026		28,190

14 Information about depreciation and amortisation methodologies

Depreciation is provided for on all assets with a determinable finite life (except for land and investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. The Council's policy is disclosed in the table on the following page.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written to the Income and Expenditure Account to offset depreciation charges made for the related assets in the relevant revenue service.

NOTES TO THE ACCOUNTS continued

14 Information about depreciation and amortisation methodologies continued

Detail of depreciation and amortisation methodologies applied to assets

Asset classification	Depreciation and amortisation methodology
Intangible	<p>Held at historic cost</p> <p>Amortised using straight line method of 20% each year</p> <p>If operational in first six months then amortised from 1 October ; second six months from 1 April of the following year</p> <p>Non-operational held as assets under construction</p> <p><i>No deminimis level set</i></p>
Buildings	<p>Held at net current value</p> <p>Depreciated at the rate of 2% per annum on reducing balance</p> <p>Freehold land not depreciated</p> <p><i>No deminimis level set</i></p>
Vehicles, plant and equipment	<p>Held at historic cost (the lower of net current replacement cost or net realisable value)</p> <p>Depreciated using straight line method over the asset life determined for that particular asset.</p> <p>Typically, vehicles have an asset life of 5 years, playgrounds 10 years and equipment between 3 and 15 years.</p> <p><i>Deminimis level for IT hardware set at £350. No deminimis level set for vehicles, plant and other equipment</i></p>
Infrastructure and community	<p>Held at historic cost</p> <p>Depreciated at the rate of 2% per annum on reducing balance.</p> <p><i>No deminimis level set</i></p>
Investment properties	<p>Held at market value</p> <p>Not depreciated</p>
Assets under construction	<p>Held at historic cost</p> <p>No depreciation applied whilst under construction</p>

NOTES TO THE ACCOUNTS continued

14 Information about depreciation and amortisation methodologies continued

A reconciliation between the movements on depreciation and impairment quoted in the tables on pages 32 & 33, (intangible fixed assets & operational fixed assets) related to the revenue effect for depreciation shown at page 20 is given in the table below .

Reconciliation between depreciation and impairment written against fixed assets compared to the General Fund entries made on page 20.	2009-10 £000
<u>Transactions on the balance sheet (fixed assets)</u>	
Amortisation of intangible fixed assets	(88)
Depreciation and impairment on operational fixed assets	(6,448)
Total of all depreciation and impairment written against assets	(6,536)
<u>Transactions made within the statutory and non-statutory amounts debited and credited to the General Fund (page 20)</u>	
Amortisation of intangible fixed assets	(88)
Depreciation and impairment of fixed assets	(6,448)
Total charges in the revenue account for depreciation	(6,536)

15 Changes in depreciation

There have been no changes in depreciation methodology in the year 2009-10.

16 Classes of fixed assets held on the balance sheet at current value

The classes of fixed assets held on the balance sheet at current value are Other Land and Buildings.

17 Assets recognised under a PFI arrangement

The Council recognises a sports hall situated at its Fleming Park Leisure site under the accounting arrangements associated with an interpretation of IFRIC 12 Service Concession Arrangements. The retrospective recognition of this asset occurred in 1995 in the sum of £291,000, as a prior period adjustment to the disclosure of 2008-09 within this statement of accounts for the year 2009-10.

If the sports hall had been in the Council's ownership since 1995 it is inevitable that it would have been both depreciated and subsequently revalued during the course of 15 years. The process of depreciation will commence in the next financial year, and for the future the Council will ensure that the sports hall is included in schedules for revaluation in accordance with policy.

NOTES TO THE ACCOUNTS continued

18 Details relating to the last full asset valuation

The last full asset revaluation was undertaken on 1 April 2009 by the District Valuer South East, an office of the Valuation Office Agency. The VOA are an external body and their staff engaged on the valuation were RICS qualified (Royal Institute of Chartered Surveyors).

The bases of valuation and amounts are given in the table below.

Classification of property	Basis of valuation at 1 April 2009	Amounts £000
Non-specialised operational property	Valued to Existing Use Value (EUV)	14,830
Specialised operational property	Valued using Depreciated Replacement Cost (DRC)	9,833
Non-operational property	Valued at Market Value (MV)	40,118

19 Details relating to the last full asset valuation - subsequent valuations

Subsequent valuations were made by the Valuation Office Agency for the following properties:

Property	Basis of valuation and date	Amounts £000
B&Q Retail site, Woodside Avenue, Eastleigh	EUV Date 31/03/2010	8,100
Channon Retail Park, Eastleigh	MV Date 31/03/2010	11,000

The date for the next full valuation is 1 April 2014.

NOTES TO THE ACCOUNTS continued

20 Information on assets held

The Council has ownership of assets described in the table below.

Statement of Fixed Assets at 31 March 2010		Quantity	Area (acres)
Operational Assets			
Asset Category			
Other Land and Buildings	● Civic Offices	1	
	● Hedge End Depot	1	
	● Eastleigh Business Centre	1	
	● The Point Dance & Arts Centre	1	
	● Fleming Park Leisure Centre and Land	1	
	● Fleming Park Bowling Green	1	
	● Fleming Park Recreational Land	1	
	● Car Parks	14	
	● Market Sites	1	
	● Public Conveniences	2	
Vehicles, Plant & Equipment	● Vehicles	101	
	● Plant & equipment	137	
Infrastructure Assets		78	160.29
Community Assets	● Allotments		27.68
	● Cemeteries	3	
	● Community Centres	6	
	● Other Community facilities	18	
Parks	● Itchen Valley Country Park		319.44
	● Lakeside		56.75
	● Ecology Park		5.95
	● The Lakes		14.55
	● Other Parks		4.21
Leisure Facilities	● General leisure facilities	4	
	● Public Open Spaces		182.35
	● Woodland sites	16	62.00
	● Recreation and playgrounds		128.69
	● Grazing land		296.38
Investment Properties		40	
Assets Under Construction		10	12.26

NOTES TO THE ACCOUNTS continued

21 Summary of capital expenditure and financing

2008-09 £000	Capital expenditure and financing	2009-10 £000
6,204	Opening capital financing requirement	9,886
	<u>Capital investment</u>	
36	Intangibles	97
1,486	Operational assets	5,832
5,344	Non-operational assets	22,660
4,043	Revenue expenditure funded from capital under statute	3,627
	<u>Sources of finance</u>	
(3,019)	Capital receipts	(3,432)
(3,826)	Government grants and other contributions	(2,636)
(93)	Earmarked reserves	(82)
(289)	Sums set aside from revenue (revenue contribution to capital outlay and minimum revenue provision) adjusted for IFRIC 12 element	(381)
-	Adjustment relating to 2008-09	3
9,886	Closing capital financing requirement	35,574
	<u>Explanation of movements in year</u>	
3,682	Increase in underlying need to borrow (unsupported by Government financial assistance)	25,688
3,682	Increase in capital financing requirement	25,688

22 Significant commitments under capital contracts

The Council has the following significant commitments under capital contracts at 31 March 2010.

Significant commitments under capital contracts	Contract Date	Estimated Completion date	Total contract value £000
Hound Road Cycleway	Oct-10	Apr-10	70
Fleming Park Tennis Courts	Jan-10	May-10	281
Total significant commitments under capital contracts at 31 March 2010			351

23 Balance sheet analysis of Financial Instruments

The following notes (numbers 24 to 28) provide analysis and detail of balance sheet elements that are also included within the detailed notes on financial instruments to be found at notes 51 through to 54, starting on page 61.

24 Long-term investments

The Council had no long-term investments as at 31st March 2009 and 31st March 2010.

NOTES TO THE ACCOUNTS continued

25 Long-term debtors

31 03 09 £000	Long-term debtors	31 03 10 £000
134	Housing Association Loans	128
81	Mortgages	53
108	Car Loans to staff	170
58	Other	49
381	Total of all long-term debtors	400

Long-term debtors have marginally increased for the year 2009-10, mainly due to further loans given to staff for car loans. Decreases have however occurred in relation to housing association loans, mortgages and other long-term debtors. An element of the mortgages shown above relate to the sale of former Council houses. A deferred credit is held on the balance sheet relating to these former sales. As principal amounts are repaid by mortgagees this deferred credit is released as a usable capital receipt, or as a revenue receipt in circumstances where the principal sum paid is less than £10,000.

26 Debtors

Gross 31 March 2009 £000	Bad debt provision 31 March 2009 £000	Debtors net of provision 31 March 2009 £000	Debtors	Gross 31 March 2010 £000	Bad debt provision 31 March 2010 £000	Debtors net of provision 31 March 2010 £000
281	(83)	198	Council Tax arrears including court costs *	332	(98)	234
4	(2)	2	NNDR court cost arrears *	4	(2)	2
4	(4)	-	Community Charge arrears	-	-	-
2	-	2	Community Charge court costs	-	-	-
928	(371)	557	Benefits	1,059	(424)	635
2,320	-	2,320	Government and Public Bodies *	4,274	-	4,274
1,339	(274)	1,065	Other Debtors	1,571	(295)	1,276
337	-	337	Payments in Advance	629	-	629
5,215	(734)	4,481	Total of all	7,869	(819)	7,050

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

NOTES TO THE ACCOUNTS continued

27 Investments including accrued interest

The short term investments relate to temporary investments of surplus cash made in the money market. It is an efficient use of surplus cash on a short term basis. Investments are made in accordance with a strictly defined policy approved regularly by the Council's Cabinet.

31 03 09 £000	Investments including accrued interest	31 03 10 £000
10,326	Temporary investments	8,204
1,174	Money market funds	-
595	Business reserve accounts	2,083
12,095	Total of all investments at year end (includes accrued interest)	10,287

28 Creditors

An analysis of creditors is shown in the table below.

31 03 09 £000	Creditors	31 03 10 £000
(128)	Council Tax *	(90)
(1,098)	Government and Public Bodies *	(1,170)
(2,845)	Other creditors	(2,786)
(104)	Deposits held	(96)
(1,201)	Payments received in advance	(1,576)
(5,376)	Total of all creditors	(5,718)

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

29 Provisions

Provisions relate to liabilities of uncertain timing or amount that will be incurred.

31 03 09 £000	Provisions	31 03 10 £000
(65)	Early retirement Costs	(65)
-	Travel concessions	(575)
(65)	Total provisions	(640)

The provisions' sum of £65,000 relates to two amounts related to early retirement costs. In both situations the Council considers it is liable to discharge the amounts to a third party. Both amounts have been precisely calculated, and the Council will continue to communicate to the third party about settling these matters. Conclusion to both matters should be completed within the following financial year.

The travel concession amount of £575,000 has been raised in the year 2009-10 in order to provide for costs in relation to transport matters for which the Council considers it will need to discharge to third parties within the forthcoming financial year.

NOTES TO THE ACCOUNTS continued

30 Capital contributions unapplied

The capital contributions shown on the balance sheet is entirely composed of developer's contributions, awaiting allocation to fund either capital or revenue activities. In certain limited circumstances sums may eventually be repaid to the developer.

31 03 09 £000	Capital contributions unapplied	31 03 10 £000
(6,394)	Total Capital contributions unapplied	(6,280)

31 Government grants deferred

Government grants deferred relates to the unamortised balance of assets resulting from capital expenditure funded by grants and external contributions.

31 03 09 £000	Government grants deferred	31 03 10 £000
(3,708)	Opening balance for the year	(5,053)
	Movements in the year	
(3,792)	Capital expenditure financed by government grants and contributions	(2,637)
34	Adjustment to capital financing for the year 2008-09 related to 2007-08	-
2,294	Revenue expenditure funded from capital under statute written off	1,468
(34)	Revenue expenditure funded from capital under statute written off for 2007-08	-
153	Depreciation	152
(5,053)	Total government grants deferred	(6,070)

32 Deferred Liabilities

The deferred liability listed on the balance sheet solely relates to the recognition of the liability in connection with a Sports Hall at the Fleming Park Leisure complex, adopted into the Council's accounts as an IFRIC 12 prior period adjustment.

33 Defined benefits pensions

Eastleigh Borough Council participates in the Local Government Pension Scheme administered by Hampshire County Council, which is a defined benefit scheme based on final pensionable salaries. The disclosures within this note relate to funded pensions.

In accordance with Financial Reporting Standard No 17 (FRS17) – Retirement Benefits, disclosure of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

In 2008-09 the Council adopted the amendment to FRS17 published on 7th December 2006. This amendment is effective for accounting periods beginning on or after 6th April 2007. The amendment introduces key changes regarding disclosures and states that the fair value of assets should comprise the bid-value for quoted securities, rather than the mid-market value. For 2009-10 the reporting effect of this amendment continues.

NOTES TO THE ACCOUNTS continued

34 Defined funded benefits pensions

The Council's regular contributions to the Fund for the accounting period ending 31 March 2011 are estimated to be £2.40m. In addition, Strain on the Fund contributions may be required.

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2007. The principal assumptions used by the qualified independent actuaries in updating the latest valuations of the fund for FRS17 purposes are shown below.

Principal financial assumptions (% per annum)	31 March 2008 %	31 March 2009 %	31 March 2010 %
Inflation	3.7	3.4	3.9
Rate of general increase in salaries	5.2	4.9	5.4
Rate of increase to pensions in payment	3.7	3.4	3.9
Rate of increase to deferred pensions	3.7	3.4	3.9
Discount rate	6.8	6.7	5.5

Principal demographic assumptions

Post retirement mortality	31 March 2009	31 March 2010
Males		
Base table (in 2007)	PNMA00 (*1a) with allowance for MC (*2) improvement for factors to 2007	PNMA00 (*1a) with allowance for MC improvement for factors to 2007
Rating to above base table (years) (*3)	0	0
Scaling to above base table rates (*4)	110%	110%
Cohort improvement factors (from 2007)	80% of LC (*5)	80% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	22.2	22.3
Future lifetime from age 65 (currently aged 45)	24.5	24.7
Females		
Base table (in 2007)	PNFA00 (*1b) with allowance for MC improvement for factors to 2007	PNFA00 (*1b) with allowance for MC improvement for factors to 2007
Rating to above base table (years)	0	0
Scaling to above base table rates	110%	110%
Cohort improvement factors (from 2007)	60% of LC	60% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	24.2	24.3
Future lifetime from age 65 (currently aged 45)	26.4	26.5

*1a - PNMA00 Pensioners, Normals, Males, Amounts

*1b - PNFA00 Pensioners, Normals, Females, Amounts

Cohort Study identifies a group of people and follows them over a period of time to see how their exposures affect their outcomes

*2 Medium Cohort (a cohort is a group of subjects who have shared a particular experience during a particular time span)

*3 A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

*4 The scaling factors shown apply to normal health retirements.

*5 Long Cohort

NOTES TO THE ACCOUNTS continued

34 Defined funded benefits pensions continued

Commutation

For both dates 31st March 2009 and 31st March 2010 - each member is assumed to exchange 25% of the maximum amount permitted of the pre 1st April 2008 pension entitlements. Each member is assumed to exchange 75% of the maximum amount permitted of the post 1st April 2008 pension entitlements.

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. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS17.

	Long-term expected rate of return 31 March 2008 % pa	Asset split at 31 March 2008 %	Long-term expected rate of return 31 March 2009 % pa	Asset split at 31 March 2009 %	Long-term expected rate of return 31 March 2010 % pa	Asset split at 31 March 2010 %
Equities	7.6	61.9	7.0	55.2	8.0	61.3
Property	6.6	5.8	6.0	7.3	8.5	6.1
Government bonds	4.6	26.6	4.0	27.4	4.5	24.4
Corporate bonds	6.8	0.0	5.8	3.9	5.5	2.4
Cash	6.0	5.7	1.6	6.2	0.7	5.8
Other *	6.0	0.0	1.6	0.0	8.0	0.0
Total	6.7	100.0	5.7	100.0	6.7	100.0

Other * - these holdings include hedge funds, currency holdings, asset allocation futures and other instruments. They are assumed for 2009-10 to obtain a return in line with equities.

Basis used to determine expected return

Eastleigh Borough Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within these notes. The overall expected rate of return is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

Reconciliation of funded status to the balance sheet	Value as at 31 March 2008 £M's	Value as at 31 March 2009 £M's	Value as at 31 March 2010 £M's
Notional value of assets	50.18	40.18	52.68
Present value of liabilities	(68.58)	(72.26)	(100.34)
Net pension liability	(18.40)	(32.08)	(47.66)

NOTES TO THE ACCOUNTS continued

34 Defined funded benefits pensions continued

Analysis of income and expenditure	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Current service cost	1.54	1.63
Past service cost	0.23	0.05
Interest cost	4.66	4.80
Expected return on assets	(3.31)	(2.24)
Expense recognised	3.12	4.24

Changes to the present value of liabilities during the financial year	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Opening present value of liabilities	(68.58)	(72.26)
Current service cost	(1.54)	(1.63)
Interest cost	(4.66)	(4.80)
Contributions by participants	(0.75)	(0.79)
Actuarial gains/(losses) on liabilities	0.82	(24.52)
Net benefits paid out	2.68	3.71
Past service cost	(0.23)	(0.05)
Closing present value of liabilities	(72.26)	(100.34)

Changes to the fair value of assets during the financial year	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Opening fair value of assets	50.18	40.18
Expected return on assets	3.31	2.24
Actuarial gains/(losses) on assets	(13.62)	10.92
Contributions by the employer	2.24	2.26
Contributions by participants	0.75	0.79
Net benefits paid out	(2.68)	(3.71)
Closing fair value of assets	40.18	52.68

Actual return on assets	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Expected return on assets	3.31	2.24
Actuarial gains/(losses) on assets	(13.62)	10.92
Actual return on assets	(10.31)	13.16

NOTES TO THE ACCOUNTS continued

34 Defined funded benefits pensions continued

Analysis of amount recognised within the STRGL	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
<i>See note 36 on page 49 for detail of the reconciled amount that appears in the STRGL on page 21.</i>		
Total actuarial gains/(losses)	(12.80)	(13.60)
Total gain/(loss) in STRGL	(12.80)	(13.60)

History of asset values, present value of liabilities and surplus/deficit	Period ending 31 March 2006 £M's	Period ending 31 March 2007 £M's	Period ending 31 March 2008 £M's	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Fair value of asset	46.75	49.80	50.18	40.18	52.68
Present value of liabilities	(72.47)	(76.27)	(68.58)	(72.26)	(100.34)
Surplus/(deficit)	(25.72)	(26.47)	(18.40)	(32.08)	(47.66)

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for the periods 2008 & 2007 have been re-measured for this purpose. Asset values for periods ending 2006 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

History of experience gains and losses	Period ending 31 March 2006	Period ending 31 March 2007	Period ending 31 March 2008	Period ending 31 March 2009	Period ending 31 March 2010
Experience gains/(losses) on assets £M's	1.17	6.26	(0.07)	(13.62)	10.92
Percentage of assets %	2.5	12.6	-0.1	-33.9	20.7
Experience gains/(losses) on liabilities £M's	0.02	(0.16)	(0.25)	(0.27)	0.77
Percentage of the present value of the liabilities %	0.0	-0.2	-0.4	-0.4	0.8

The history of experiences gain/(loss) on liabilities shown has not been re-stated for the periods 2007 & 2006 and includes the experience relating to unfunded liabilities.

35 Defined unfunded benefits pensions

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007.

As described in Note 33, Eastleigh Borough Council participates in the Local Government Pension Scheme administered by Hampshire County Council, which is a defined benefit scheme based on final pensionable salaries. The disclosures within this note relate to unfunded pensions.

NOTES TO THE ACCOUNTS continued

35 Defined unfunded benefits pensions continued

In accordance with Financial Reporting Standard No 17 (FRS17) – Retirement Benefits disclosure of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

In the accounting period ending 31 March 2011 the Employer expects to pay £0.11M directly to beneficiaries.

The latest actuarial valuation of the unfunded benefits took place as at 31 March 2010. The principal assumptions used by the independent qualified actuaries in updating the latest valuation for FRS17 purposes were as shown below.

Principal financial assumptions (% per annum)	31 March 2008 %	31 March 2009 %	31 March 2010 %
Inflation	3.7	3.4	3.8
Rate of increase to pensions in payment	3.7	3.4	3.8
Discount rate	6.8	6.7	5.5

Principal demographic assumptions

The principal demographic assumptions for unfunded pensions are exactly as stated for the funded pensions. Reference to these assumptions can be made in the table entitled "principal demographic assumptions" shown at Note 34 on page 43.

Reconciliation of unfunded status to balance sheet	31 March 2008 £M's	31 March 2009 £M's	31 March 2010 £M's
Present value of liabilities	(1.44)	(1.48)	(1.66)
Net pension (liability)	(1.44)	(1.48)	(1.66)

Analysis of Income and Expenditure	31 March 2009	31 March 2010 %
Past service cost	0.00	0.02
Interest cost	0.09	0.10
Expense recognised	0.09	0.12

Changes to the present value of unfunded liabilities during the financial year	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Opening present value of liabilities	(1.44)	(1.48)
Interest cost	(0.09)	(0.10)
Actuarial gains/(losses) on liabilities	(0.06)	(0.18)
Net benefits paid out	0.11	0.12
Past service cost	0.00	(0.02)
Closing present value of unfunded liabilities	(1.48)	(1.66)

NOTES TO THE ACCOUNTS continued

35 Defined unfunded benefits pensions continued

Analysis of amount recognised within the STRGL	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Total actuarial gains/(losses)	(0.06)	(0.18)
Total gain/(loss) in STRGL	(0.06)	(0.18)

See note 36 on page 49 for detail of the reconciled amount that appears in the STRGL on page 21.

History of present value of liabilities and surplus/deficit	Period ending 31 March 2006 £M's	Period ending 31 March 2007 £M's	Period ending 31 March 2008 £M's	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Present value of liabilities	-	-	1.44	1.48	1.66
Surplus/(deficit)	* See note below		(1.44)	(1.48)	(1.66)

History of experience gains and losses	Period ending 31 March 2006	Period ending 31 March 2007	Period ending 31 March 2008	Period ending 31 March 2009	Period ending 31 March 2010
Surplus/(deficit) £M's	* See note below		0.00	(0.03)	0.06
Percentage of the present value of the liabilities %			0.0	-2.0	3.6

* In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note presents the history of liabilities, and experience gain/(loss) on liabilities for periods ending 2008 and 2009. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

36 Reconciliation of funded and unfunded pension statements to the balance sheet and an estimate of the Council's liability in the accounting period 2010/11

Funded and unfunded pension information is quoted separately in the preceding notes 34 & 35 of this statement of accounts. The following reconciliation demonstrates the fund analysis from 31 March 2009 through to 31st March 2010.

Analysis of the pension fund reserve	Period ending 31 March 2009 £M's	Period ending 31 March 2010 £M's
Funded pensions (as per table on page 44)	(32.08)	(47.66)
Unfunded pensions (as per table shown higher on this page)	(1.48)	(1.66)
Total (adjusted) pension reserve as year end	(33.56)	(49.32)

The Council's estimate that its liability for contributions in 2010/11 is funded (£2.40m) and unfunded (£0.11m), making a total liability of £2.51m.

NOTES TO THE ACCOUNTS continued

36 Reconciliation of funded and unfunded pension statements to the balance sheet continued

Movement on the STRGL on page 21 for 2009-10	Period ending 31 March 2010 £M's	Period ending 31 March 2010 £M's
Total actuarial gains/(losses) for funded pensions (page 46)	(12.80)	(13.60)
Fair value valuation adjustments for prior years	0.04	-
Total actuarial gains/(losses) for unfunded pensions (page 48)	(0.06)	(0.18)
Movement on the STRGL on page 21 for 2009-10	(12.82)	(13.78)

37 Revaluation Reserve

The Revaluation Reserve was created in accordance with the SORP 2007 requirements as at 1 April 2007. The purpose of this account is to reflect movements in fixed assets resulting from revaluations and disposals.

2008-09 £000	Revaluation Reserve	2009-10 £000
-	Opening balance for the year	-
-	Revaluation of operational fixed assets	7,211
-	Downward revaluation of fixed assets	(710)
-	Net surplus arising on the revaluation of fixed assets	6,501
-	Depreciation on revalued fixed assets	(21)
-	Closing balance	6,480

38 Capital Adjustment Account

This account is used for the financing of capital expenditure, and for the application of minimum revenue provision and voluntary revenue provision.

2008-09 £000	Capital Adjustment Account	2009-10 £000
64,021	Opening balance for the year	63,544
	<u>Movements in the year</u>	
3,295	Financing of capital expenditure related to the Council's internal resources	3,684
(34)	Adjustment to previous year's capital financing	(21)
(1,750)	Revenue expenditure funded from capital under statute written off	(2,158)
34	Adjustment to previous year's revenue expenditure funded from capital under statute	-
140	Minimum revenue provision	223
(1,992)	Depreciation & impairment	(6,363)
(314)	Book value of assets sold/transferred	(65)
144	Adjustment regarding IFRIC 12 prior period adjustment in 2008-09 *	-
-	Adjustment regarding derecognition of asset	(331)
63,544	Closing balance *	58,513

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

NOTES TO THE ACCOUNTS continued

39 Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the difference between the Collection Fund balance and the General Fund accruals for council tax.

2008-09 £000	Collection Fund Adjustment Account	2009-10 £000
	- Opening balance	86
86	Movement in the year	32
86	Closing balance	118

40 Usable Capital Receipts Reserve

The accumulated capital receipts held in this reserve represent the proceeds from the disposal of fixed assets. The receipts are held pending their use to finance future capital expenditure.

2008-09 £000	Usable Capital Receipts Reserve	2009-10 £000
10,148	Opening balance for the year	7,393
	Movements in the year	
264	Capital receipts received in the year	612
(3,019)	Financing of capital expenditure earmarked from capital receipts	(3,432)
7,393	Closing balance	4,573

41 Deferred Capital Receipts

These capital receipts represent the principal outstanding on mortgages relating to council houses previously sold by the Council.

2008-09 £000	Deferred Capital Receipts	2009-10 £000
101	Opening balance for the year	59
(42)	Receipts released related to mortgage repayments	(22)
59	Closing balance	37

NOTES TO THE ACCOUNTS continued

42 Available for Sale Financial Instruments Reserve

This reserve holds the fair value movements on the 'Available for Sale' financial assets, and this amount will be recognised when the asset is redeemed or sold.

2008-09 £000	Available for Sale Financial Instruments Reserve	2009-10 £000
-	Opening balance for the year	42
42	Movements in the year	66
42	Closing balance	108

43 General Fund Balance

The General Fund reserve is effectively held as the main resource to fund a deficit or absorb a surplus resulting from the net General Fund expenditure for each financial year.

2008-09 £000	General Fund Balance	2009-10 £000
3,076	Opening balance for the year	2,265
(811)	Contribution to the General Fund in the year	(82)
2,265	Closing balance	2,183

NOTES TO THE ACCOUNTS continued

44 Earmarked reserves

The movement in these reserves was as follows:

31 03 09 £000	Movements in earmarked reserves	31 03 10		
		£000	£000	£000
		(To)/From General Fund	Used to finance capital exp	
44	Uninsured losses	(10)	-	34
25	Interest equalisation	-	-	25
366	Local Area Committees	79	(65)	380
50	Leasing/Interest	-	-	50
3	Highways Agency Fund	-	-	3
45	On Street Parking	27	-	72
61	Green Energy	(1)	-	60
500	Grange Park	50	-	550
30	Sidings Maintenance	-	-	30
19	Healthy Living Network	(13)	-	6
25	Wessex House	-	-	25
50	Wessex House Financing	-	-	50
5	Quob Lane Sewer	-	-	5
4	Meals on Wheels	-	-	4
83	The Point	(80)	-	3
48	Biodiversity Projects	(9)	-	39
186	Recycling	31	-	217
95	HCC Agency Contract Balfour Beatty	(95)	-	-
-	- Black Horse House maintenance	61	-	61
-	- Hamble Point car park	2	-	2
-	- Capital financing	17	(17)	-
1	Insurance	5	-	6
76	Specific Purpose Vehicle for Housing	(56)	-	20
15	Building Control	23	-	38
93	Community and Health	(37)	-	56
10	S 38 Advance Payments	-	-	10
9	Street Lighting Reserve	-	-	9
20	Housing Private Sector Leasing	-	-	20
10	Highways Works	(1)	-	9
24	Marketing & Brand for Eastleigh River Side	-	-	24
74	Community Involvement Reserve	(64)	-	10
16	Community Safety	21	-	37
-	- Investment Properties	100	-	100
20	Ticket Machine Reserve	6	-	26
-	- Core Strategy	30	-	30
5	Town Centre Contribution	(5)	-	-
-	- Carbon Reduction reserve	33	-	33
-	- Licensing Reserve	17	-	17
2,012	Total for all earmarked reserves (exc collection fund)	131	(82)	2,061
-	- Community charge collection fund			-
2,012	Total for all earmarked reserves			2,061

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76. The purpose of each of the reserves shown above at 31 March 2010 is given on the following page.

NOTES TO THE ACCOUNTS continued

The purpose of each of the reserves shown on page 52 at 31 March 2010 is given below

Uninsured losses - For losses that are not met via the Council's main insurance provider. Use of this reserve assists to reduce the revenue impact of liabilities which otherwise could cause major distortion to the Council's General Fund Revenue Account.

Interest equalisation - Potential unexpected variations in interest rate effects borne by the Council allow for a cautious level of protection for the General Fund Revenue Account.

Local Area Committees (LAC) - Delegated reserves re LAC use on future projects and initiatives.

Leasing/Interest - Variations in the revenue effect of contracted operating leases and related interest charges allow for a level of protection for the General Fund Revenue Account.

Highways Agency Fund - Income received in relation to Section 38 Agreements to offset future expenditure in relation to the schemes

On Street Parking - Surplus generated from the Decriminalised Parking Services

Green Energy - Reserve for Green Energy initiatives funded by grants from various bodies

Grange Park - Specific reserve for drainage and sewer works currently being carried out at Grange Mobile Home Park

Sidings Maintenance - Reserve for future maintenance at the Sidings industrial units

Healthy Living Network - Composed of unused income (sponsorship, sales etc,) obtained during the term of the Lottery Funded Healthy Living Network between 2002 and 2006 and will be used to sustain the services such as the Mobile Creche and the Healthy Eastleigh web site

Wessex House - Reserve for specific capital works at Wessex House in line with the programme

Wessex House Financing - Surplus held in reserve in case of down turn in rental income at Wessex House

Quob Lane Sewer - Future maintenance of sewer

Meals on Wheels - Reserve for major capital expenditure on the meals on wheels service, and will be used for the redecoration and refurbishment of the meals on wheels kitchen and office areas

The Point - Reserve for future losses which could occur during the transition phase of the redevelopment of The Point

Biodiversity Projects - Specific reserve for Biodiversity projects - Wetlands projects and Damsel Fly project

Recycling - Reserve created from sale of recyclable materials and used in the Waste Management area

44 Earmarked reserves (descriptions of the nature of reserves) continued

HCC Agency Contract Balfour Beatty - for potential liabilities arising from the Hampshire County Council Agency Agreement and Balfour Beatty

Black Horse House maintenance - reserve for the use of funding essential maintenance requirements at Black Horse House (a property owned by the Council and located at the Eastleigh town centre)

Hamble Point car park - for the funding of ongoing future maintenance of the existing grids to preserve their integrity

Capital financing - Reserve used by the Council to accumulate capital resources and ultimately apply these resources to finance an element of the capital programme

Insurance - Specific purpose of this reserve is described on page 55

Specific Purpose Vehicle for Housing - Reserve to finance a housing initiative in 2009-10 or later

Building Control - Held in relation to the trading activity regarding partnership with Southampton City Council

Community and Health - Held in relation to community and health initiatives

Section 38 Advance Payments - deposits held

Street Lighting Reserve - funds set aside to cover cost of street lights damaged in road traffic accidents

Housing Private Sector Leasing - £500 allocation held per property for all houses which are part of the Housing Private Sector Leasing Scheme. Reserve applied if there is any damage to the property at the end of the lease. The scheme is run by Portsmouth Housing Association

Highways Works - funds set aside to fund maintenance of capital schemes

Marketing & Brand for Eastleigh River Side - to fund the marketing and branding for Eastleigh River Side Area

Community Involvement Reserve - for the development of community matters

Community Safety - held in relation to community safety initiatives

Investment Properties - funds set aside to fund any shortfall in rental income or additional consultant costs for the purchase of new properties within the property portfolio

Ticket Machine Reserve - reserve for replacement of ticket machines due to excess vandalism

Core Strategy - reserve to cover the cost of the preparation for the Council's Core Strategy

Town Centre Contribution - transferred to the town centre partnership in 2009-10. Funds are held to pay for initiatives agreed by the partnership

NOTES TO THE ACCOUNTS continued

44 Earmarked reserves (descriptions of the nature of reserves) continued

Carbon Reduction reserve - funded from the area based grant for carbon reduction projects

Licensing Reserve - to fund the future costs of the E2E IT system with Southampton City Council

Community charge collection fund - in accordance with the SORP 2009 the community charge element of the collection fund is disclosed within earmarked reserves. The Council still collects a small amount of outstanding community charge income and draws on this reserve as additional funding to the general fund revenue account.

45 Insurance reserve

The Council operates an insurance reserve making allocations of internal insurance charges to service accounts for the provision of risk cover for equipment. A brief summary of the activity for the year is given in the table below.

2008-09 £000	Insurance reserve	2009-10 £000
2	Opening balance for the year	1
7	Movements in the year	
	Charges to the General Fund services for internal risk cover related to items of equipment	6
(8)	Internal settlements	(1)
1	Closing balance	6

46 Collection Fund

The SORP 2009 states that the council tax collection fund balance is to be shared with the other major preceptors for council tax. In addition, the difference between the collection fund balance and the General Fund accrual is now managed by a transfer to the Collection Fund Adjustment Account.

2008-09 £000	Collection Fund *	2009-10 £000
1	Community charge surplus on the collection fund at the beginning of the financial year	-
	- Community charge income received in the year	-
(1)	Community charge transferred to the Income & Expenditure Account	-
660	Council tax surplus on the collection fund at the end of the financial year as stated in the collection fund statements on page 69	900
(574)	Elements of the above council tax surplus effectively removed from Council's accounts relating to the major preceptors (Hampshire County Council, Hampshire Police Authority and Hampshire Fire & Rescue)	(782)
(86)	Transfer to Collection Fund Adjustment Account	(118)
	- Closing balance - Eastleigh Borough Council's element of the collection fund	-

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25, and provided in more detail on pages 72 to 76.

47 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the council - it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set within note 50 on page 59 relating to the Cash Flow Statement. Disclosure regarding related parties needs to be reported for the following bodies:

- Members of the Council
- Officers
- All other public bodies (except central government - see paragraph above)
- Pension fund
- Assisted organisations
- Management contracts
- Companies and joint ventures

One elected member declared his interest as Chair to the Hiltigbury Community Centre Association as the Centre benefitted from buildings works funded by the Council in the sum of £212,300 during the year 2009-10.

One elected member declared his interest as Chair of the Eastleigh Churches rent deposit scheme, for which the Council paid two grants in the total sum of £1,800 in the year 2009-10.

During the financial year 2009-10 the Council continued its partnerships with Southampton City Council for the provision of the Building Control and Licensing administration services, and with Gosport Borough Council for the provision of the Internal Audit service. Strategic focus and decision making remains with the Council, drawing only on the staffing resources from these other Councils to continue to provide the services defined.

48 Analysis of net assets employed

There is a requirement to disclose the net assets employed for the General Fund and Trading Operations.

31 03 09 £000	Analysis of net assets employed	31 03 10 £000
10,752	General Fund *	(8,568)
31,089	Trading Operations	33,321
41,841	Total	24,753

* Subject to a prior period adjustment for 2008-09, the nature of which is disclosed on page 25.

NOTES TO THE ACCOUNTS continued

49 Contingent liabilities

Significant contingent liabilities resulting from the housing stock transfer in March 1996 still exist, together with other liabilities that could potentially impact on the Council. These liabilities are included in the table below:

31 03 09	Contingent liabilities	31 03 10
£000		£000
116	Potential for capital maintenance costs on transferred housing units	58
80	Landscape maintenance regarding pedestrian access to housing units	40
48	Highway maintenance for road systems integral to housing sites	24
244	Total contingent liabilities regarding housing stock transfer made in 1996	122
15	Hamble Jetty - in the event of the partial or total destruction of the jetty	15
100	Wildern Mill planning application outcome	-
71	Wide Lane Land - dependent on potential changes in land valuation	71
-	Land charges	20
186	Total all other contingent liabilities	106
430	Total	228

The contingent liabilities related to the housing stock transfer are not likely to be recognised in any future financial year. The Hamble Jetty amount will remain as a contingent liability until the year 2023, but would only represent a payment should the Jetty become damaged. The Wide Lane amount will continue to be recognised in the mid-term as it relates to a depression in land valuation. The land charges sum related to a government determination for which a payment out could arise in the year 2010/11.

50 Cash Flow reconciliations

2008-09	Reconciliation of the net deficit on the Income and Expenditure Account to the revenue activities net cash flow.	2009-10
£000		£000
4,986	Income and Expenditure Account deficit for the year *	9,544
16	Rental charges not paid in cash	16
(199)	Interest charges not paid in cash	35
(92)	Non-cash movements regarding the disposal of fixed assets	525
(970)	FRS17	(1,980)
(83)	Amortisation of intangible fixed assets	(88)
(2,063)	Depreciation and impairment of fixed assets	(6,448)
2,481	Government grants deferred amortisation	1,620
1,175	Net interest on balances	44
42	Deminimis deferred receipts transferred to GF revenue account	22
113	Capital contributions (dev cons) transferred to/(from) GF revenue account	(68)
-	- Collection Fund *	-
(80)	Bishopstoke Parish Council precept transferred to investment	(85)
5,326		3,137
974	Change in net current assets related to revenue activities	(1,165)
6,300	Balance as per the revenue activities net cash flow contained within the Cash Flow statement on page 24.	1,972

* Subject to a prior period adjustment for 2008-09, the nature of which is disclosed on page 25.

NOTES TO THE ACCOUNTS continued

50 Cash Flow reconciliations continued

2008-09 £000	Reconciliation of items under the Financing and Management of Liquid Resources sections to the opening and closing Balance Sheets	2009-10 £000
12,095	Closing short-term investments for the year	10,287
19,856	Opening short-term investments for the year	12,095
(7,761)	Increase/(Decrease) in short-term investments	(1,808)
(25)	Non-cash movements in short-term investments	60
(7,786)	Financing and management of liquid resources	(1,748)

The liquid resources shown in the above table relate solely to short-term investments.

2008-09 £000	Reconciliation of the movement in cash to the movement in net debt	2009-10 £000
(1,292)	Movement in cash, contained on the cash flow statement on page 24	1,645
	<u>Movement in short-term funds</u>	
(7,761)	Investments	(1,808)
12	Borrowing	(30,073)
	<u>Movement in long-term funds</u>	
(10)	Investments	-
26	Borrowing	-
(9,025)	Movement in net funds	(30,236)

NOTES TO THE ACCOUNTS continued

50 Cash Flow reconciliations continued

2008-09 £000	Total Government Grants received in cash	2009-10 £000
	Department for Communities and Local Government	
(927)	Revenue Support Grant	(1,439)
(6,662)	Distribution from NNDR Pool	(6,236)
(10)	Council tax efficiency information	(10)
(4)	Cost of collection	(13)
(39)	Homelessness Initiatives Grants	(32)
(415)	Planning Delivery Grant	(352)
(124)	Local Authority Business Growth Incentive	(80)
(32)	Defective Housing Renovations	-
(19)	Defective Repurchases	-
(22)	Area based grant planning policy climate change	(23)
(73)	Beacon status award	-
(8)	UK On Line Grant	(8)
(463)	New Growth Point	-
(34)	European Social Fund	-
	- Social Housing Fund	(10)
	- New Burdens - Habitats Regulations	(34)
	- Prevention Funding	(38)
(360)	Disabled Facilities Grants	(374)
(9,192)	Sub-total:	(8,649)
	Department for Culture, Media and Sport	
(36)	Free swimming	(114)
(36)	Sub-total:	(114)
	Department for Environment, Food and Rural Affairs	
(5)	Air Quality	(17)
(16)	Stewardship Grant	(7)
(6)	Single Payment Scheme	(21)
(27)	Sub-total:	(45)
	Department of Transport	
(305)	Concessionary Travel	(319)
(305)	Sub-total:	(319)
	Department for Justice	
(3)	Data standards grant	(1)
(3)	Sub-total:	(1)
(9,563)	Sub-total of all grants on this page	(9,128)

The above table continues on page 60

NOTES TO THE ACCOUNTS continued

50 Cash Flow reconciliations continued

Total Government Grants received in cash continued from page 59

2008-09 £000	Total Government Grants received in cash	2009-10 £000
(9,563)	Sub-total of grants on page 59	(9,128)
	Department for Work and Pensions	
(669)	Housing and Council Tax Benefit Administration	(740)
(4,489)	Housing and Council Tax Benefit Subsidy	(5,451)
(20,085)	Housing Benefit Rebates	(25,679)
	- Housing Benefit Review	(4)
	- Housing Benefit Temporary Accommodation	(6)
(12)	Housing Benefit Discretionary Rent Allowance	(7)
(2)	Housing Benefit Employment Support Allowance	-
(59)	Non HRA Rent Allowances Subsidy	(72)
(25,316)	Sub-total:	(31,959)
	Home Office	
	- Alcohol Activities Programme	(4)
	- Sub-total:	(4)
	Other Bodies	
	- Hampshire County Council - Eastleigh Strategic Partnership	(10)
	- Hampshire County Council - LPSA2	(287)
(105)	Hampshire County Council - Area Based Grant	(92)
(104)	Hampshire County Council - Youth Opportunities Fund	(110)
(27)	Hampshire Primary Care Trust	(24)
(3)	Forestry Commission - Stewardship grants	(1)
(62)	Other Local Authority Grants	(51)
	- Sport England	(10)
	- Linbury Trust	(25)
(40)	Lottery Funding	(35)
(122)	Arts Council	(60)
	- PUSH	(680)
	Lawn Tennis Association	(154)
(335)	Hampshire County Council - Sale of Recyclables	(333)
(798)	Sub-total:	(1,872)
(35,677)	Total of all government grants received in cash	(42,963)

NOTES TO THE ACCOUNTS continued

51 Financial Instruments

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

Long-Term	Short-Term	Borrowings and investments disclosed in the balance sheet	Long-Term	Short-Term
31 March 2009	31 March 2009		31 March 2010	31 March 2010
£000	£000		£000	£000
-	(3,289)	Financial liabilities at amortised cost	-	(31,712)
-	8,942	Loans and receivables	-	7,087
-	3,165	Available for sale financial assets	-	3,207

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

31 March 2009	Gains and losses recognised in the Income and Expenditure Account and the STRGL in relation to financial instruments	31 March 2010
£000		£000
	Financial Liabilities	
195	Interest from Financial Liabilities measured at amortised cost	307
4	Interest in relation to IFRIC 12 financial liability *	4
	Financial Assets	
(1,192)	Interest from loans and receivables	(156)
(35)	Yield from available for sale financial assets	(111)
(1,028)	Net (gain)/reduction for the year *	44

* Subject to a prior period adjustment for 2008-09, the nature of which is disclosed on page 25.

There are no losses or gains on derecognition or impairment to disclose for either of the two financial years quoted in the above table.

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated interest rates at 31 March 2010 to calculate a discount rate equal to the current rate instrument from a comparable lender
- determination of the structure and terms of a comparable instrument
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are shown in the table on the next page:

NOTES TO THE ACCOUNTS continued

51 Financial Instruments continued

Restated

Carrying amount 31 March 2009 £000	Fair Value 31 March 2009 £000	Loans and receivables and financial liabilities fair values	Carrying amount 31 March 2010 £000	Fair Value 31 March 2010 £000
13,074	13,074	Loans and receivables	10,972	10,972
3,165	3,165	Available for sale financial assets	3,207	3,207
(8,680)	(8,680)	Financial Liabilities	(37,265)	(37,265)

The fair value of financial liabilities is significantly higher (in terms of overall liability) than the fair value amount of financial liabilities for 2008-09 because the Council has engaged in short-term borrowing during the financial year 2009-10 to fund capital payments related to land and property acquisitions. At some time in the future, an element of these short-term liabilities may be converted to long-term liabilities when the Council negotiates suitable long-term borrowing rates from the PWLB or some other lender.

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

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

The financial liabilities stated in the table above include deferred liabilities in respect of the adoption of IFRIC 12 accounting principles for the sports hall located at Fleming Park (more information on this matter is given on page 25. These liabilities amount to £147,000 in 2008-09 and £135,000 in the year 2009-10.

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

52 Credit risk - Financial Instruments

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score, together with determination of maximum duration and categorisation of investment sum. The effect of the banking crisis that arose in 2008 continued in the United Kingdom during 2009-10 and frequent reviews of the Council's investment strategy were undertaken during the financial year.

52 Credit risk - Financial Instruments continued

These reviews culminated in a change towards the end of the financial year to enable the Council to accommodate its investments towards a relatively small range of potential institutions by increasing the volume level of investment amount. This ensured that the Council minimised investment risk in a continuing uncertain market. The information below provides a summary of the Council's investment strategy for the year 2009-10.

Strategy for specified investments 2009-10

The Council's investments will be in the following investment instruments classified as Specified Investments:

- Term deposits in banks and building societies with a minimum ratings as follows (long-term A+ or equivalent; short-term F1 or equivalent, support 1, 2, or 3). The limit is £7.5m per institution, with the exceptions as below.
- Certificates of deposit with banks and building societies meeting the above credit criteria;
- Deposits with other local authorities;
- Money Market funds with a AAAM rating or equivalent and a Constant Net Asset Value (Constant NAV); the limit is £7.5m per institution
- UK Government bonds (Gilts); and,
- UK Treasury Bills.

(the maximum maturity of each of the above instruments will be 12 months)

Non-Specified Investments

Non-Specified Investments will satisfy all the criteria of Specified Investments; however the maximum maturities will be as shown below. The maximum exposure to all non-specified investments will be £14.5m. They will cover the investments listed on the following page.

NOTES TO THE ACCOUNTS continued

52 Credit risk - Financial Instruments continued

Non Specified Investments continued

Investments	Criteria	Maximum duration
a) UK government bonds	Gilts are Triple-A-rated	Any gilt with a finite maturity date
b) Bonds issued by Multilateral Development Banks (i.e. European Investment Bank, World Bank); and bonds issued by an institution where the institution is guaranteed by the UK government (e.g. GEFCO)	Triple-A-rated or equivalent	10 years
c) Bonds issued by institutions where the bond has an explicit UK Government Guarantee	Triple-A-rated or equivalent	Maximum of 40% of overall investments and maximum maturity of 5 years
d) Deposits including callable deposits and forward deposits, and certificates of deposit with banks and building societies with a long-term rating in the 'Triple A' or 'Double A' category	'Double-A' category or 'Triple-A' category; support rating of 1 or 2	5 years
e) Bonds and floating rate notes issued by corporate bodies	Issue and issuer rating having as a minimum a long-rating in the 'Double-A' category	Maximum of 25% of overall investments and maximum maturity of 5 years
f) Money Market Funds and Collective Investment Schemes		Maximum of 40% of overall investments. These funds do not have a fixed maturity date

The continuing effect of the banking crisis ensured that attention to the treasury management priority of security of capital monies invested was maintained. The Council adhered to its approach developed in the previous financial year, and continued to assess a wider range of indicators for credit strength rather than a pure reliance upon credit ratings.

The Council imposed a restriction regarding the use of the investment instruments outlined in the previous pages in the closing months of 2009-10, and it is able to invest in the investment instruments outlined above but investments in banks and building societies (on a term or certificate of deposit basis) are currently limited to UK banks and building societies that have a minimum long-term A+ (or equivalent) or short-term F1 (or equivalent) rating from all three rating agencies and are Eligible Institutions under the Government's Credit Guarantee Scheme CGS).

NOTES TO THE ACCOUNTS continued

52 Credit risk - Financial Instruments continued

Non Specified Investments continued

The core strategy for investment defined on page 64 therefore remains in abeyance until the Council, together with their treasury management advisors deem that the economic crisis that continued to prevail during 2009-10 no longer poses significant risk to the investment potential for the Council.

The Council had no interest in Icelandic banks on 31st March 2010.

Customers are assessed, taking into account their financial position, past experience and other factors.

The Council also receives income from Council Tax, Business Rates and for Housing Benefit overpayments. These are statutory debts and whilst the Council endeavours to collect this income, it cannot choose who its counter-parties are in relationship to these debts. Such statutory debts are not classified as financial instruments, and for this reason no reference to statutory debts is contained within the tables on the following page.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Analysis summarising the Council's potential maximum exposure to credit risk					
@ 31 March 2009			@ 31 March 2010		
Estimated maximum exposure to default & uncollectability £000	Amount @ 31 March 2010 £000 A	Historical experience of default %	Historical experience adjusted for market conditions @ 31 March 2010 %	Estimated maximum exposure to default & uncollectability £000 (A * C)	
		B	C		
- Deposits with banks and financial institutions *	14,179	-	-	-	-
- Long-term debtors #	400	-	-	-	-
16 Court costs	98	15.8	16.3	16	16
- Government & Public Bodies *	4,274	-	-	-	-
3 Customers	1,571	0.4	0.2	3	3
19				19	

* The Council does not expect any default in relation to these elements.

The Council does not expect any default that could ultimately result in financial loss in relation to this element

NOTES TO THE ACCOUNTS continued

52 Credit risk - Financial Instruments continued

The Council does not generally allow credit for customers, such that £0.533m (£0.992m in 2008-09) of the £1.571m balance (£1.339m in 2008-09) is past its due date for payment. Note 26 on page 40 shows a provision of £0.295m (£0.274m in 2008-09) relating to these customers. The past due amount can be analysed by age as follows:

31 March 2009 £000	Customer balances past their due date for payment	31 March 2010 £000
512	Less than two months	60
85	Two to five months	48
131	Five months to one year	34
264	More than one year	391
992	Total	533

53 Liquidity risk - Financial Instruments

The Council has ready access to borrowings from the Public Works Loans Board, and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council currently has significant investments, and should the market present unfavourable interest rates regarding borrowing there is a strategy of reducing investments to maintain liquidity. The maturity analysis of financial liabilities is given in the table below:

31 March 2009 £000	Maturity analysis of financial liabilities	31 March 2010 £000
(8,665)	Less than three months	(29,632)
	- Three to six months	(6,261)
	- Six months to one year	(839)
	- More than one year	(698)
(8,665)	Total of all financial liabilities *	(37,430)

* Subject to a prior period adjustment for 31 03 2009, the nature of which is disclosed on page 25.

All trade and other payables are due to be paid in less than one year. The above table does not include capital contributions of £6,280,000 (£6,394,000 in 2008-09). The Council expects to apply this sum to revenue and capital activities in future years.

The Council took successive decisions during the financial year to acquire property assets that generated revenue income. Each of these property acquisition decisions was made utilising borrowing within the principles of the prudential code. Additionally, other capital items were also funded by borrowing. The total amount of capital expenditure financed by borrowing amounted to £25.896m. Hence the overall level of short-term financial liabilities increased significantly at 31st March 2010 compared with the previous year.

54 Market risk - Financial Instruments

Interest rate risk

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

- Borrowings at variable rate - the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rate - the fair value of borrowings will fall
- Investments at variable rate - the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rate - the fair value of investments will fall. Where fixed rate investments have short maturities, the effect will be similar to that for variable rate investments, as the replacement investments will generate more income to the Income and Expenditure Account.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and directly effect the General Fund balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

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

According to the above strategy, at 31 March 2010, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2009-10 would have been:

Year Ending 31 March 2009 £000	Effect in the financial year of a 1% higher interest rate	Year Ending 31 March 2010 £000
13	Increase in interest payable on variable rate borrowings	174
(187)	Increase in interest receivable on variable rate investments	(468)
(174)	Additional interest that would have been to the benefit of the Income and Expenditure Account if interest rates had been 1% higher in the year	(294)

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2009-10 was historically low, and allowance for a full 1% reduction would be economically impossible in the circumstances of the year.

55 Price risk and foreign exchange risk

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

56 Post Balance Sheet Events

There has been one significant event between the year end and the date of approval of these accounts in relation to accounting for pensions, and the detail below describes the impact.

FRS 17 Pension Liabilities in the Hampshire County Council Pension Fund

In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure over the next accounting period.

The Actuary has estimated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by between 8% and 10%, with the exact figure depending on the member profile of the employer. Hewitt have based this estimate on the FRS 17 assumptions applicable at the accounting year end, and allowing for CPI increases being lower than RPI increases by around 0.7% p.a. in the long term (Hewitt's best estimate of the differential at the accounting date). The actual figure will also reflect the date of measurement and assumptions used when producing next year's figures.

It is anticipated that the reduction in liabilities will be accounted for as a (negative) past service cost i.e. this change constitutes a change to benefits since pension scheme members will expect a lower benefit following the change than before the change.

It is also anticipated that the move to CPI will reduce the interest cost and current service cost calculated for the next accounting period compared to the position if pension increases remained linked to the RPI.

Adopting the higher range of the Actuary's estimate, the pension liability would decrease from £49,320,000 to £44,388,000 and the overall balance sheet equity would increase from the (currently stated at 31st March 2010) £24,753,000 to 29,685,000.

57 Date the accounts were signed and authorised for issue

These accounts were signed by the Corporate Director (CFO) - Nick Tustian CPFA, and approved by the Chair of the Audit & Risk Management Committee - Cllr L McNulty on 21st September 2010.

COLLECTION FUND

This account reflects the statutory requirement for a billing authority to maintain a separate collection fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax. It also illustrates the way in which these have been distributed to preceptors and the General Fund.

2008-09		Collection Fund	2009-10	
£000	£000	INCOME	£000	£000
55,651		Income from Council Tax	56,995	
4,728		Transfers from General Fund: Council Tax Benefits	5,343	
46,899		Income collectable from business rate payers	47,544	
-		Contributions Adjustment of previous year's community charges	-	
	<u>107,278</u>	Total Income		<u>109,882</u>
		EXPENDITURE		
	60,580	Precepts and demands from County and District		62,014
46,678		Business rate: Payment to national pool	47,281	
153		Costs of collection	156	
	<u>46,831</u>			<u>47,437</u>
		Bad and doubtful debts Increase in provisions		
61		Business rate payers	107	
60		Council tax	85	
	121			192
	<u>107,532</u>	Total Expenditure		<u>109,643</u>
		MOVEMENT ON FUND BALANCE		
	(254)	(Deficit)/Surplus for year		240
	914	Balance brought forward		660
	<u>660</u>	Balance carried forward		<u>900</u>

NOTES TO THE COLLECTION FUND

Note 1 - Rateable values used for Business ratepayers

2008-09	2009-10
111,072,814 Total rateable value as at 31 March	133,015,278
46.2p National Non-Domestic Rate for the year	48.5p
45.8p Small business rate relief	48.1p

Note 2 - Council Tax Base for 2009-10 by banding

Band	Value Range	No. of dwellings	Ratio to Band D	Band D equivalents
A-	Band A with disabled reduction	6.75	5/9	3.8
A	Up to £40,000	3,449.50	6/9	2,299.7
B	£40,001 to £52,000	8,835.50	7/9	6,872.1
C	£52,001 to £68,000	15,063.50	8/9	13,389.8
D	£68,001 to £88,000	8,439.25	9/9	8,439.3
E	£88,001 to £120,000	6,418.00	11/9	7,844.2
F	£120,001 to £160,000	2,649.50	13/9	3,827.1
G	£160,001 to £320,000	923.75	15/9	1,539.6
H	Over £320,000	17.75	18/9	35.5
Summary of band D equivalents				44,251.1
Band D equivalent of reduction in discount on second homes				80.0
Reduction for non collection				-665.0
Local Tax Base				43,666.1

Note 3 - Collection Fund allocation of surplus

The fund surplus of £900,000 shown at the bottom of page 69, is attributed to the following bodies:

Attributable parts of the Collection Fund surplus as at 31st March 2010	@ 31 March 2010 £000
Hampshire County Council	652
Hampshire Police Authority	91
Hampshire Fire and Rescue	39
Eastleigh Borough Council	118
Collection fund surplus shown on page 69	900

NOTES TO THE COLLECTION FUND continued

Note 4 - Collection Fund Precepts

2008-09		2009-10	
£000		£000	£000
43,402	Precept from Hampshire County Council	44,460	
729	Surplus contributable to Hampshire CC	546	
44,131			45,006
5,888	Precept from Hampshire Police Authority	6,205	
96	Surplus contributable to Hampshire Police Authority	74	
5,984			6,279
2,530	Precept from Hampshire Fire and Rescue	2,633	
43	Surplus contributable to Hampshire Fire and Rescue	32	
2,573			2,665
5,789	Precepts and demands from Eastleigh Borough Council	5,923	
133	Surplus contributable to Eastleigh Borough Council	98	
5,922			6,021

2008-09	Precepts and demands from Parish and Town Councils	2009-10	
£000		£000	£000
80	Bishopstoke	85	
179	Botley	185	
84	Bursledon	99	
312	Fair Oak and Horton Heath	312	
160	Hamble Le Rice	161	
579	Hedge End	600	
264	Hound	272	
312	West End	328	
1,970			2,042
60,580	TOTAL		62,013

The above tables show the precept demands and surplus allocations from the collection fund. A change in collection fund accounting has occurred in 2009-10, requiring council institutions to account for the accrued income received into the collection fund in their Income & Expenditure accounts. For Eastleigh Borough Council the amounts shown in the above tables reconcile to the demand from the collection fund shown at page 19 of this set of accounts as follows:

2008-09	Reconciliation of the amount shown as demand on the	2009-10
£000	collection fund (see page19)	£000
5,789	Precepts and demands from Eastleigh Borough Council	5,923
133	Surplus contributable to Eastleigh Borough Council	98
1,970	Precepts and demands from Parish and Town Councils	2,042
1	Community charge surplus to Eastleigh Borough Council	1
7,893		8,064
(37)	Change to accruals accounting in relation to main demand	31
7,856	Sum shown in the Income & Expenditure Account at page 19	8,095

DETAILED PRIOR PERIOD ADJUSTMENTS FOR 2008-09 ACCOUNTS

The accounts for 2008-09 require prior period adjustment in respect of (1) Collection Fund accounting, & (2) Requirement to recognise service concession arrangements related to an adaptation of IFRIC 12. A summary of the adjustments for 2008-09 is given in the statements that appear on this page, through to page 76 of this statement of accounts. The core financial statements for 2009-10 contain adjustments to the comparative information for 2008-09 as given in the pages 19 to 23 (Income & Expenditure Account, Statement of movement on the General Fund balance, Statement of Total Recognised Gains & Losses and Balance Sheet).

Income and Expenditure Account for the year 2008-09	As stated in the 2008-09 statement of accounts	Adjustments in relation to the Collection Fund	Adjustments in relation to Service Concessions	As now stated in the 2009-10 accounts as comparatives
	2008-09 Net Exp £000	£000	£000	2008-09 Net Exp £000
Central Services to the Public	799			799
Cultural, Environmental and Planning Services	10,406		(16)	10,390
Highways, Roads and Transport Services	1,178			1,178
Housing Services	1,258			1,258
Social Services	10			10
Corporate and Democratic Core & non-distributed costs	4,450			4,450
Net Cost of Services	18,101	-	(16)	18,085
Deficit/(Surplus) arising on the disposal of fixed assets	92			92
Precepts of local precepting authorities	1,970			1,970
Interest payable and similar charges	195		4	199
Interest and investment income	(1,227)			(1,227)
Pensions interest cost and expected return on pensions assets	1,440			1,440
Net Operating Expenditure	20,571	-	(12)	20,559
Demand on the Collection Fund	(7,893)	37		(7,856)
General government grants	(1,055)			(1,055)
Non-domestic rates redistribution	(6,662)			(6,662)
Deficit for the year	4,961	37	(12)	4,986

DETAILED PRIOR PERIOD ADJUSTMENTS FOR 2008-09 ACCOUNTS continuec

Statement of movement on the General Fund balance for the year 2008-09				
	As stated in the 2008-09 statement of accounts	Adjustments in relation to the Collection Fund	Adjustments in relation to Service Concessions	As now stated in the 2009-10 accounts as comparatives
	2008-09 Net Exp £000	£000	£000	2008-09 Net Exp £000
Deficit for the year on the Income and Expenditure A/c	4,961	37	(12)	4,986
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(4,150)	(37)	12	(4,175)
<hr/>				
(Increase)/Decrease in General Fund Balance for the year	811	-	-	811
General Fund Balance Brought Forward	3,076			3,076
General Fund Balance Carried Forward	2,265			2,265
<hr/>				
Detail of the statutory and non-statutory amounts debited and credited to the General Fund	2008-09 Net Exp £000			2008-09 Net Exp £000
Amounts included in the Income & Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year				
Amortisation of intangible fixed assets	(83)			(83)
Depreciation and impairment of fixed assets	(2,063)			(2,063)
Government grants deferred amortisation	2,481			2,481
Revenue expenditure funded from capital under statute	(4,043)			(4,043)
Net gain on the sale of fixed assets	(92)			(92)
Net charges made for retirement benefits in accordance with FRS17	(3,210)			(3,210)
Amount by which council tax income is and residual community charge adjustment in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with legislation	-	(37)		(37)
 Amounts not included in the Income & Expenditure Account, but required to be included by statute when determining the Movement on the General Fund Balance for the year				
Minimum revenue provision for capital financing	140		12	152
Capital Expenditure charged in year to the Gen Fund Bal	149			149
Employer's contributions payable to HCC pension fund	2,240			2,240
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year				
Net transfer to/(from) reserves	331			331
<hr/>				
Net Additional Amount required to be credited to the General Fund Balance for the year	(4,150)	(37)	12	(4,175)

DETAILED PRIOR PERIOD ADJUSTMENTS FOR 2008-09 ACCOUNTS continuec

Statement of total recognised gains and losses for the year 2008-09				
	As stated in the 2008-09 statement of accounts	Adjustments in relation to the Collection Fund	Adjustments in relation to Service Concessions	As now stated in the 2009-10 accounts as comparatives
	2008-09 Net Exp £000	£000	£000	2008-09 Net Exp £000
(Deficit) for the year on the Income and Expenditure	(4,961)	(37)	12	(4,986)
Surplus arising on the revaluation of available for sale financial assets	42			42
Actuarial gains and losses on Pension Fund assets and liabilities	(12,820)			(12,820)
Surplus/(Deficit) on the Collection Fund relating to Eastleigh Borough Council	(37)	37		-
Total recognised gains/(losses) in the year	(17,776)	0	12	(17,764)

DETAILED PRIOR PERIOD ADJUSTMENTS FOR 2008-09 ACCOUNTS continuec

The balance sheet represents a quantitative summary of the Council's financial condition at a specific point in time, including assets, liabilities and net worth.

Balance Sheet for 31st March 2009	As stated in the 2008-09 statement of accounts	Adjustments in relation to the Collection Fund	Adjustments in relation to Service Concessions	As now stated in the 2009-10 accounts as comparatives
	£000	£000	£000	£000
Intangible assets	275			275
Tangible fixed assets				
Operational assets				
Other land and buildings	32,973		291	33,264
Vehicles, plant and equipment	5,268			5,268
Infrastructure Assets	1,326			1,326
Community Assets	10,311			10,311
Non-Operational assets				
Investment Properties	26,164			26,164
Assets Under Construction	2,026			2,026
Total Fixed Assets	78,343			78,634
Long-term investments	-			
Long-term debtors	381			381
Total long-term assets	78,724			78,724
Stocks and work in progress	122			122
Cash and bank	12			12
Debtors	5,938	(1,457)		4,481
Investments	12,095			12,095
Total current assets	18,167			16,710
Short-term borrowing	(742)			(742)
Creditors	(6,833)	1,457		(5,376)
Bank overdraft	(2,547)			(2,547)
Total current assets less current liabilities	8,045			8,045
Total assets less current liabilities	86,769			87,060
Long-term borrowing	-			
Provisions	(65)			(65)
Capital contributions unapplied	(6,394)			(6,394)
Government grants deferred	(5,053)			(5,053)
Deferred Liabilities	-		(147)	(147)
Liability related to defined benefit pension scheme	(33,560)			(33,560)
Total long-term liabilities	(45,072)		(147)	(45,219)
Total assets less liabilities	41,697		144	41,841

DETAILED PRIOR PERIOD ADJUSTMENTS FOR 2008-09 ACCOUNTS continued

Balance Sheet for 31st March 2009 continued

	As stated in the 2008-09 statement of accounts	Adjustments in relation to the Collection Fund	Adjustments in relation to Service Concessions	As now stated in the 2009-10 accounts as comparatives
	£000	£000	£000	£000
@ 31 March 2009				
Represented by:				
Revaluation Reserve	-			-
Capital Adjustment Account	63,400		144	63,544
Collection Fund Adjustment Account	-	86		86
Pensions Reserve	(33,560)			(33,560)
Usable Capital Receipts Reserve	7,393			7,393
Deferred Capital Receipts	59			59
Available for Sale Financial Instruments Reserve	42			42
General Fund Balance	2,265			2,265
Earmarked reserves	2,098	(86)		2,012
	41,697	-	144	41,841

Independent auditor's report to Members of Eastleigh Borough Council

Independent auditor's report to the Members of Eastleigh Borough Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Eastleigh Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Eastleigh Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Chief Financial Officer and Auditor

The Chief Financial Officer responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or

inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Eastleigh Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

30th September 2010: Original signature available on enquiry to Financial Services Unit at Eastleigh Borough Council - corporate.accountancy@eastleigh.gov.uk

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GLOSSARY OF TERMS

Accruals basis - accounting for income and expenditure during the financial year in which it is earned or incurred, not when money is received or paid.

Amortised cost - is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

Area based grant - general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Audit Commission - the independent public body responsible for ensuring that public money is spent economically, efficiently and effectively in the areas of local government, housing, health, criminal justice and fire & rescue services.

Balances - the accumulated excess of income over expenditure in the Income & Expenditure Account. This balance is needed as a cushion against unforeseen expenditure.

Best value - delivering economy, efficiency and effectiveness to secure continuous service improvement – “providing the quality services you want at a price you are willing to pay”.

Best Value Accounting Code of Practice (BVACOP) – the code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities.

Book value – the value of a fixed asset, such as a building or machine, as recorded in an organisation's books. It is the lower of the depreciated cost and the recoverable amount. The recoverable amount is the higher of the value in use and the net realisable amount.

Budget requirement – planned spending to be met from council tax, general government grant and national non-domestic business rates.

Capital adjustment account - The purpose of the capital adjustment account will be to bear the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets, the historical cost of deferred charges and to be credited with the resources set aside to finance capital expenditure.

Capital expenditure - expenditure for capital purposes comprises the acquisition, construction, replacement or enhancement of land, buildings, plant, machinery and vehicles which adds to and not merely maintains the value of an existing asset. Advances of long-term loans and grants may also be included as capital expenditure in some situations.

Capital programme – a list of capital projects approved to start in a specified financial year.

Capitalisation – treatment of expenditure as capital rather than as revenue.

Capital Receipts - these are the proceeds from the sale of capital assets. In some limited circumstances, a proportion must be paid into a central government pool, but the remainder is available for new capital projects.

GLOSSARY OF TERMS continued

Cash limit – a defined figure set at the start of the financial year to represent the maximum amount that a service can spend.

Collection Fund - under Part VI of the Local Government Finance Act 1988, charging authorities are required to maintain a Collection Fund. The accounts record Council Tax and Non-Domestic Rates collected by the authority along with payments to precepting authorities (i.e. Hampshire County Council, Hampshire Police Authority, Hampshire Fire & Rescue, Parishes serving parts of the Borough and the Councils' own General Fund).

Community asset - an asset that the Council intends to hold forever, that has no determinable useful life and that may have restrictions on its disposal.

Comprehensive Performance Assessment – this considers how well the Council is run, and will affect how services are delivered in the future.

Contingent asset - a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingency provision – a sum included as a central provision within the budget to meet expenditure where timing and scale are uncertain.

Contingent liability – a potential liability that is uncertain because it depends on the outcome of a future event.

Continuing services - services that the Council will continue to provide in the following financial year.

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

Council tax - a domestic property tax based on capital values with a personal element (a 25% discount for single adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor - an individual or body to which the Council owes money at the Balance Sheet date. Creditors may also be described as "trade payable and other payables".

Current asset - an asset that is realisable or disposable within less than one year without disruption to services..

Current liability - a liability that is due to be settled within one year.

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

Debtor - an individual or body that owes money to the Council at the Balance Sheet date. Debtors may also be described as "receivables".

GLOSSARY OF TERMS continued

Deferred capital receipts - these are amounts resulting from asset sales where the income is received in instalments over agreed periods. They derive mainly from mortgages on the sale of Council properties (from a time when the Council still operated a Housing Revenue Account).

Deferred charges - for 2008-09 onwards deferred charges has been replaced with the term Revenue expenditure funded from capital under statute.

Defined benefit pension scheme - a pension scheme in which the pensioner's benefits are specified, usually relating to his or her length of service and final salary.

Deposit - a receipt held that is repayable in prescribed circumstances.

Depreciated replacement cost - the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open-market value for the existing use of a specialised property.

Depreciation - the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary increase in pension payments - this increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Doubtful debt - a debt that the Council is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

Emoluments - sums paid to employees, including any expenses or non-monetary benefits, which are taxable, but excluding pension contributions made by the employee.

Exceptional item - an item identified separately in the accounts because of its exceptional nature to ensure the presentation of the accounts is fair.

Existing use value - the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Expected rate of return on pension assets - reflects the actual split between the various asset classes and the pension fund actuary's expected rate of return on each asset class at the start of an accounting period.

Fair value - is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Reporting Standards - accounting standards are prepared by the Accounting Standards Board to apply as far as possible to all accounting entities within the United Kingdom. They apply to all local authorities where they comply with specific legal requirements and are relevant to local authority activities.

GLOSSARY OF TERMS continued

Finance lease - under this type of lease, the organisation paying the lease is treated as if it owns the goods. It gains the profits that would come with ownership but it also suffers the losses.

Financial instruments - represent where a contract gives rise to a financial asset of one entity a financial liability or equity instrument of another. The term "financial instrument" covers most financial assets and financial liabilities. Typical financial instrument liabilities are trade payables, other payables, borrowings and financial guarantees. Typical financial instrument assets are bank deposits, trade receivables, loans receivable, other receivables & advances and investments.

Fixed asset - an asset that yields benefits to the Council and the services it provides for a period of more than one year.

Formula Spending Share (FSS) - the government view of the Council's expenditure "needs" for grant distribution purposes. Calculation is based on a national formula.

Going concern - the concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheets assume no intention to curtail significantly the scale of operations.

Government grants and other contributions deferred - an account that reflects the value of fixed assets in the balance sheet that are financed by specific government grants and other external contributions.

Government grants released - the reduction in the value of a government grant deferred when the corresponding fixed asset is depreciated or disposed of.

Gross revenue expenditure - the total cost of providing the Council's services before deducting income from government grants, or fees and charges for services.

Historical cost - the amount originally paid for a fixed asset.

Impairment loss - a loss arising from an event that significantly reduces an asset's value. Examples are physical damage or a significant decline in the asset's market value during the year.

Infrastructure asset - fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created.

Interest costs on pension - interest on the Council's element of the pension fund.

GLOSSARY OF TERMS continued

Internal recharge - a charge made by one part of the Council to another.

Internal trading account - a service within the Council that operates on a trading basis.

Investment properties - Interest in land and/or buildings:

- in respect of which construction work and development have been completed, and
- which is held for its investment potential, any rental income being negotiated at arm's length.

Long-term borrowing - a loan repayable in more than one year from the Balance Sheet date.

Long-term debtor - an individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

Market value - the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Minimum Revenue Provision - the minimum charge that must be made to the Income & Expenditure Account to set-aside sums for the repayment of borrowing that has been incurred to finance capital expenditure.

National business rate - charges collected by the Council from non-domestic properties at a national rate in the pound set by the government. The proceeds are pooled nationally and distributed to areas in proportion to their population.

Net assets - the amount by which assets exceed liabilities.

Net book value - the current book value of an asset or liability expressed as its original book value net of any accounting adjustments such as depreciation.

Net current liabilities - the amount by which current liabilities exceed current assets.

Net current replacement cost - is the gross current replacement cost, reduced to reflect the physical and functional obsolescence and environmental factors, in order to arrive at the value of the building to the business at the relevant date.

Net operating expenditure - expenditure net of income but before allowing for contributions to and from reserves, revenue financing of capital and provision for debt repayment.

Net realisable value - the existing use value of the asset (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Net revenue expenditure - gross expenditure less fees and charges for services and specific grants, but before the deduction of revenue support grant and national non-domestic business rates.

Net worth - the amount by which assets exceed liabilities (same as net assets).

Non-distributed costs - these are overheads for which no user now benefits and should not be apportioned to services.

GLOSSARY OF TERMS continued

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

Operational asset - a fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

Operational lease - under this type of lease, the risks and rewards of ownership of the leased goods stay with the company providing the goods on lease.

Past service cost - for a defined benefit scheme, the increase in the present value of the scheme's liabilities related to employee service prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Payment in advance - a payment for a service due to be received in a future year.

Post Balance Sheet event - an event that occurs between the Balance Sheet date and the date that the statement of accounts is authorised for use.

Precept - the demand made on the Collection Fund by a number of local government bodies.

Provisions - amounts set-aside in the accounts for liabilities taken where the timing or amount of the settlement of that liability is uncertain.

Realised capital resources - usable capital resources arising mainly from the disposal of fixed assets.

Receipts in advance - a receipt that is attributable to a future year.

Recoverable amount - the value of an asset in its most profitable use, which equates to the higher of either the asset's value in use or net realisable value.

Related party - two or more parties are related when, during the financial period:

- One party has direct or indirect control over another party;
- The parties are subject to common control from the same source;
- One party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times.

Influence from the same source results in one of the parties entering into a transaction which is against its own separate interests.

Reserves - these are set up with a particular purpose in mind. The sums are voluntarily set-aside from surpluses to fund anticipated future payments.

Residual life - the assumed remaining life of a fixed asset used in calculating the depreciation charge.

Revaluation reserve - absorbs the increase in the valuation of fixed assets, but remains a non-distributable reserve in the lower equity area of the balance sheet.

Revenue contribution to capital outlay - the financing of capital expenditure directly from revenue as opposed to financing by borrowing or from other capital resources.

GLOSSARY OF TERMS continued

Revenue expenditure funded from capital under statute - expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year are written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

Revenue expenditure - the day to day cost an authority incurs in providing services.

Short-term investments - an investment that is readily realisable.

Specific grants - central government grants to finance a particular services.

Statement of Accounting Practice (SAP) - accounting practices recommended by the major accounting bodies. Although not all SAPs are relevant to local authorities, they form a guide to best practice that in general should be followed.

Stocks - goods that are acquired in advance of their use in providing services of their resale.

Straight-line basis - dividing a sum equally over a number of years.

Supported capital expenditure (SCE) - central government authorisation for the Council to finance capital expenditure by any form of credit agreement such as loans or finance leasing.

Unrealised capital resources - capital resources that are not usable because they are tied up in fixed assets such as property.

Useful life - the period over which the Council will benefit from the use of a fixed asset.

Value in use - the net present value of future cash flows obtainable as a result of an asset's continued use, including those resulting from its ultimate disposal.

Value to business - the measure of the potential benefits from owning an asset or the potential loss that would arise if the owner were to be deprived of the asset, which equates to the lower of either the asset's net current replacement cost or recoverable amount.

Work in progress - a product or service that is incomplete at the end of the year.

Write off - elimination of an asset over a defined period, usually by means of charging or crediting the Income & Expenditure account.