

**EASTLEIGH BOROUGH COUNCIL**

**Statement of Accounts  
and Annual Governance Statement  
for the financial year 2011-12**

**Nick Tustian CPFA**

**Corporate Director  
(Chief Finance Officer)**



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## EXPLANATORY FOREWORD

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### a Introduction

The accounting statements that follow show the Council's financial performance for the year 2011-12. The style of presentation of the statement is determined by the Code of Practice on Local Authority Accounting 2011-12 that the Council is legally required to follow. The Council's accounts for the financial year 2011-12 consist of the following statements:

- **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 prepared under International Financial Reporting Standards (IFRS)**

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

**Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The (Surplus)/Deficit on Provision of Services is shown in the Movement in Reserves Statement.

2010-11	2011-12
£000	£000
(6,489) (Surplus)/Deficit on Provision of Services	729

The significant difference between the balances on Provision of Services can mainly be attributed to a substantial accounting entry for pensions (IAS 19) in the previous financial year (2010-11) of a £12m credit relating to past service costs. There is no similar significant accounting entry for the year 2011-12.

**Balance Sheet** - The balance sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category are unusable reserves, which reflect equity changes which cannot be distributed. The table at the top of the following page shows the change in net worth of the balance sheet.

**a Introduction - continued**

Change in net worth in the Balance Sheet

<b>2010-11</b> <b>£000</b>	<b>2011-12</b> <b>£000</b>
45,146 Net worth in the Balance Sheet	35,489
Change in net worth in the Balance Sheet (31 March 2012 over 31 March 2011)	(9,657)

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

All amounts stated in this set of accounts are expressed in round thousands, unless specifically denoted as being displayed to another basis.

- **Accounting Policies** - these are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.
- **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**
- **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 2011-12.

**EXPLANATORY FOREWORD continued**

**b Net Service expenditure and related matters**

The 2011-12 service expenditure is presented in the table below, highlighting interest payable and receivable, other operating costs together with income from local taxpayers and government grants. The service expenditure includes the effect of some IFRS transactions which are subsequently adjusted out towards the bottom of the table to produce the change in the General Fund Reserve.

2010-11 Net revenue service expenditure and sources of funding		2011-12		
Actual Net Exp £000		Approved Budget £000	Actual Net Exp £000	Variance £000
<b>8,992</b>	Cost of services - continuing operations	<b>17,269</b>	<b>16,253</b>	<b>(1,016)</b>
2,363	Parish precepts	2,411	2,411	-
75	Payments to the Government Housing Capital Receipts Pool	-	13	13
660	Loss on the disposal of Property, Plant and Equipment	-	1,191	1,191
(3,877)	(Gain) on Investment Property	(4,174)	(6,243)	(2,069)
396	Interest and similar charges	1,011	736	(275)
(454)	Interest and investment income	(271)	(280)	(9)
1,610	Pensions interest	1,050	1,050	-
<b>9,765</b>	Net operating expenditure	<b>17,296</b>	<b>15,131</b>	<b>(2,165)</b>
(8,451)	Demand on the Collection Fund	(8,433)	(8,517)	(84)
(1,021)	General government grants	(1,430)	(1,430)	-
(6,782)	Non-domestic rates redistribution	(4,455)	(4,455)	-
<b>(6,489)</b>	(Surplus)/Deficit for the year	<b>2,978</b>	<b>729</b>	<b>(2,249)</b>
2,348	Net additional amount required by statute and non-statutory practices to be debited or credited to the General Fund	(5,553)	(4,675)	878
2,961	Reverse capital grants & developers' contributions related to non-current assets	2,508	2,508	-
(15)	Reverse employee benefits (net effect on portfolio in year)	-	21	21
745	Net transfers to reserves	(144)	511	655
<b>(450)</b>	(Increase) in General Fund balance	<b>(211)</b>	<b>(906)</b>	<b>(695)</b>

The actual surplus of £906,000 was budgeted against a surplus of £211,000 producing an overall favourable variance for the financial year 2011-12 of £695,000 for the General Fund.

**EXPLANATORY FOREWORD continued**

**c Material assets acquired or liabilities incurred in the year**

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

**Material assets acquired**

2010-11 £000 Restated	Items of material capital expenditure that resulted in addition to non-current assets in the year 2011-12 (The amount of expenditure for the same assets is given for 2010-11)	2011-12 £000
	- 2a Lower Northam Road	4,951
162	Earth Bar Redevelopment (Travelodge)	3,678
	- 11-13 Lower Northam Rd	1,775
	- 100 Southampton Road	1,277
187	Ageas Bowl Development	1,178
	- The Magistrates Court	912
5	Bursledon Community & GP Surgery	548
	- Solar Photo Voltaic Panels	522
1	Wessex House Windows	295
	- 10 Pitmore Road	284
	- Wessex House Roof	188
846	Multi-storey Car Park	168
	- Storage Area Network	159
514	Vehicle Replacement Programme	152
	- Wessex House Lighting	146
	- Waste In-Cab System	123
17	Black Horse House	108
<b>1,732</b>	<b>Total value of all material capital expenditure that resulted in non-current assets in the year</b>	<b>16,464</b>

Materiality value is any project item in excess of £100,000 in the financial year 2011-12

**Material revenue expenditure financed from capital under statute**

Material items of capital expenditure that resulted in revenue expenditure financed by capital under statute are listed in the table below:

2010-11 £000	Items of material capital expenditure that resulted in being written to revenue expenditure financed by capital under statute - expenditure for the same scheme is given for 2010-11).	2011-12 £000
939	Disabled Facility Grant	1,127
	- Eastleigh House Refurbishment	250
23	Cycle Network Bursledon, Hamble & Hound	157
	- Wessex House VAT	154
	- Dynamo School of Gymnastics	143
	- Dowds Farmhouse Renovation	140
489	Housing Association Grant	115
<b>1,451</b>	<b>Total value of all material capital expenditure that resulted in revenue expenditure financed by capital under statute</b>	<b>2,086</b>

Materiality value is any project item in excess of £100,000 in the financial year 2011-12

Total Capital expenditure, in the form of non-current assets and revenue expenditure financed by capital under statute is presented in detail at Note 45 on page 78.

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**EXPLANATORY FOREWORD continued**

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**c Material assets acquired or liabilities incurred in the year continued**

**Material liabilities incurred**

New material liabilities arose in the financial year 2011-12. The Council continued to acquire further 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 delayed decision to undertake long-term borrowing in relation to the capital expenditure described in the above paragraph. The Council's total net borrowing liability (investments, cash and cash equivalents net of short and long-term borrowing) has significantly increased (in terms of increasing liability) at 31st March 2012 compared to the previous year at 31 March 2011. The table below contains relevant balance sheet information to identify this change.

31 March 2011 £000	Overall net investment/borrowing position	Change yr on yr £000	31 March 2012 £000
3,148	Short Term Investments (available for sale)	(63)	3,085
12,084	Cash and Cash Equivalents	(8,208)	3,876
(35,036)	Short Term Borrowing	(2,963)	(37,999)
(9,000)	Long Term Borrowing	1,000	(8,000)
<b>(28,804)</b>	<b>Total net investment/borrowing position</b>	<b>(10,234)</b>	<b>(39,038)</b>

**d Pensions liability**

• **Significance of pensions liability** - Under the requirements of International Financial Reporting Standard IAS 19, 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 Comprehensive Income & Expenditure Statement 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 31 March 2012 there was a pension liability with a corresponding negative Pension Reserve. This pension liability is the difference between the value at 31st March 2012 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 at 31st March 2012 has significantly changed from 31st March 2011 position as demonstrated in the table below.

31 March 2011 £000	Pension liability	Change yr on yr £000	31 March 2012 £000
(36,450)	Net liability related to defined benefit pension scheme	(9,600)	(46,050)

**e Material charges/credits in the accounts**

The Council experienced no circumstances of any material and/or unusual charge or credit in the accounts for the year 2011-12.

**f Significant changes in accounting policies**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the summary of significant accounting policies, the Council now requires heritage assets to be separately categorised in the balance sheet.

**Heritage Assets**

For 2011-12 the Council has introduced a specific accounting policy for heritage assets and now recognises them generally at historic cost or at valuation as a proxy for historical cost. Previously, heritage assets were recognised as community assets in the property, plant and equipment classification in the Balance Sheet. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost (this being a particular circumstance for some elements of civic regalia).

The Council's accounting policy for recognition and measurement of heritage assets is set out in the summary of significant accounting policies (see Note 1.20 on page 29).

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment should now be recognised as heritage assets. There has been no requirement for any corresponding increase in the Revaluation Reserve as all heritage assets have been transferred at their historic cost (or valuation as a proxy for historical cost) previously listed in Property, Plant & Equipment. These assets mainly relate to civic regalia and public works of art. The 1 April 2010 and 31 March 2011 Balance Sheets have been restated and 2010-11 comparative figures have therefore also been restated in this 2011-12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its cost of £148,000.

The element that was previously recognised in property, plant and equipment has been reclassified and written down by corresponding amount. There has been no need to make any adjustment to the revaluation reserve as all heritage assets have transferred at historic cost.

The fully restated 1 April 2010 Balance Sheet is provided on page 15. The adjustments that have been made to that Balance Sheet over the version published in the 2010-11 Statement of Accounts are given in the table on the following page.

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**EXPLANATORY FOREWORD continued**

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**f Significant changes in accounting policies continued**

Heritage Assets continued                      Effect on opening balance sheet at 1st April 2010

	Opening Balances as at 1st April 2010 £000	Restatement  £000	Restatement required to opening balances as at 1st April 2010  £000
Property, Plant and Equipment	57,450	(148)	57,302
Heritage assets	-	148	148

**Effect on the Comprehensive Income and Expenditure Statement (heritage assets)**

There has been no need for a restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

**Movement in Reserves Statement – Unusable Reserves 2010-11**

The restatement of heritage assets has not required any movement in the revaluation reserve and therefore there has been no overall effect to Unusable Reserves in 2010-11.

**Effect on the balance sheet 2010-11**

The resulting restated Balance Sheet for 31 March 2011 is provided on 15. The adjustments that have been made to that Balance Sheet over the version published in the 2010-11 Statement of Accounts are as follows:

	As previously stated 31st March 2011  £000	As restated 31st March 2011  £000	Restatement 2011  £000
Property, Plant and Equipment	64,953	(467)	64,486
Heritage assets	-	467	467

**g Major change in statutory functions**

The Council has not been affected by any change in statutory function during the financial year 2011-12.

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**EXPLANATORY FOREWORD continued**

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**h Current borrowing facilities and capital borrowing**

The table on the following page 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.

2010-11 £000	Changes made to borrowing as defined by the Prudential Code	2011-12 £000
33,029	Accumulated Prudential Code debt outstanding at the beginning of the year	44,585
	<u>Transactions in the year:</u>	
12,001	Capital expenditure funded by borrowing	18,331
(457)	Minimum revenue provision	(870)
12	Adjustment regarding discharge of liability related to IFRIC 12	12
44,585	Prudential Code debt outstanding at the end of the financial year	62,058

Borrowing has increased at 31 March 2012 when compared to 31 March 2011. The table below shows the borrowing at the end of the year 2011-12, compared to the position at the end of the previous financial years.

31 March 2011 £000	Borrowing	31 March 2012 £000
(35,036)	Short-term borrowing	(37,999)
(9,000)	Long-term borrowing	(8,000)
(44,036)	Total of all current borrowing	(45,999)

The information in the above table relates only to borrowing, and this information can additionally be identified in the context of net-borrowing within the table at "c" on page 5.

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**EXPLANATORY FOREWORD continued**

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**i Internal & external sources of funds for 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.

2010-11 £000	Internal & external sources of funds for capital expenditure	2011-12 £000
10,126	Capital expenditure resulting in the creation of fixed assets	17,618
5,220	Revenue expenditure funded from capital under statute The above revenue expenditure funded from capital under statute forms part of the surplus/deficit on the Comprehensive and Expenditure Statement at page 13	3,514
15,346	Total capital expenditure in the year	21,132
	Resources applied to finance capital expenditure incurred in the year	
	<u>External resources</u>	
1,047	Grants	1,420
1,914	Developers' contributions	1,088
	<u>Internal resources</u>	
-	Capital receipts (includes minor adjustment to a prior year's financing)	94
384	Revenue contribution to capital (includes minor adjustment to a prior year's financing)	199
3,345	Total of all resources applied to finance capital expenditure	2,801
12,001	Use of prudential code borrowing to finance specific element of the capital expenditure	18,331
15,346	Total capital expenditure in the year	21,132

The Council's actual capital expenditure in the year was £21,132,000. The Council achieved 94.6% of the final approved capital budget of £22,342,650.

**j Significant provisions, contingencies and material write-offs**

The Council has no significant provisions, contingencies or material write-offs to report in these accounts for 2011-12.

**k Material events after the reporting date**

These accounts for 2011-12 were authorised by the Corporate Director (CFO) for issue on 28th June 2012. No material events have occurred after this reporting date.

**l Impact of the current economic climate**

The Council has made appropriate budget plans to cope with the economic downturn that continues to prevail in 2011-12 and, as with other public bodies, future government funding is known to be reduced.

There has been a limited number of staff redundancies and some flexible retirement packages have been introduced. Both initiatives being to reduce the size and cost of the staffing base. Coupled with a complete review of all services to ensure that service efficiency and delivery is maintained, the Council can look to the future with a containable budget plan.

**m Future events**

See Note 56 on page 89 regarding events after the balance sheet date specifying a number of significant matters that the Council will undertake in 2012 or later.

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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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### **The Authority's Responsibilities**

The Authority is required to:

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

### **The Chief Financial Officer's Responsibilities**

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

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

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

### **The Chief Financial Officer has also:**

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Eastleigh Borough Council and its income and expenditure for the year ended 31 March 2012.

**Nick Tustian CPFA**

**Corporate Director (CFO)**

The signature of Mr Nick Tustian was made on this document on 28th June 2012. Sight of the signed document can be made by emailing [corporate.accountancy@eastleigh.gov.uk](mailto:corporate.accountancy@eastleigh.gov.uk) or telephoning 023 8068 8005.

**Date:** 28th June 2012

## MOVEMENT IN RESERVES STATEMENT

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

<b>Movement in reserves for 2010-11</b>	<b>General Fund Balance</b>	<b>Earmarked GF Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance @ 31 March 2010</b>	<b>(2,183)</b>	<b>(3,713)</b>	<b>(4,573)</b>	<b>(10,469)</b>	<b>(21,883)</b>	<b>(32,352)</b>
(Surplus) on provision of services	(6,489)	-	-	(6,489)	-	(6,489)
Other Comprehensive Expenditure and Income	-	-	(115)	(115)	(6,190)	(6,305)
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,489)</b>	<b>-</b>	<b>(115)</b>	<b>(6,604)</b>	<b>(6,190)</b>	<b>(12,794)</b>
Adjustments between accounting basis and funding basis under regulations See Note 6 on page 41	5,294	-	(233)	5,061	(5,061)	-
<b>Net (increase) before transfers to earmarked reserves</b>	<b>(1,195)</b>	<b>-</b>	<b>(348)</b>	<b>(1,543)</b>	<b>(11,251)</b>	<b>(12,794)</b>
Transfers to/(from) Earmarked Reserves	745	(745)	-	-	-	-
(Increase)/Decrease in year	(450)	(745)	(348)	(1,543)	(11,251)	(12,794)
<b>Balance @ 31 March 2011</b>	<b>(2,633)</b>	<b>(4,458)</b>	<b>(4,921)</b>	<b>(12,012)</b>	<b>(33,134)</b>	<b>(45,146)</b>
<b>Movement in reserves for 2011-12</b>						
Deficit on provision of services	729	-	-	729	-	729
Other Comprehensive Expenditure and Income	-	-	-	-	8,928	8,928
<b>Total Comprehensive Income and Expenditure</b>	<b>729</b>	<b>-</b>	<b>-</b>	<b>729</b>	<b>8,928</b>	<b>9,657</b>
Adjustments between accounting basis and funding basis under regulations See Note 6 on page 39	(2,146)	-	(389)	(2,535)	2,535	-
<b>Net (increase) before transfers to earmarked reserves</b>	<b>(1,417)</b>	<b>-</b>	<b>(389)</b>	<b>(1,806)</b>	<b>11,463</b>	<b>9,657</b>
Transfers to/(from) Earmarked Reserves	511	(511)	-	-	-	-
(Increase)/Decrease in year	(906)	(511)	(389)	(1,806)	11,463	9,657
<b>Balance @ 31 March 2012</b>	<b>(3,539)</b>	<b>(4,969)</b>	<b>(5,310)</b>	<b>(13,818)</b>	<b>(21,671)</b>	<b>(35,489)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010-11			2011-12			
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
141	(128)	13	Adult Social Care	137	(122)	15
1,404	(748)	656	Central Services	1,369	(1,010)	359
11,949	(6,165)	5,784	Cultural and Related Services	9,025	(5,018)	4,007
8,224	(2,040)	6,184	Environmental and Regulatory Services	6,781	(2,088)	4,693
6,180	(5,737)	443	Highways & Transport Services	5,240	(6,170)	(930)
35,992	(34,668)	1,324	Housing Services	37,238	(36,016)	1,222
5,187	(3,109)	2,078	Planning Services	5,310	(2,970)	2,340
6,123	(1,823)	4,300	Corporate and Democratic Core & non-distributed costs	6,868	(2,321)	4,547
(11,790)	-	(11,790)	Exceptional item - Pensions past service cost	-	-	-
63,410	(54,418)	8,992	<b>Cost of services - continuing operations</b>	71,968	(55,715)	16,253
			<b>Other Operating Expenditure</b>			
2,363	-		Precepts of local precepting authorities	2,411	-	
75	-		Payments to the Government	13	-	
660	-		Housing Capital Receipts Pool			
			Loss on the disposal of Property, Plant & Equipment	1,191	-	
3,098	-			3,615	-	
		3,098	<b>Total Other Operating Expenditure</b>			3,615
			<b>Financing and investment income and expenditure</b>			
372	(4,249)		Income and Expenditure in relation to Investment Properties and changes in their fair value	2,785	(9,028)	
396	(454)		Interest payable and similar charges	736	(280)	
1,610	-		Pensions interest cost and expected return on pensions assets	1,050	-	
2,378	(4,703)			4,571	(9,308)	
		(2,325)	<b>Total Financing and Investment Income and Exp</b>			(4,737)
			<b>Taxation and Non-Specific Grant Income</b>			
-	(8,451)		Demand on Collection Fund	-	(8,517)	
-	(1,021)		General government grants	-	(1,430)	
-	(6,782)		NNDR rates redistribution	-	(4,455)	
-	(16,254)			-	(14,402)	
		(16,254)	<b>Total Taxation and Non-Specific Grant Income</b>			(14,402)
		(6,489)	<b>(Surplus)/Deficit on Provision of Services</b>			729
			Above balance transferred to the next page			

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT continued**

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2010-11			2011-12		
Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000
		(6,489)			729
					-
-	(514)		-	(26)	
-	(514)	(514)	-	(26)	(26)
					7
					8,910
					37
					8,928
					<u>9,657</u>
					<u>(12,794)</u>
					<u>9,657</u>

## BALANCE SHEET

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

@ 1 April 2010 Restated £000	@ 31 March 2011 Restated £000	Balance Sheet	@ 31 March 2012 £000	Notes
57,302	64,486	Property, Plant & Equipment	68,420	8
148	467	Heritage Assets	509	9
49,198	51,201	Investment Property	62,483	11
274	328	Intangible Assets	434	13
-	325	Non Current Assets Held for Sale	499	14
400	406	Long Term Debtors	338	16
<b>107,322</b>	<b>117,213</b>	<b>Long Term Assets</b>	<b>132,683</b>	
3,207	3,148	Short Term Investments (available for sale)	3,085	19
112	142	Inventories	166	20
7,050	4,888	Short Term Debtors	3,331	21
7,087	12,084	Cash and Cash Equivalents	3,876	22
<b>17,456</b>	<b>20,262</b>	<b>Current Assets</b>	<b>10,458</b>	
(897)	-	- Bank Overdraft	-	
(30,815)	(35,036)	Short Term Borrowing	(37,999)	23
(5,675)	(6,497)	Short Term Creditors	(9,187)	24
(640)	(632)	Provisions	-	25
<b>(38,027)</b>	<b>(42,165)</b>	<b>Current Liabilities</b>	<b>(47,186)</b>	
-	(9,000)	Long Term Borrowing	(8,000)	26
(135)	(123)	Other Long Term Liabilities	(111)	27
(4,944)	(4,591)	Capital Grants Receipts in Advance	(6,305)	28
(49,320)	(36,450)	Net liability related to defined benefit pension scheme	(46,050)	30e
<b>(54,399)</b>	<b>(50,164)</b>	<b>Long Term Liabilities</b>	<b>(60,466)</b>	
<b>32,352</b>	<b>45,146</b>	<b>Net Assets</b>	<b>35,489</b>	

**BALANCE SHEET continued**

@ 1 April 2010 £000	@ 31 March 2011 £000	<b>Balance Sheet</b>	@ 31 March 2012 £000	<b>Notes</b>
2,183	2,633	General Fund Balance	3,539	35
3,713	4,458	Earmarked reserves	4,969	7
4,573	4,921	Capital receipts reserve	5,310	29
<b>10,469</b>	<b>12,012</b>	<b>Usable Reserves</b>	<b>13,818</b>	
69,211	64,363	Capital Adjustment Account	62,662	30c
118	216	Collection Fund Adjustment Account	299	30f
(272)	(288)	Accumulated Absences Account	(266)	30g
37	28	Deferred Capital Receipts Reserve	20	30d
108	73	Financial Instruments Adjustment Account	36	30b
2,001	5,192	Revaluation Reserve	4,970	30a
(49,320)	(36,450)	Pensions Reserve	(46,050)	30e
<b>21,883</b>	<b>33,134</b>	<b>Unusable Reserves</b>	<b>21,671</b>	
<b>32,352</b>	<b>45,146</b>	<b>Total Reserves</b>	<b>35,489</b>	

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## CASH FLOW STATEMENT

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

<b>2010-11</b> <b>£000</b>	<b>2011-12</b> <b>£000</b>
(6,489) Net (surplus) or deficit on the provision of services	729
5,656 Adjust net (surplus) or deficit on the provision of services for non cash movements - see Note 34 on page 66	(2,582)
58 Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities - see Note 31 on page 65.	(456)
<hr/> (775) Net cash flows from Operating Activities	<hr/> (2,309)
10,267 Investing Activities - see Note 32 on page 65	15,333
(15,386) Financing Activities - see Note 33 on page 65	(4,816)
<hr/> (5,894) Net increase or decrease in cash and cash equivalents	<hr/> 8,208
<hr/> <hr/>	<hr/> <hr/>
6,190 Cash and cash equivalents at the beginning of the reporting period	12,084
<hr/> 12,084 Cash and cash equivalents at the end of the reporting period	<hr/> 3,876
5,894 Increase/(Decrease) in cash and cash equivalents	(8,208)
<hr/> <hr/>	<hr/> <hr/>

**Accounting Policies for application in the year 2011-12****1.00 Reporting Entity**

Eastleigh Borough Council is a Local Authority governed by the Local Government Act 1972. For the purposes of financial reporting Eastleigh Borough Council is a public body.

**1.01 Basis of Preparation**

The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12, which includes the requirement to comply with International Financial Reporting Standards (IFRS) or their adaptation and applicability for a local authority.

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated. The reporting period for these financial statements is the year ended 31 March 2012.

The financial statements are presented in UK Sterling, rounded to the nearest thousand, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

**1.02 Judgements and estimations**

The preparation of financial statements in conformity with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 incorporating IFRS requirements requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised when the revision affects only that period. If the revision affects both current and future periods, it is reflected in the respective period to which it relates. Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

**1.03 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2011-12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise; the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 and the Service Reporting Code of Practice 2011-12 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

**1.04 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 in the year, to which it relates, on a basis that reflects the overall effect of the loan or investment. Interest accruals are an integral part of the carrying amount of financial instruments.

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.

**1.05 Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**1.06 Cash and Cash Equivalents**

The Council treat the following as Cash and Cash Equivalents:

- Instant Access Call Accounts
- Instant Access Short Term Funds
- Deposits with one day to maturity

The Council treat the following as Investments:

- Notice Call Accounts
- Term Deposits with more than 1 day to maturity
- Certificates of Deposit
- Bonds

The treatment will be determined on the following basis:

- The portfolio, or any proportion thereof, shall be treated as an Investment where the mandate states that settlement is greater than one day, or where the underlying investments can only be settled in greater than one day, or where the underlying investments are exposed to risk of significant change in capital value.
- The portfolio, or any proportion thereof, shall be treated as Cash or Cash Equivalent where the mandate states that settlement is one day or less, and where the underlying investments can be settled in one day or less, and where the underlying investments are not exposed to risk of significant change in capital value.

**1.07 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

**1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years effected by the change and do not give rise to a prior period adjustment.

**1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors continued**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**1.09 Charges to Revenue for Non-Current Assets**

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

- \* depreciation attributable to the assets used by the relevant service
- \* revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- \* amortisation of intangible fixed assets attributable to the service.

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

**1.10 Employee Benefits**

An accrual for employee benefits (holiday leave, flexible hour's entitlement leave and time off in lieu) is recognised as a liability when benefits are earned but not paid. Holiday leave, flexible hours entitlement leave and time off in lieu is calculated on an actual entitlement basis at the greater of the average or current hourly earnings.

Long-service compensated absences such as long service leave or sabbatical leave, long service benefits and long-term disability benefits are calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. Such matters are only accrued into the accounts where the individual entitlement amount exceeds £10,000. Where applicable, the present value of the estimated future cash flows is calculated using an inflation factor and a discount rate. The inflation rate used is the annual Consumer Price Index. The discount rate used is based on yields on high quality corporate bonds.

**1.10 Employee Benefits continued**

Termination benefits (where applicable) are recognised in the Comprehensive Income & Expenditure Statement only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary non-occupancy of a post. Such matters are only accrued into the accounts where the individual entitlement amount exceeds £10,000. Recognition of a capitalisation direction is observed if circumstances are applicable.

**1.11 Events after the Balance Sheet date**

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the end of the reporting period – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

**1.12 Financial Instruments**Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. 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 amount written down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

The Council has no plans to repay any of its borrowings before the agreed settlement date.

**1.12 Financial Instruments continued**

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

**Financial assets**

Financial assets are classified into two types:

- (i) Loans and receivables - assets that have fixed or determinable payments but are not quoted on the active market
- (ii) available-for-sale assets - assets that have a quoted market price and / or do not have fixed or determinable payments

**Loans and receivables**

Loans and receivables are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

**Available-for-sale assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

**1.12 Financial Instruments continued**

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- (i) instruments with quoted market prices - the market price
- (ii) other instruments with fixed and determinable payments - discounted cash flow analysis
- (iii) 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

**1.13 Government Grants and Contributions**

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

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

**1.13 Government Grants and Contributions continued**

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant / contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant / contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants / contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant / contribution is credited to the relevant Service line or Taxation and Non-Specific Grant income in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment once they have been applied to finance capital expenditure. The Council recognises that Area Based Grant is a non-ring fenced grant, and no conditions on its use are imposed as part of the grant determination. This allows for full local control over how the funding can be used. ABG is a general grant, included in the Comprehensive Income and Expenditure Statement as Non-Specific Grant Income.

**1.14 Intangible Assets**

Intangible assets comprise purchased licenses and internally created computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Income & Expenditure Statement on a straight-line basis over the useful life of the intangible asset. Realised gains and losses arising from disposal of intangible assets are recognised in the Comprehensive Income & Expenditure Statement in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Comprehensive Income & Expenditure Statement.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. A common useful economic life applied to software is five years, however this is reviewed as part of the annual asset verification process.

**1.15 Inventories (Stocks)**

Inventories are measured at the lower of cost and net realisable value, except where inventories are acquired through a non-exchange basis in which case their cost is deemed to be fair value at the date of acquisition. Inventories are also measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In this context inventories do not include work in progress under construction contracts and financial instruments.

**1.16 Investment Property**

Investment properties are properties which are held solely to earn rental income, for capital appreciation or for both. Investment properties exclude those properties held for strategic purposes or to provide a community service, including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property.

Investment properties are measured initially at cost and subsequently measured at fair value as determined annually by an registered valuer. The fair value is determined based on quoted market prices and is the estimated amount for which a property could be exchanged 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.

Any gain or loss arising from a change in fair value is recognised in the Comprehensive Income & Expenditure Statement. Investment properties are not depreciated. A property interest under a finance lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an finance lease classified as an investment property is carried at fair value.

**1.17 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 principles of the most current CIPFA Service Reporting 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 Comprehensive Income and Expenditure Statement as part of Cost of Services – continuing operations.

**1.18 Value Added Tax (VAT)**

Income and expenditure in the Comprehensive Income and Expenditure Statement excludes any amounts related to value added tax, as generally all VAT paid is recoverable and all VAT receivable is passed over to HM Revenue & Customs. Value added tax is only included in the Comprehensive Income and Expenditure Statement whether capital or revenue in nature to the extent that it is irrecoverable.

**1.19 Non-Current Assets - Property, Plant and Equipment**

The council has accounted for property, plant and equipment in accordance with IAS 16, except where interpretations or adaptations to fit the public sector are detailed in the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

Property, plant and equipment are tangible assets that are held in the production or supply of goods or services, for rental to others, or for administrative purposes, and are used during more than one period. A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations.

**1.19 Non-Current Assets - Property, Plant and Equipment continued**

The following are classes adopted by the Council:

- (a) land and buildings (excludes investment properties)
- (b) community assets
- (c) infrastructure assets
- (d) vehicles
- (e) plant and equipment (includes office furniture and equipment)
- (f) playground equipment

**Recognition and initial measurement**

An asset is recognised if the future economic benefits or service potential associated with the item will flow to the Council and if the cost of the item can be measured reliably. Such costs include those that relate to acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset.

Property, plant and equipment assets are initially measured at historic cost and capitalised on an accruals basis. The measurement of cost is made up of the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where property, plant and equipment are held by the council under a finance lease, they are treated as Council assets and are recognised on the Council's balance sheet.

**Donated assets**

Donated assets are assets transferred at nil value or acquired at less than fair value. They are recognised at fair value as an asset on the balance sheet.

**Measurement after recognition**

Infrastructure, community assets and assets under construction (excluding investment property) are measured at historic cost. All other classes of asset are measured at fair value, with the exception of non-property assets, that have short lives or low values (or both), and these are valued using a depreciated historical cost basis.

Classes of assets whose fair value can be measured reliably, such as land and buildings, are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. The carrying amount of an asset can be either increased or decreased as a result of revaluation.

**Revaluations (increase)**

Increases in valuation are recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the provision of Services on the same asset or reversing a previous revaluation decrease charged to the Surplus or Deficit on the provision of Services on the same asset.

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**NOTES TO THE ACCOUNTS - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

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**1.19 Non-Current Assets - Property, Plant and Equipment continued****Revaluations (decrease)**

Decreases in valuation i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment) the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (ie up to its historical cost) and thereafter in Surplus or Deficit on the Provision of Services. The valuation of property assets is undertaken every five years by professionally qualified valuers.

The result of any revaluation of the Council's property, plant and equipment is credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the Comprehensive Income & Expenditure Statement. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Comprehensive Income & Expenditure Statement will be recognised firstly, in the Comprehensive Income & Expenditure Statement up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment. Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

**Impairment**

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Comprehensive Income & Expenditure Statement, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

**Depreciation**

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, and assets under construction (work in progress). Depreciation is charged to General Fund service revenue accounts, central support services and trading accounts. It does not amount to a proper charge to the General Fund and such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. On a re-valued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account is made which represents the difference between depreciation based on the re-valued carrying amount of the asset and the depreciation based on the asset's historical cost. The Council's policy is disclosed in the table below:

**Depreciation - Amortisation periods**

<b>Non-current asset classification</b>	<b>Years</b>	<b>%</b>	<b>Depreciation method</b>
Buildings, community, infrastructure	-	2	reducing balance
Land	-	-	not depreciated
Vehicles	5	-	straight line
Playgrounds	10	-	straight line
Plant and equipment	3 - 15	-	straight line
Assets under construction	-	-	not depreciated
	<b>28</b>		

**1.19 Non-Current Assets - Property, Plant and Equipment continued****Depreciation - Components**

Where a significant item of PPE (value over £1 million) has major components (over 20% of total value) with different estimated useful lives, these are depreciated separately.

**Reclassification (Order of Events)**

When assets are reclassified the accounting entries occur in the following sequence: Depreciate the asset (based on brought forward balances); Add any additions (enhancements etc.); Separate into components (if required); Re-value (using old category method); Reclassify (to new category by derecognising from old category and recognising in new category); Re-value again (using new category method).

**Disposals and derecognition**

The carrying amount of an item of property, plant and equipment is derecognised either when the asset is disposed of, or when there is no future economic benefit or service potential expected from its use or disposal. The gain or loss arising from derecognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset is included in Surplus or Deficit on the Provision of Services when the item is derecognised.

**Fair Value**

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. For this section of the Code, fair value (for land and buildings) is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the Royal Institute of Chartered Surveyors (RICS) Valuation Standards.

**1.20 Heritage Assets**

The Council's heritage assets refer to an array of items, the most financially significant of which relates to civic regalia. All of these heritage assets have been reclassified from community assets (previously listed on the balance sheet as an element within Property, Plant & Equipment). Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets mainly for the reason that obtaining valuation could prove to be cost prohibitive.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. If it is agreed to dispose of any heritage assets the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. Depreciation is not generally calculated on heritage assets as thorough care and maintenance ensures that these items have a continued life duration.

**1.20 Heritage Assets - continued**

The Council's heritage assets are:

<b>Civic regalia</b>	A large collection of items related to civic matters  Measurement has been made using insurance valuations
<b>All Other Works of Art</b>	Items as listed below relating to art installations that the public can freely access for viewing and appreciation purposes  Measurement of the items listed below has been historic cost, and the professional view of the Council's Art's Officer as to replacement cost

Location

Spitfire	Entrance to the airport located in the Borough of Eastleigh
Whirlwind Table & Chairs	Leigh Road - Eastleigh
Angel Of Mons	The Point Dance & Arts Centre
Mosaic	Leigh Road Recreation Ground - Eastleigh
Walk In My Footsteps	Factory Rd - Eastleigh
Barbe Baker Memorial	Leigh Road shopping precinct - Eastleigh
Howzat Cricket Stumps	Entrance to the Ageas Bowl cricket ground
Railwayman	Central Eastleigh
Musical Chairs	The Point Dance & Arts Centre
Leigh Rd Rec Gateway	Leigh Road Recreation Ground - Eastleigh
Ageas Bowl Public Art	Ageas Bowl cricket ground
Pirelli Art Works	Site previously occupied by Pirelli Cable Works - Eastleigh (West)

All heritage assets are tangible and are listed on the Council's balance sheet as at 31st March 2012

The Council's Public Arts Strategy provides a full list of heritage assets, including their condition, commissioned artist, location and maintenance plan. Visual inspection is provided on a regular basis by Streetscene and the Public Arts Officer. All items located in the open air are accessible to the public, and some civic regalia items can be viewed and inspected within the Council's main civic office.

**1.21 Non-Current Assets Classified as Held For Sale**

Non-current assets are separately classified where their carrying amount will be recovered through a sale transaction rather than through continuing use.

A non-current asset is classified as held for sale where:

- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets,
- A plan to sell the asset is in place, and an active programme to locate a buyer and complete the plan has been initiated,
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a sale within one year from the date of classification or beyond one year where a delay has occurred which is caused by events beyond the Council's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset, and
- Actions required to complete the plan to sell the asset indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is recognised at the lower of its carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the Comprehensive Income & Expenditure Statement.

Fair value is determined by market value. The market value of a property is the estimated amount for which a property could be exchanged 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.

**1.22 Private Finance Initiative (PFI)**

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 property, plant & equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the property, plant & equipment used under the contracts on the balance sheet. The original recognition of the property, plant & equipment is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the property, plant & equipment. PFI Property, plant & equipment recognised on the balance sheet are revalued and depreciated in the same way as property plant and equipment owned by the Council.

**1.22 Private Finance Initiative (PFI) - continued**

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 Comprehensive Income and Expenditure Statement
- Finance cost - an interest charge on the outstanding balance sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement
- 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 Comprehensive Income and Expenditure Statement
- Payment towards liability - applied to write down the balance sheet liability towards the PFI operator
- Lifecycle replacement costs - recognised as property, plant & equipment on the balance sheet  
A de minimis level of £250,000 of the fair value the property, plant & equipment 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 Code adaptation of IFRIC 12.

**1.23 Provisions, Contingent Liabilities and Assets****Provisions**

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the amount that will be required to settle the obligation taking into account relevant risks and uncertainties.

**Contingent liabilities**

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent assets**

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

**1.24 Reserves**

The Council sets aside specific and general amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be included in the surplus / deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back in to the General Fund Balance in the movement in reserves statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources to the Council. These reserves are explained in the relevant policies that follow.

**1.25 Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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 is 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 so there is no impact on the level of council tax.

**1.26 Operating Leases**

Operating leases where the Council is the lessee - Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income & Expenditure Statement on a straight-line basis over the term of the lease, or akin to the terms defined in the lease contract. Lease incentives paid or received are recognised in the Comprehensive Income & Expenditure Statement as an integral part of the total lease payment.

Operating leases where the Council is the lessor - Leases where the lessee effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Assessments are made of the materiality of the transfer of risk and reward and in appropriate circumstances the Council would record a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease and recognise finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. Assets held for operating leases would be presented in the balance sheet of the Council (as a lessor) according to the nature of the asset. Lease income would be recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished

**1.27 Finance Leases**

Land and buildings elements of finance leases are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

**1.27 Finance Leases continued**

Finance leases where the Council is the lessee - transfer substantially all the risks and rewards of ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Council expects to receive benefits from their use.

Finance leases where the Council is the lessor are recognised as assets held under a finance lease as a receivable (debtor) at an amount equal to the net investment in the lease. The lease repayment receivable is treated as repayment of principal and finance income. The finance income is calculated to produce a constant periodic rate of return on the net investment.

**1.28 Borrowing Costs Eligible for Capitalisation**

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset (as defined within IAS 23) had not been made. The Council recognises the accounting requirements of IAS 23 and determines the amount of borrowing costs that are eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Council that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining the qualifying asset.

The Council only applies a process of capitalisation of borrowing costs for qualifying assets, in the following circumstances: • Scheme capital expenditure exceeds £3m, • Scheme capital expenditure results in an asset, • Borrowing is the only source of scheme funding, • Duration of scheme creation is more than one financial year.

**1.29 Minimum Revenue Provision (MRP)**

Amounts calculated for minimum revenue provision are in accordance with the policy approved by Full Council in advance of each financial year. The long-term rate applied for amounts calculated in accordance with an annuity calculation is taken from the published Public Works Loans Board maturity rate applicable as at the last day of the financial year in which such expenditure is incurred that creates the completion.

**1.30 Inventories and Long Term Contracts**

Inventories are included in the balance sheet at the lower of cost or net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the year.

**1.31 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.

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 2012 and 31 March 2011 are based on the AonHewitt derived AA corporate bond yield curve and the average weighted liability duration for the Employer.

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

**Current service cost** - the increase in liabilities arising from years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. **Interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement . **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 Comprehensive Income and Expenditure Statement .

**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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the 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 award 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.

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

The Code requires the Council to identify any Accounting Standards that have been issued but have yet to be adopted. In October 2010 the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). The amendments will assist the users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. However, CIPFA/LASAAC is of the view that the transfers described by the standard do not occur frequently in local authorities.

## **3 Critical judgements in applying accounting policies**

The element of uncertainty about future levels of funding for local government that prevailed in the previous financial year (2010-11) have now been clarified during 2011-12. The Authority has now determined that the assets of the Authority are not impaired and efficiency measures introduced have been sufficient to ensure a continued level of all existing services.

In applying the accounting policies set out in Notes 1.00 to 1.31 on pages 18 to 35, the Council has made certain judgements about complex transactions or those involving uncertainty about future events

The critical judgements that have the most significant effect on the amounts in the financial statements are:

**Asset reclassifications** – the council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets. If a market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

**Lease classifications** – the council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken "in the round" and decisions have been made. The accounting treatment for operating and finance leases is different and could have a significant effect on the accounts.

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

This note continues on the following page:

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## NOTES TO THE ACCOUNTS

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### 3 Critical judgements in applying accounting policies - continued

**Providing for potential liabilities** – the council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of pending issues.

**Allowances for doubtful debts** - the council has made judgements about the level of allowances for doubtful debts that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the current economic climate.

All of these judgements are the responsibility of the Corporate Director (Chief Financial Officer) as set out in the Statement of Responsibilities for the Statement of Accounts on page 11.

### 4 Material items of income and expense

Material items of income and expense incurred in the year 2011-12, which are not disclosed on the face of the Comprehensive Income and Expenditure Statement at page 13 are as listed below:

	<b>£000</b>
Housing and Council Tax Benefit payments	34,120
Housing Benefit grant income	(35,018)
Write-back of remaining provision regarding travel concessions	(409)

**5 Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Annual depreciation charge for buildings would increase proportionately for every year that useful lives had to be reduced.
<b>Provisions</b>	The Council currently has no provisions on the balance sheet (other than provisions netted off the short-term debtors listed in the balance sheet	Difficulty in estimating provision amounts could cause adjustment to the accounts in the coming year. The determination to state a contingent liability rather than a real provision contains an element of subjectivity that could have a bearing on the actual accounts.
<b>Pensions liability</b>	At 31 March 2012, the net Pensions Liability was £46.05 million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured but is complex. The actuary calculations made each year tend to have a varying effect on the cost of services in the Comprehensive Income and Expenditure Statement.

**6 Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Tables of the adjustments between accounting basis and funding basis under regulations for 2011-12 & 2010-11 are provided on the following pages.

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**NOTES TO THE ACCOUNTS continued**

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<b>6 Adjustments between accounting basis and funding basis under regulations</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
<b>For the year 2011-12</b>				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(2,534)	-	-	2,534
Amortisation of intangible assets	(95)	-	-	95
Capital grants and contributions applied	2,508	-	(2,508)	-
Revenue expenditure funded from capital under statute	(3,514)	-	-	3,514
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,679)	-	-	1,679
Movements in the market value of Investment Properties	2,208	-	-	(2,208)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	870	-	-	(870)
Capital expenditure charged against the General Fund	199	-	-	(199)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	2,508	(2,508)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	488	(488)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	94	-	(94)
Housing receipts pooled to the Government	(13)	13	-	-

**Table continued on the following page:**

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**NOTES TO THE ACCOUNTS continued**

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**6 Adjustments between accounting basis and funding basis under regulations - continued**

For the year 2011-12

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Transfer from Deferred Capital Receipts Reserve upon receipt of cash</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(8)	-	8
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,110)	-	-	3,110
Employer's pensions contributions and direct payments to pensioners payable in the year	2,420	-	-	(2,420)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	84	-	-	(84)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	22	-	-	(22)
<b>Total of all adjustments on page 39 and this page</b>	<b>(2,146)</b>	<b>(389)</b>	<b>-</b>	<b>2,535</b>

**NOTES TO THE ACCOUNTS continued**

<b>6 Adjustments between accounting basis and funding basis under regulations</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
<b>For the year 2010-11</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(3,258)	-	-	3,258
Amortisation of intangible assets	(95)	-	-	95
Capital grants and contributions applied	2,961	-	(2,961)	-
Revenue expenditure funded from capital under statute	(5,220)	-	-	5,220
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(958)	-	-	958
Movements in the market value of Investment Properties	368	-	-	(368)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	456	-	-	(456)
Capital expenditure charged against the General Fund	384	-	-	(384)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	2,961	(2,961)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	299	(299)	-	-
Housing receipts pooled to the Government	(75)	75	-	-

Table continued on the following page:

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**NOTES TO THE ACCOUNTS continued**

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**6 Adjustments between accounting basis and funding basis under regulations - continued**

For the year 2010-11

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(9)	-	9
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,940	-	-	(7,940)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,430	-	-	(2,430)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	98	-	-	(98)
<b>Items affecting the Revaluation Reserve</b>				
Charges for depreciation and impairment of non-current assets	(20)	-	-	20
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(16)	-	-	16
<b>Total of all adjustments on page 41 and this page</b>	<b>5,294</b>	<b>(233)</b>	<b>-</b>	<b>(5,061)</b>

**NOTES TO THE ACCOUNTS continued**

**7 Transfers to/from earmarked reserves**

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011-12. All of these specific reserves are listed below on this page and continue on the following page.

	<b>Earmarked Reserves</b>	<b>Bal as at 31st March 2010</b>	<b>Transfers Out 2010-11</b>	<b>Transfers In 2010-11</b>	<b>Balance as at 31st March 2011</b>	<b>Transfers Out 2011-12</b>	<b>Transfers In 2011-12</b>	<b>Balance as at 31st March 2012</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
aa	Commuted Sums	1,336	-	42	1,378	(55)	71	1,394
ab	Grange Park	550	-	50	600	-	50	650
ac	Revenue Gts and Contrib	316	(207)	201	310	(182)	262	390
ad	Investment Properties	100	(48)	300	352	(29)	-	323
ae	Recycling	217	(169)	186	234	(37)	72	269
af	Core Strategy	30	-	71	101	(8)	45	138
ag	LAC (HEWEB)	117	(117)	138	138	(55)	44	127
ah	LAC (Eastleigh)	38	(38)	98	98	(41)	66	123
ai	Land Charges	-	-	49	49	-	65	114
aj	On Street Parking	72	-	34	106	-	-	106
ak	Uninsured losses	34	-	-	34	(10)	76	100
al	Eastleigh House	-	-	6	6	(31)	123	98
am	LAC (BHH)	76	(76)	70	70	-	28	98
an	Building Control	38	-	27	65	-	20	85
ao	Black Horse House Mtce	61	(37)	50	74	(34)	42	82
ap	Licensing	17	-	23	40	-	26	66
aq	Ticket Machine	26	-	23	49	-	6	55
ar	Carbon Neutral	9	-	68	77	(25)	-	52
as	Leasing/Interest	50	-	-	50	-	-	50
at	Wessex House Financing	50	-	-	50	-	-	50
au	YZONE (BFOHH)	-	-	61	61	(17)	4	48
av	Dilapidations	-	-	35	35	-	10	45
aw	Carbon Reductions	33	(4)	23	52	(8)	-	44
ax	Cap Fin HEWEB	17	(22)	44	39	(14)	17	42
ay	Green Energy	60	(9)	-	51	(13)	-	38
az	Capital Financing	-	(58)	76	18	(40)	61	39
ba	Biodiversity Projects	39	(8)	-	31	(1)	5	35
bb	The Sidings	30	(8)	6	28	-	-	28
bc	Channon Retail Park	-	-	7	7	(4)	25	28
bd	Community and Health	56	(29)	-	27	(1)	-	26
be	Wessex House	25	-	-	25	-	-	25
bf	Interest equalisation	25	-	-	25	-	-	25
bg	Shsez Brand/Marketing	23	-	-	23	-	-	23
bh	Housing Private S Leasin	20	-	-	20	-	-	20
bi	Special purpose vehicle	20	-	-	20	-	-	20
bj	Self Insurance	6	-	7	13	(4)	7	16
bk	LAC (BFOHH)	65	(65)	11	11	(4)	6	13
	<b>Total of all reserves on this page carried to next page</b>	<b>3,556</b>	<b>(895)</b>	<b>1,706</b>	<b>4,367</b>	<b>(613)</b>	<b>1,131</b>	<b>4,885</b>

**NOTES TO THE ACCOUNTS continued**

**7 Transfers to/from earmarked reserves - continued**

<b>Earmarked Reserves</b>	<b>Bal as at 31st March 2010</b>	<b>Transfers Out 2010-11</b>	<b>Transfers In 2010-11</b>	<b>Balance as at 31st March 2011</b>	<b>Transfers Out 2011-12</b>	<b>Transfers In 2011-12</b>	<b>Balance as at 31st March 2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Total of all reserves from previous page</b>	<b>3,556</b>	<b>(895)</b>	<b>1,706</b>	<b>4,367</b>	<b>(613)</b>	<b>1,131</b>	<b>4,885</b>
bl LAC (CFH)	3	(3)	11	11	-	1	12
bm The Berry	-	-	12	12	-	-	12
bn Community Safety	37	(18)	5	24	(13)	-	11
bo Hackney Carriages	-	-	-	-	-	11	11
bp Highways Works	9	(1)	-	8	-	-	8
bq Cap Fin BHH	25	(14)	-	11	(4)	-	7
br Quobb Lane Sewer	5	-	-	5	-	-	5
bs Meals on Wheels	4	-	-	4	-	-	4
bt Cap Fin Eastleigh	29	(25)	-	4	-	-	4
bu Highways Agency Fund	3	-	-	3	-	-	3
bv The Point	3	-	-	3	-	-	3
bw Hamble Point Car Park	2	-	-	2	-	-	2
bx Street Lighting	9	(8)	-	1	-	-	1
by Cap Fin Chandler's Ford	3	(3)	-	-	-	-	-
bz Cap Fin Bishopstoke	9	(8)	-	1	-	-	1
ca HCC Ag Cnt Raynesway	-	-	2	2	(2)	-	-
cb S 38 Advance Payments	10	(10)	-	-	-	-	-
cc Healthy Living	6	(6)	-	-	-	-	-
<b>Total of all reserves</b>	<b>3,713</b>	<b>(991)</b>	<b>1,736</b>	<b>4,458</b>	<b>(632)</b>	<b>1,143</b>	<b>4,969</b>

The Council's earmarked reserves are held for specific purposes, details of which are listed below:

<b>Reserve</b>	<b>Purpose</b>
aa Commuted Sums	Funds held in relation to open spaces
ab Grange Park	Future major capital works and park improvements
ac Revenue Gts and Contribs	Contains revenue grants and contributions until required for spending
ad Investment Properties	Offset shortfalls in rent and consultant cost re acquisitions
ae Recycling	Waste management costs relating to recycling projects
af Core Strategy	Used to support core strategy requirements
ag LAC (HEWEB)	Future LAC projects and initiatives
ah LAC (Eastleigh)	Future LAC projects and initiatives
ai Land Charges	Funds from central government to offset refunds and fall in income
aj On Street Parking	Surplus accrued from decriminalised parking services
ak Uninsured losses	For losses that are not met via the Council's main insurance provider.
al Eastleigh House	For specific capital works at Eastleigh House
am LAC (BHH)	Future LAC projects and initiatives
an Building Control	Supports the trading partnership arrangement with Southampton CC
ao Black Horse House Mtce	For specific capital works at Black Horse House
ap Licensing	Future costs of the E2E IT system with Southampton City Council
aq Ticket Machine	For replacement of vandalised parking ticket machines
ar Carbon Neutral	Used to support sustainability developments

Earmarked reserves information continued on the following page:

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**NOTES TO THE ACCOUNTS continued**

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**7 Transfers to/from earmarked reserves - continued**

<b>Reserve</b>	<b>Purpose</b>
as Leasing/Interest	To offset variations in the revenue effect of lease and interest charges
at Wessex House Financing	Used to equalise the effects of rent income shortfall
au YZONE (BFOHH)	Funds used to support the YZONE project development
av Dilapidations	Funds to meet the cost of non-current asset dilapidations
aw Carbon Reductions	Funded by the Area Based Grant and used for carbon reduction work
ax Cap Fin HEWEB	For future funding of capital expenditure at HEWEB LAC
ay Green Energy	Contains grants used to fund green energy schemes
az Capital Financing	Amounts accumulated for future funding of capital expenditure
ba Biodiversity Projects	Funds for specific projects to support wetlands and damsel flies
bb The Sidings	Funds for future maintenance works at The Sidings industrial units
bc Channon Retail Park	For specific capital works at Channon Retail Park
bd Community and Health	Held in relation to community and health initiatives
be Wessex House	For specific capital works at Wessex House
bf Interest equalisation	To offset revenue effects of low interest rates
bg Shsez Brand/Marketing	For use in branding for the SHSEZ initiative
bh Housing Private S Leasing	Dilapidations of £500 per property re housing scheme Portsmouth HA
bi Special purpose vehicle	For refinancing a specific housing initiative
bj Self Insurance	Amount regarding cost of internal insurance claims
bk LAC (BFOHH)	Future LAC projects and initiatives
bl LAC (CFH)	Future LAC projects and initiatives
bm The Berry	Future maintenance works at the Berry
bn Community Safety	Used to support community safety initiatives
bo Hackney Carriages	Reserve to fund future loses
bp Highways Works	For highways agency matters
bq Cap Fin BHH	For future funding of capital expenditure at BHH LAC
br Quobb Lane Sewer	To fund matters connected with the Quobb Lane sewer
bs Meals on Wheels	Funding for matters connected with the meals on wheels
bt Cap Fin Eastleigh	For future funding of capital expenditure at Eastleigh
bu Highways Agency Fund	Funding for matters connected with the HCC agency contract
bv The Point	Reserve to offset future losses during redevelopment of The Point
bw Hamble Point Car Park	To service requirements regarding hamble point car park
bx Street Lighting	To service requirements regarding street lighting
by Cap Fin Chandler's Ford	For future funding of capital expenditure at Chandler's Ford
bz Cap Fin Bishopstoke	For future funding of capital expenditure at Bishopstoke
ca HCC Ag Cnt Raynesway	To service requirements regarding agency contract
cb S 38 Advance Payments	Advance payments in relation to S 38 agreements
cc Healthy Living	To service requirements regarding healthy living initiative

The following acronyms have been used in the above text:

BFOHH	Bishopstoke, Fair Oak & Horton Heath
BHH	Bursledon, Hamble & Hound
Cap Fin Res	Capital Financing Reserve
HA	Housing Association
HCC	Hampshire County Council
HEWEB	Hedge End, West End & Botley
LAC	Local Area Committee
YZONE	'Y' Zone Youth Centre, Fair Oak
SHSEZ	South Hampshire Strategic Employment Zone

**NOTES TO THE ACCOUNTS continued**

**8 Property, plant and equipment (PPE)**

**Movements on balances in 2011-12**

	Land & Buildings (includes PFI asset) £000	Vehicles Plant & Equipment £000	Infra- structure Assets £000	Commun- ity £000	Assets Under Construc- tion £000	Total PPE Assets £000
<b>Net Book Value at 31 March 2011</b>	<b>45,184</b>	<b>6,689</b>	<b>1,425</b>	<b>9,942</b>	<b>1,246</b>	<b>64,486</b>
<b><u>Cost or valuation</u></b>						
As at 1 April 2011	47,469	10,946	1,532	10,641	1,246	71,834
<b><u>Movements in 2011-12</u></b>						
Additions	270	1,417	29	142	6,251	8,109
Disposals and impairments	(244)	(518)	(20)	(1,241)	-	(2,023)
Reclassifications	(472)	-	(38)	472	-	(38)
Revaluations (charged to services)	-	-	-	(159)	-	(159)
Revaluations (to the Revaluation Reserve)	(18)	4	-	-	-	(14)
<b>As at 31 March 2012</b>	<b>47,005</b>	<b>11,849</b>	<b>1,503</b>	<b>9,855</b>	<b>7,497</b>	<b>77,709</b>
<b><u>Accumulated Depreciation</u></b>						
As at 1 April 2011	(2,285)	(4,257)	(107)	(699)	-	(7,348)
<b><u>Movements in 2011-12</u></b>						
Depreciation - annual charge	(695)	(1,395)	(25)	(260)	-	(2,375)
Disposals and impairments	16	285	1	132	-	434
Reclassifications	9	-	-	(9)	-	-
<b>As at 31 March 2012</b>	<b>(2,955)</b>	<b>(5,367)</b>	<b>(131)</b>	<b>(836)</b>	<b>-</b>	<b>(9,289)</b>
<b>Net Book Value at 31 March 2012</b>	<b>44,050</b>	<b>6,482</b>	<b>1,372</b>	<b>9,019</b>	<b>7,497</b>	<b>68,420</b>

A revised valuation was undertaken for The Point, 'Energy' Community Centre and Mortimer Road Car Park during the year as significant changes had been made to these properties. These valuations were undertaken by Fagan Property Management Ltd using Depreciated Replacement Cost method of valuation under RICS Valuation Standards 6.6 Depreciated Replacement Cost in the Public Sector.

**NOTES TO THE ACCOUNTS continued**

**8 Property, plant and equipment (PPE) - continued**

**Movements on balances in 2010-11**

	Land & Buildings (includes PFI asset) £000	Vehicles Plant & Equipment £000	Infra-structure Assets £000	Communi-ty <u>Restated</u> £000	Assets Under Construc-tion £000	Total PPE Assets £000
<b>Net Book Value at 1 April 2010</b>	<b>35,342</b>	<b>6,775</b>	<b>1,448</b>	<b>10,955</b>	<b>2,782</b>	<b>57,302</b>
<b><u>Cost or valuation</u></b>						
As at 1 April 2010	36,857	10,495	1,528	11,512	2,782	63,174
<b><u>Movements in 2010-11</u></b>						
Additions - spend in year	6,423	1,253	4	92	187	7,959
Additions *	-	276	-	238	-	514
Disposals	-	(1,247)	-	(702)	-	(1,949)
Reclassifications	1,845	52	-	(499)	(1,723)	(325)
Revaluations *						
(charged to services)	-	(749)	-	-	-	(749)
Revaluations * (to the Revaluation Reserve)	2,344	866	-	-	-	3,210
<b>As at 31 March 2011</b>	<b>47,469</b>	<b>10,946</b>	<b>1,532</b>	<b>10,641</b>	<b>1,246</b>	<b>71,834</b>
<b><u>Accumulated Depreciation</u></b>						
As at 1 April 2010	(1,515)	(3,720)	(80)	(557)	-	(5,872)
<b><u>Movements in 2010-11</u></b>						
Depreciation - annual charge	(741)	(1,498)	(27)	(214)	-	(2,480)
Disposals	-	961	-	43	-	1,004
Reclassifications	(29)	-	-	29	-	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-
<b>As at 31 March 2011</b>	<b>(2,285)</b>	<b>(4,257)</b>	<b>(107)</b>	<b>(699)</b>	<b>-</b>	<b>(7,348)</b>
<b>Net Book Value at 31 March 2011</b>	<b>45,184</b>	<b>6,689</b>	<b>1,425</b>	<b>9,942</b>	<b>1,246</b>	<b>64,486</b>

\* These items had been subject to an asset verification exercise carried out during 2010-11

**NOTES TO THE ACCOUNTS continued**

**9 Heritage assets - 5 year summary of transactions**

	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
<b>Cost of Acquisitions of heritage assets</b>					
Civic Regalia	148	148	148	148	148
Other Works of Art	-	-	-	-	319
Other works of Art - Additions	-	-	-	319	60
Other works of Art - Reclassified	-	-	-	-	37
	<b>148</b>	<b>148</b>	<b>148</b>	<b>467</b>	<b>564</b>
<b>Value of Heritage Assets Acquired by Donation</b>					
Civic Regalia	-	-	-	-	-
Other Works of Art	-	-	-	-	-
	-	-	-	-	-
<b>Disposal of Heritage Assets *</b>					
Civic Regalia	-	-	-	-	-
Other Works of Art	-	-	-	-	(55)
	-	-	-	-	(55)
<b>Grand Total</b>	<b>148</b>	<b>148</b>	<b>148</b>	<b>467</b>	<b>509</b>

\* In all circumstances the disposal of heritage assets has occurred in relation to the transfer of such assets to the ownership and control of Parish Councils located within the Borough of Eastleigh.

**10 Heritage assets - further information**

A Council's heritage assets can be categorised into two elements (1) Civic Regalia, and (2) all other works of art. Civic regalia has been accumulated over an extended period of time and includes some fine display pieces and items that are worn by the Mayor on official matters.

Other works of art relate to outside display sculptures which notably includes the "Howzat" cricket stumps at the Ageas Bowl location, a model of the "Spitfire" airplane at the airport location and the famous "Railwayman" denoting the nature of Eastleigh's past railway heritage.

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**NOTES TO THE ACCOUNTS continued**

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## 11 Investment Property

The movement in the fair value (estimated market value) of investment property assets is shown below:

2010-11 £000	Investment Property	2011-12 £000
49,198	Balance at the start of the year	51,201
	Movements in the year	
1,683	Additions - expenditure in year	9,248
368	Gain from fair value adjustment	4,590
(48)	Loss from fair value adjustment	(2,382)
	- Reclassifications	(174)
<b>51,201</b>	<b>Total</b>	<b>62,483</b>

A revaluation of investment properties valued over £1 million was carried out by The District Valuer and Vail Williams for 2011/12 with any changes being reflected in the above figures.

## 12 Income and expenditure in relation to Investment properties & changes in their fair value

The Investment Property Income and Expenditure Account is used to record the operating activity relating to investment properties. It does not include expenditure on the acquisition or enhancement of Investment Property as such matters are shown as investing activities and form part of the cost/value of the assets.

The net gain of £6.243 million in 2011-12 (£3.877 million in 2010-11) is shown in the Comprehensive Income and Expenditure Statement. A breakdown of the expenditure and income is shown below:

2010-11 £000	Income and expenditure in relation to Investment properties & changes in their fair value	2011-12 £000
(368)	(Gain) on Revaluation of Investment Property	(4,590)
0	Loss on Revaluation of Investment Property	2,382
(3,881)	Income from Investment Property	(4,438)
(4,249)	Sub-total - gains	(6,646)
372	Maintenance and Running Costs of Investment Property	403
<b>(3,877)</b>	<b>Net (Gain) on investment Property</b>	<b>(6,243)</b>

**NOTES TO THE ACCOUNTS continued**

**13 Intangible assets**

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. A common useful economic life applied to software is five years, however this is reviewed as part of the annual asset verification process.

Restated 2010-11 £000	Intangible assets	2011-12 £000
	<b>Balance at the start of the financial year</b>	
502	Cost b/fwd	651
(228)	Accumulated amortisation b/fwd	(323)
274	Net book value of intangible assets	328
	<b>Movements in the year</b>	
163	Additions - purchases	201
(95)	Amortisation charged to services	(95)
	- Disposals - amortisation	10
(14)	Disposals - gross cost	(10)
	<b>Balance at the start of the financial year</b>	
651	Cost c/fwd	842
(323)	Accumulated amortisation c/fwd	(408)
<b>328</b>	Net book value of intangible assets	<b>434</b>

**14 Non Current Assets Held for Sale**

To meet the criterion for this asset classification, an authority should have the intention and ability to sell the asset in its present condition.

2010-11 £000	Non-Current Assets held for Sale	2011-12 £000
	<b>Balance at the start of the financial year</b>	
	- Cost b/fwd	325
325	Reclassifications	<b>174</b>
	<b>Balance at the start of the financial year</b>	
325	Cost c/fwd	499
	- Accumulated amortisation c/fwd	-
<b>325</b>	Net book value of Non-Current Assets held for Sale	<b>499</b>

The balance of £499,000 relates to the two properties listed below which were for sale as at 31 March 2012.

	<u>£'000</u>
41 The Crescent, Netley Abbey	325
51 Kipling Road, Eastleigh	174
	<u>499</u>

## 15 Contractual Commitments

The Council entered a contractual commitment in January 2011 for the construction of a Travelodge hotel located in the town centre of Eastleigh. Significant contract payments in the sum of £3.7m were made in 2011-12, and a minor contractual liability remains as at 31st March 2012 to complete the build.

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancements of Property, Plant and Equipment in 2011-12 and future years contractual liabilities amount to £144,620. Similar commitments at 31 March 2011 were £70,794.

## 16 Long term debtors

Long-term debtors are listed in the table below:

<b>2010-11 £000</b>	<b>Long term debtors</b>	<b>2011-12 £000</b>
121	Housing Association Loans	63
35	Mortgages (ex Housing Revenue Account properties & renovations)	25
201	Car loans to staff	201
49	Other	49
<b>406</b>	<b>Total long-term debtors</b>	<b>338</b>

## 17 Financial Instruments

The term financial instruments is used to describe arrangements that are governed by a contract and appear as assets for one of the contracting parties and liabilities for the other. It covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions.

The financial assets and liabilities disclosed in the Balance Sheet are analysed across a range of categories on the following page:

**17 Financial Instruments - continued**

Carrying amount 31 March 2011 £000	Fair Value 31 March 2011 £000	Loans and receivables and financial liabilities fair values	Carrying amount 31 March 2012 £000	Fair Value 31 March 2012 £000
		<u>Current</u>		
12,076	12,076	Cash and cash equivalents	3,865	3,865
2,863	2,863	Loans and receivables	1,954	1,954
3,148	3,148	Available for sale financial assets	3,085	3,085
(39,529)	(39,529)	Financial liabilities	(43,247)	(43,247)
		<u>Non-Current</u>		
(9,123)	(9,123)	Financial liabilities	(8,111)	(8,111)

The fair value of financial liabilities for 2011-12 is significantly higher (in terms of overall liability) than the fair value amount of financial liabilities for 2010-11 because the Council has engaged in short-term borrowing during the financial year 2011-12 to fund capital payments related to land & property acquisitions and some other items. 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.

**18 Nature and extent of risk arising from financial instruments**

Nature and extent of risks arising from financial instruments

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.

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

## **18 Nature and extent of risk arising from financial instruments - continued**

Treasury risk management is carried out by a central treasury team, under policies approved by Council's Audit and Risk Management Committee during 2011-12 (the Audit & Resources Committee has since adopted all A & RM matters in 2012-13). The Council's treasury management team provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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 loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

### Credit risk

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

In relation to investments this risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed below.

For 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.
- 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)

For non specified investments:

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

**18 Financial Instruments continued**

<b>Investment type</b>	<b>Criteria</b>	<b>Maximum duration</b>
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	Triple-A-rated or equivalent	10 years
c) Bonds issued by institutions where the bond has an explicit UK Government Guarantee ( <i>capital expenditure investment under current statute</i> )	Triple-A-rated or equivalent	Maximum of 40% of overall investments and maximum maturity of 5 years
c) Bonds issued by institutions where the bond has an explicit UK Government Guarantee ( <i>capital expenditure investment under current statute</i> )	Triple-A-rated or equivalent	Maximum of 40% of overall investments and maximum maturity of 5 years
e) Bonds and floating rate notes issued by corporate bodies ( <i>capital expenditure investment under current statute</i> )	Issue and issuer rating having as a minimum a long-rating in the 'Double-A' category	Restricted to a maximum of 25% of overall investments and maximum maturity of 5 years
f) Money Market Funds and Collective Investment Schemes which operate with a variable net asset value		Restricted to a maximum of 40% of overall investments. These funds do not have fixed maturity dates.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise.

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

**NOTES TO THE ACCOUNTS continued**

**18 Financial Instruments continued**

<b>Potential maximum exposure to credit risk</b>					
Estimated maximum exposure to default & uncollectability		Amount @310312	Historical experience of default	Historical experience adjusted for market conditions	Estimated maximum exposure to default & uncollectability
at 31st March 2011 £000		at 31st March 2012 £000	at 31st March 2012 %	at 31st March 2012 %	at 31st March 2012 £000 (A * C)
		A	B	C	
-	Deposits w/ banks and financial institutions*	6,961	-	-	-
-	Long-term debtors #	338	-	-	-
19	Court costs	177	14.8	14.6	26
-	Government & public bodies*	1,061	-	-	-
9	Customers (exc. statutory debts)	1,670	0.5	0.5	8
28					34

\* 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

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

31 March 2011 £000	Customer balances past their due date for payment	31 March 2012 £000
943	Less than two months	1,007
234	Two to five months	297
31	Five months to one year	77
277	More than one year	287
1,485	Total	1,668

**18 Financial Instruments continued**

**Liquidity risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, and so the Council sets limits on the proportion of its fixed rate borrowing during specified periods.

<b>31 March 2011 £000</b>	<b>Maturity analysis of financial liabilities</b>	<b>31 March 2012 £000</b>
(17,726)	Less than three months <i>The above includes all collection fund creditors</i>	(34,161)
(10,850)	Three to six months	(3,026)
(12,376)	Six months to one year	(9,635)
(9,581)	More than one year	(8,364)
(50,533)	Total of all financial instruments liabilities	(55,186)
(820)	Less - Collection Fund creditors (all maturing in less than three months)	(2,657)
(49,713)	Total equal to total short and long term borrowing and creditors	(52,529)

All trade and other payables are due to be paid in less than one year. The above table does not include capital contributions of £6,305,000 (£4,591,000 in 2010-11). The Council expects to apply this sum to revenue and capital activities in future years.

**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 Comprehensive Income and Expenditure Account will rise
- Borrowings at fixed rate - the borrowings would have an improved fair value
- Investments at variable rate - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rate - the fair value of investments will fall.

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**NOTES TO THE ACCOUNTS continued**

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**18 Financial Instruments continued**

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

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 ensures any significant changes are identified and considered in budget setting.

Based on the above strategy, at 31 March 2012, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2011-12 would have been:

<b>Year Ending 31 March 2011 £000</b>	<b>Effect in the financial year of a 1% higher interest rate</b>	<b>Year Ending 31 March 2012 £000</b>
257	Increase in interest payable on variable rate borrowings	469
(1,032)	Increase in interest receivable on variable rate investments	(559)
(775)	Additional interest that would have been to the benefit of the Comprehensive Income and Expenditure Statement if interest rates had rates had been 1% higher in the year	(90)

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2011-12 was historically low, and allowance for a full 1% reduction would be economically impossible in the circumstances of the year.

**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.

**19 Short Term Investments (available for sale)**

The short-term investments within current assets relates to one Eurobond which is available for sale.

**20 Inventories**

The Council holds only minor Inventories/stocks throughout each financial year. Inventories/stocks are included in the balance sheet at the lower of cost or net realisable value, and due to their relative insignificance on the balance sheet no further detail is provided within these notes.

**NOTES TO THE ACCOUNTS continued**

**21 Short Term Debtors**

<b>31 March 2011 £000</b>	<b>Short Term Debtors</b>	<b>31 March 2012 £000</b>
1,898	Central government bodies	683
425	Other local authorities	378
	- NHS bodies	-
	- Public corporations and trading funds	1
3,489	Other entities and individuals	3,204
(924)	Bad debt provision for "Other entities and individuals"	(935)
<b>4,888</b>	<b>Total</b>	<b>3,331</b>

**22 Cash and cash equivalents**

The balance of cash and cash equivalents is made up of the following elements:

<b>31 March 2011 £000</b>	<b>Cash and cash equivalents</b>	<b>31 March 2012 £000</b>
8	Cash held by the authority	11
4,968	Bank current accounts	3,146
7,108	Short-term deposits in money market funds	719
<b>12,084</b>	<b>Total</b>	<b>3,876</b>

**23 Short-term borrowing**

The Council's short-term borrowing has increased during the financial year 2011-12, mainly as a result of an element of capital expenditure for 2011-12 being financed by borrowing within the terms of the prudential code. The increase is not significant in relation to the borrowing for capital expenditure. The reason for this is that short-term investments have significantly reduced (year on year), coupled with a decrease in debtors, and increases in creditors and capital grants in advance (year on year).

<b>31 March 2011 £000</b>	<b>Short-term borrowing</b>	<b>31 March 2012 £000</b>
(1,000)	Public Works Loans Board (PWLB) element of short-term borrowing	(1,000)
(34,036)	Other Short Term Borrowing	(36,999)
<b>(35,036)</b>	<b>Total all short-term borrowing</b>	<b>(37,999)</b>

**NOTES TO THE ACCOUNTS continued**

**23 Short-term borrowing - continued**

The Council plans to convert an element of this short-term borrowing to long-term borrowing at sometime in the future and is currently budgeting to undertake a conversion of short-term debt into long-term debt in the year 2013-14.

**24 Short Term Creditors**

31 March 2011 £000	Short Term Creditors	31 March 2012 £000
(514)	Central government bodies	(1,849)
(2,544)	Other local authorities	(2,341)
(124)	NHS bodies	-
3	Public corporations and trading funds	-
(3,318)	Other entities and individuals	(4,997)
<b>(6,497)</b>	<b>Total</b>	<b>(9,187)</b>

**25 Provisions**

31 March 2011 £000	Provisions	Change yr on yr	31 March 2012 £000
(65)	Early retirement costs	65	-
(567)	Travel concessions	567	-
<b>(632)</b>	<b>Total</b>	<b>632</b>	<b>-</b>

The Council has no provisions on the balance sheet as at 31st March 2012.

**26 Long-term borrowing**

The Council has £8m of PWLB long-term debt as at 31st March 2012 (£9m as at 31st March 2011), and the overall reduction year on year has occurred regarding an equal instalment of principal reducing this long-term debt in 2011-12. Due to prevailing market circumstances regarding the static and relatively low base rate, the Council did not commit to convert any of its short-term borrowing into long-term borrowing in the year 2011-12.

**27 Other long Term liabilities**

This liability (related to an IFRIC 12 PFI matter) is analysed within the table at Note 48 on page 79.

**28 Capital grants receipts in advance**

This significant sum relates to developers' contributions, all of which are 'conditions not met'.

**29 Usable reserves**

**Capital Receipts Reserve**

Movements in the Authority's usable reserves are summarised in the Movement in Reserves Statement on page 12. The General Fund Reserve needs no further analysis in excess of the information given on page 12, and the movements in earmarked reserves are given at Note 7 on page 43. The movements in usable capital receipts is given in detail below.

2010-11 £000	<b>Capital Receipts Reserve</b>	2011-12 £000
4,573	Opening balance for the year	4,921
9	Capital receipts released from deferred receipts in the year	8
149	Restated capital receipts drawn from revenue previously declared as deminimis capital receipts	-
158	Total capital receipts related to housing mortgages	8
(34)	Less costs applied to raise these receipts	-
124	Net receipts raised from housing mortgages	8
(75)	Housing receipts paid to the CLG National Pool subject to percentage pooling arrangements <i>The amount due to the CLG National Pool in 2011-12 contains an adjustment in relation to the year 2010-11</i>	(13)
49	Net receipts remaining after costs and pooling payment	(5)
299	Capital receipts received in the year	488
	- Financing of capital expenditure in the year	(114)
	- Amount returned from Capital Adjustment Account regarding previous year's capital financing	20
4,921	Closing balance	5,310

**30 Unusable reserves**

**30a Revaluation reserve**

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

- \* revalued downwards or impaired and the gains are lost
- \* used in the provision of services and the gains are consumed through depreciation, or
- \* disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

A table of activity for the revaluation reserve is disclosed on the following page.

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**NOTES TO THE ACCOUNTS continued**

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**30 Unusable reserves - 30a Revaluation reserve continued**

2010-11 £000	Revaluation Reserve	2011-12 £000
2,001	Opening balance for the year	5,192
3,211	Revaluation of operational fixed assets	(7)
5,212	Net surplus arising on the revaluation of fixed assets	5,185
	- Disposal of non-current assets	(12)
(20)	Depreciation on revalued fixed assets	(203)
<b>5,192</b>	<b>Closing balance</b>	<b>4,970</b>

**30b Financial Instruments Adjustment Account**

2010-11 £000	Financial Instruments Adjustment Account	2011-12 £000
108	Balance at 1 April	73
(35)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(37)
<b>73</b>	<b>Balance at 31 March</b>	<b>36</b>

**30c Capital adjustment account**

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

**NOTES TO THE ACCOUNTS continued**

**30c Capital adjustment account - continued**

2010-11 £000	Capital adjustment account	2011-12 £000
<b>69,211</b>	<b>Balance at 1 April</b>	<b>64,363</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,258)	Charges for depreciation and impairment of non-current assets	(2,330)
(95)	Amortisation of intangible assets	(95)
(5,220)	Revenue expenditure funded from capital under statute	(3,514)
(958)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,667)
514	Recognition of assets not previously shown on balance sheet	26
<b>(9,017)</b>	Net written out amount of the cost of non-current assets consumed	<b>(7,580)</b>
	<b>Capital financing applied in the year:</b>	
	- Use of the Capital Receipts Reserve to finance new capital expenditure	114
2,961	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,508
	- Reversal of a prior year's capital receipts financing	(20)
456	Statutory provision for the financing of capital investment charged against the General Fund	870
384	Capital expenditure charged against the General Fund	199
<b>3,801</b>	Net capital financing applied in the year	<b>3,671</b>
368	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,208
<b>368</b>	Net movements recognised in the Comprehensive Income and Expenditure Statement	<b>2,208</b>
<b>64,363</b>	Balance at 31 March	<b>62,662</b>

**NOTES TO THE ACCOUNTS continued**

**30d Deferred Capital Receipts Reserve**

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

2010-11 £000	<b>Deferred Capital Receipts Reserve</b>	2011-12 £000
37	Balance at 1 April	28
(9)	Amount released to unapplied capital receipts	(8)
<b>28</b>	Balance at 31 March	<b>20</b>

**30e Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The movements on the pension fund are provided below:

2010-11 £000	<b>Pensions Reserve</b>	2011-12 £000
<b>(49,320)</b>	Balance at 1 April	<b>(36,450)</b>
2,500	Actuarial gains or losses on pensions assets and liabilities	(8,910)
7,940	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,110)
2,430	Employer's pensions contributions and direct payments to pensioners payable in the year	2,420
<b>(36,450)</b>	Balance at 31 March	<b>(46,050)</b>
(34,940)	Funded element of the Pensions Reserve - see page 85	(44,520)
(1,510)	Unfunded element of the Pensions Reserve - see page 87	(1,530)
<b>(36,450)</b>	Balance at 31 March	<b>(46,050)</b>

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**NOTES TO THE ACCOUNTS continued**

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**30f 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.

2010-11 £000	<b>Collection Fund Adjustment Account</b>	2011-12 £000
118	Opening balance	216
98	Movement in the year	83
<b>216</b>	Closing balance	<b>299</b>

**30g Accumulated Absences Account**

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

The movements on the Accumulated Absences Account are provided below:

2010-11 £000	<b>Accumulated Absences Account</b>	2011-12 £000
(272)	Balance at 1 April	(288)
272	Settlement or cancellation of accrual made at the end of the preceding year	288
(288)	Amounts accrued at the end of the current year	(266)
<b>(288)</b>	Balance at 31 March Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(266)</b>

**NOTES TO THE ACCOUNTS continued**

**31 Cash Flow statement - Cash Operating activities**

2010-11 £000	Cash Flow statement - Cash Operating activities	2011-12 £000
(454)	Interest received	(280)
396	Interest paid	736
<b>(58)</b>	<b>Net total for Cash Flow statement - Cash Operating activities</b>	<b>456</b>

**32 Cash Flow statement - Investing activities**

2010-11 £000	Cash Flow statement - Investing activities	2011-12 £000
10,672	Purchase of property, plant and equipment, investment property and intangible assets	15,349
(331)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(514)
(74)	Net Interest paid / (Received)	498
<b>10,267</b>	<b>Net cash flows from investing activities</b>	<b>15,333</b>

**33 Cash Flow statement - Financing activities**

2010-11 £000	Cash Flow statement - Financing activities	2011-12 £000
(197,041)	Cash receipts of short and long-term borrowing	(80,851)
181,655	Repayments of short and long-term borrowing	76,035
<b>(15,386)</b>	<b>Net cash flows from financing activities</b>	<b>(4,816)</b>

**NOTES TO THE ACCOUNTS continued**

**34 Cash Flow statement - Adjustment of net (surplus) or deficit on the provision of services for non cash movements**

2010-11 £000	Adjustment of net (surplus) or deficit on the provision of services for non cash movements	2011-12 £000
12	Rental charges not paid in cash	13
(3)	IFRIC 12 Interest charged to Comprehensive I&E Statement	(3)
(660)	Non-cash movements regarding the disposal of non current assets	(1,191)
10,370	International Accounting Standard 19 (IAS 19 - Pensions)	(690)
368	Investment Property revaluations	2,208
(95)	Amortisation of intangible assets	(95)
(2,480)	Depreciation and impairment of non-current assets	(2,375)
(749)	Revaluation of Non Current Assets charged to Comprehensive I&E Statement	(159)
(125)	Bishopstoke Parish Council precept transferred to investment	(128)
8	Change in Provisions	632
6	Change in Long Term Debtors	(68)
30	Change in Inventories and Work in Progress	24
(616)	Change in Debtors	(176)
(410)	Change in Creditors	(574)
<b>5,656</b>	<b>Total adjustment of net (surplus) or deficit on the provision of services for non cash movements (as per page 17)</b>	<b>(2,582)</b>

### **35 Amounts reported for resource allocation decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a formal basis each quarter of the financial year. During the financial year the successive monitoring reports are prepared on a different basis from the accounting policies used in the financial statements. In particular, successive quarterly monitoring reports vary regarding the following:

\* the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

\* the effect of employee benefits is not included

\* government grants and contributions are accrued

\* revaluations and certain depreciation amounts are not included

At the end of the financial year, the above elements are evaluated and processed into the accounts, producing a final full year monitoring statement authorised by the Cabinet in June.

The monitoring statement approved by the Cabinet on 14th June 2012 in relation to the 2011-12 accounts is available to the Council and readers of the accounts as the "Provisional Outturn for 2011-12", Agenda Item 6 - Appendix A. The report summary can be located using the following internet link:

<http://www.eastleigh.gov.uk/meetings/documents/g4950/Public%20reports%20pack,%20Thursday,%2014-Jun-2012%2018.00,%20Cabinet.pdf?T=10>

The monitoring statement approved by the Cabinet on 16th June 2011 in relation to the 2010-11 accounts is available to the Council and readers of the accounts as the "Provisional Outturn for 2010-11", Agenda Item 10 - Appendix A. The report summary can be located using the following internet link:

<http://www.eastleigh.gov.uk/meetings/documents/g4645/Public%20reports%20pack,%20Thursday,%2016-Jun-2011%2018.00,%20Cabinet.pdf?T=10>

A reconciliation between this summary and the Comprehensive Income and Expenditure Statement is provided on page 68

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**NOTES TO THE ACCOUNTS continued**

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**35 Amounts reported for resource allocation decisions continued**

Core information provided within Appendix A of Cabinet report Agenda item 6 - 14th June 2012

<b>For the financial year 2011-12</b>	<b>£000</b>
Area Committees (Net of gross area cost adjustment)	598
Regeneration and Resources	5,809
Environment	3,533
Transport and Streetscene	(9)
Health	534
Business and Skills	368
Leisure	3,612
Communities	438
Housing & Customer Services	1,348
 Net Expenditure	 16,231

Core information provided within Appendix A of Cabinet report Agenda item 10 - 16th June 2011

<b>For the financial year 2010-11</b>	<b>£000</b>
Area Committees (Net of gross area cost adjustment)	3,833
Regeneration and Resources	(5,622)
Environment	4,428
Transport and Streetscene	1,693
Health	959
Business and Skills	(3,771)
Leisure	4,000
Communities	458
Housing & Customer Services	2,076
 Net Expenditure	 8,054

**Reconciliation of Cabinet Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

	2010-11	2011-12
	£000	£000
Net Expenditure in the Cabinet analysis	8,054	16,231
Additional minor transactional effects across portfolios	6	3
Further depreciation of non-current assets	-	158
Marginal change in employee benefits	15	-
Employee expenses	(2,960)	-
Income & expenditure Eastleigh House (reclassification)	-	(139)
Gain/Loss on investment property	3,877	-
 Amounts not included in the analysis presented to the Cabinet but now contained in the Comprehensive Income and Expenditure Statement	 938	 22
 Cost of Services in the Comprehensive Income & Expenditure Statement	 8,992	 16,253

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**NOTES TO THE ACCOUNTS continued**

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**35 Amounts reported for resource allocation decisions continued - Subjective analysis**

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

<b>2010-11 £000</b>		<b>2011-12 £000</b>
(15,349)	Fees, Charges & other service income	(15,035)
60	Surplus or deficit on associates and joint ventures	29
(454)	Interest and investment	(280)
(8,451)	Income from council tax	(8,517)
(46,015)	Government grants and contributions	(44,740)
<b>(70,209)</b>	<b>Total Income</b>	<b>(68,543)</b>
8,782	Employee expenses	7,120
(11,790)	Pension past service costs (extraordinary amount for 2010-11)	1,050
49,203	Other service expenses	44,564
10,678	Support Service recharges	9,557
3,353	Depreciation, amortisation and impairment	2,630
396	Interest Payments	736
2,363	Precepts & Levies	2,411
75	Payments to Housing Capital Receipts Pool	13
660	Gain or Loss on Disposal of Fixed Assets	1,191
<b>63,720</b>	<b>Total Expenditure</b>	<b>69,272</b>
<b>(6,489)</b>	<b>(Surplus) or deficit on the provision of services</b>	<b>729</b>

**36 Acquired and discontinued operations**

The Council has had no circumstances where it has acquired or discontinued operations in the year 2011-12.

**NOTES TO THE ACCOUNTS continued**

**37 Trading operations**

The Authority has established four trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of all four of those units is provided in the table below:

	2009-10		2010-11		2011-12	
	£000	£000	£000	£000	£000	£000
<b>Trade Waste</b>						
Turnover	578		590		590	
Expenditure	510		508		484	
Surplus		68		82		106
<p>The Authority runs a Trade Refuse collection service as part of its Waste Service. The customer base is driven by market forces. The trading objective is to maximise profit while providing a quality service and maintaining the customer base. The cumulative surplus for the last three financial years: £256k</p>						
<b>Wessex House</b>						
Turnover	918		964		922	
Expenditure	588		516		700	
Surplus		330		448		222
<p>The Authority operates an Office Building in the town centre to Support small businesses by providing short term lets and an added value service to support start up.</p>						
<b>Open Air Markets</b>						
Turnover	76		78		44	
Expenditure	19		15		40	
Surplus		57		63		4
<p>The Authority lets a Management contract to operate a market in the town centre on a Thursday and Saturday.</p>						
<b>Corporation Estates</b>						
Turnover	710		964		1,104	
Expenditure	591		915		1,210	
Surplus		119		49		(106)
<p>The Authority manages a portfolio of properties across the Borough including Offices, Industrial and Retail let out on various length leases. It should be noted that due to specific accounting requirements the Council's investment properties are not included in the above table of information.</p>						

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public, whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

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**NOTES TO THE ACCOUNTS continued**

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### 38 Agency services

The Council currently undertakes work on an agency basis for Hampshire County Council. The reimbursable expenditure for the year 2011-12 was £984,000 and comparison to the previous year (2010-11) is shown in the table below.

2010-11 Expenditure £000	2010-11 Income £000	2010-11 Net £000	Agency services	2011-12 Expenditure £000	2011-12 Income £000	2011-12 Net £000
146	(110)	36	Traffic Management	170	(121)	49
277	(265)	12	Environmental	267	(264)	3
107	(107)	-	Development Control	106	(106)	-
629	(629)	-	Design	493	(493)	-
1,159	(1,111)	48	Totals for Hampshire County Council	1,036	(984)	52

### 39 Members' allowances

The Authority paid the following amounts to members of the council during the year.

2010-11 £000	Members' allowances	2011-12 £000
255	Basic allowance	254
130	Other special allowances (e.g. chairs of committees) & training <i>No amounts for training were paid in 2011-12</i>	116
9	Travel, subsistence and other expenses	8
<b>394</b>	<b>Total</b>	<b>378</b>

### 40 Officers' remuneration

The table for 2011-12 shown on the following page 72, sets out the remuneration disclosure for Senior Officers of the Council whose salary is less than £150,000 but equal to or more than £50,000 per year.

The table of comparatives for 2010-11 shown on page 73, sets out the remuneration disclosure for Senior Officers of the Council whose salary is also less than £150,000 but equal to or more £50,000 per year. It should be noted that the disclosure requirements for the 2010-11 table are specific in that prior year's figures are only required for employees qualifying for the current year note on page 72, not for persons who left the authority in the prior year.

**NOTES TO THE ACCOUNTS continued**

**40 Officers' remuneration continued**

**Information for 2011-12**

<b>Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2011-12)</b>				
<b>Post Title</b>	<b>Salary</b>	<b>Total</b>	<b>Pension</b>	<b>Total</b>
	including fees & allowances	Remuneration excluding pension contributions	Contributions	including pension contributions
	£	£	£	£
Chief Executive	107,399	107,399	14,069	121,468
Head of Legal and Democratic Services	81,311	81,311	9,840	91,151
Corporate Director	78,366	78,366	10,228	88,594
Corporate Director	74,000	74,000	9,693	83,693
Head of Revenue & Benefits	67,834	67,834	8,775	76,609
Head of Housing	64,062	64,062	8,352	72,414
Head of Culture	62,077	62,077	8,047	70,124
Head of Direct Services	56,915	56,915	7,323	64,238
Head of Transport and Engineering	54,946	54,946	7,177	62,123
Head of Regeneration & Planning Policy	54,147	54,147	7,093	61,240
Head of Customer Service & ICT	52,902	52,902	6,930	59,832
Head of HR	52,614	52,614	6,875	59,489
Area Co-Ordinator	52,564	52,564	6,709	59,273
Area Co-Ordinator	52,152	52,152	6,683	58,835
Area Co-Ordinator	51,917	51,917	6,683	58,600

The Council had no staff who were paid more than £150,000 in 2011-12.

None of the above posts were paid "compensation for loss of office".

Employer's pension contributions in relation to staff were 19.1% for the year 2011-12. However, the contribution analysis for 2011-12 amounted to 13.1% directly attributable to each staff member, plus a lump sum of 6%. This change in contribution method means that relation between staff who appear in the years' analysis for 2011-12 & 2010-11 are not directly comparable.

**NOTES TO THE ACCOUNTS continued**

**40 Officers' remuneration continued**

**Information for 2010-11**

<b>Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2010-11)</b>				
<b>Post Title</b>	<b>Salary</b>	<b>Total</b>	<b>Pension</b>	<b>Total</b>
	including fees & allowances	Remuneration excluding pension contributions	Contributions	including pension contributions
	£	£	£	£
Chief Executive	107,399	107,399	20,513	127,912
Corporate Director	78,081	78,081	14,913	92,994
Corporate Director	74,000	74,000	14,133	88,133
Head of Legal & Democratic Services	74,324	74,324	12,883	87,207
Head of Revenue & Benefits	61,354	61,354	11,680	73,034
Head of Housing & Environmental Health	59,264	59,264	11,263	70,527
Head of Direct Services	56,145	56,145	10,487	66,632
Head of Arts & Tourism	55,597	55,597	10,619	66,216
Head of Transport & Engineering	55,000	55,000	10,505	65,505
Head of Regeneration & Planning Policy	54,147	54,147	10,342	64,489
Area Co-Ordinator	53,065	53,065	9,974	63,039
Head of Customer Service & ICT	52,902	52,902	10,104	63,006
Head of HR	52,734	52,734	10,024	62,758
Area Co-Ordinator	52,210	52,210	9,783	61,993
Area Co-Ordinator *	39,980	39,980	9,783	49,763

\* Employee on sabbatical for part of year. Annualised salary £51220 plus essential user allowance of £1239, plus £202 subscription.

The Council had no staff who were paid more than £150,000 in 2010-11.

None of the above posts were paid "compensation for loss of office".

Employer's pension contributions in relation to staff were 19.1% for the year 2010-11, all directly attributable to each staff member. A change in contribution method occurred in 2011-12 (refer to the note on the previous page), resulting in no direct comparison between staff who appear in the years' analysis for 2011-12 & 2010-11.

It should be noted that the disclosure requirements for the above table are specific in that prior year's figures are only required for employees qualifying for the current year note on page 72, not for persons who left the authority in the prior year.

**NOTES TO THE ACCOUNTS continued**

**40 Officers' remuneration continued**

**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.

Restated

2010-11 No	Number of employees whose remuneration was in the range:	2011-12 No
4	£50,000 - £54,999	2
-	£55,000 - £59,999	2
-	£60,000 - £64,999	1
-	There are no further entries for each of the categories (e.g. £65,000 - £69,999, £70,000 - £74,999 and onwards)	-
4	Total number of officers whose remuneration exceeded £50,000	5

It should be noted that employees only appear in the above table if they are not disclosed in the Senior Officer's Emoluments tables on pages 72 & 73.

**41 Exit packages regarding compulsory and other redundancies**

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
	No	No	No	£000
<b>In the year 2011-12</b>				
£0 - £20,000	2	4	6	51
£20,001 - £40,000	2	-	2	49
Total of all categories	4	4	8	100
<b>In the year 2010-11</b>				
£0 - £20,000	15	3	18	87
£20,001 - £40,000	2	4	6	169
£40,001 - £60,000	1	1	2	100
£60,001 - £80,000	-	1	1	67
Total of all categories	18	9	27	423

**42 External Audit Costs**

The Authority has incurred the costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors. Refer to the table on the following page:

**NOTES TO THE ACCOUNTS continued**

**42 External Audit Costs - continued**

2010-11 £000	External Audit Costs	2011-12 £000
106	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	103
32	Fees payable to the Audit Commission for the certification of grant claims and returns and claims for the year	30
30	Fees payable in respect of other services provided by the Audit Commission	9
168	Total of all external audit fees	142

**43 Grant and Contributions Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011-12:

2010-11 £000	Grant and Contributions Income	2011-12 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
8,451	Council Tax Income	8,517
6,460	National Non-Domestic Rates	4,455
1,307	Revenue Support Grant	1,377
36	Area Based Grant	53
16,254	Total Grant and Contributions Income Credited to Taxation and Non Specific Grant Income	14,402

2010-11 £000	Grant and Contributions Income	2011-12 £000
<b>Credited to Services</b>		
<b>Department for Communities and Local Government</b>		
	- Council Tax Freeze Grant	149
163	Cost of Collection	154
32	Homelessness Initiatives Grants	30
34	Revocation of Personal Searches	-
15	UK Online Centre	5
17	New Burdens - Habitats Regulations	-
	- New Homes Bonus	79
<b>261</b>	Total amount for Department for Communities and Local Government	<b>417</b>
<b>Department for Environment, Food and Rural Affairs</b>		
20	Air Quality	-
7	Stewardship Grant	13
13	Single Payment Scheme & Higher Level Stewardship (HLS)	4
<b>40</b>	Total amount for Department for Environment, Food and Rural Affairs	<b>17</b>
<b>301</b>	<b>Total amount carried forward to next page:</b>	<b>434</b>

**NOTES TO THE ACCOUNTS continued**

**43 Grant and Contributions Income - continued**

2010-11 £000	Grant and Contributions Income - Credited to Services - continued	2011-12 £000
<b>301</b>	<b>Bfwd from previous page</b>	<b>434</b>
	<b>Department for Work and Pensions</b>	
699	Housing and Council Tax Benefit Administration	652
5,790	Housing and Council Tax Benefit Subsidy	5,812
26,870	Housing Benefit Rebates	28,418
5	Housing Benefit	-
10	Housing Benefit Discretion Rent Allowance	11
33	Housing Benefit Atlas Grant Funding	5
83	Non HRA Rent Allowances Subsidy	103
-	- Housing Benefit Employment and Support Allowance (ESA) Implement	4
-	- Housing Benefit Transitional Funding	13
<b>33,490</b>	<b>Total amount for Department for Work and Pensions</b>	<b>35,018</b>
	<b>4 Home Office - Alcohol Activities Programme</b>	-
	<b>37 Department for Culture, Media and Sport - Free Swimming</b>	-
	<b>240 Department of Transport - Concessionary Travel</b>	-
	<b>Other Bodies</b>	
67	Hampshire County Council - Community Safety	17
12	Hampshire County Council - Eastleigh Strategic Partnership	-
3	Hampshire County Council - Local Public Service Agreement 2 (LPSA2)	-
460	Hampshire County Council	413
53	Hampshire Primary Care Trust	24
1	Forestry Commission - Stewardship grants	-
71	Other Local Authority Grants	114
25	Linbury Trust	25
14	Lottery Funding	28
130	Arts Council	47
201	Other Contributions	185
36	Natural England	22
21	B&Q	22
8	D C Leisure	-
13	Social Services	14
117	Partnership for Urban South Hampshire (PUSH)	11
50	Adam Mickiewicz Institute	-
-	- Linden Homes	38
2,961	Capital Grants applied to Services	2,508
<b>4,243</b>	<b>Total amount for Other Bodies</b>	<b>3,468</b>
<b>38,315</b>	<b>Total Grant and Contributions Income Credited to Services</b>	<b>38,920</b>

#### **43 Grant and Contributions Income continued**

The Authority has no grants, contributions or donations that have yet to be recognised as income regarding any conditions attached to them that would require the monies or property to be returned to the giver.

#### **44 Related Party Transactions**

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

##### **Central Government**

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

##### **Members**

Members of the council have direct control over the council's financial and operating policies. During 2011-12 one member was also an elected member of Hampshire County Council and acted as their representative on the Bursledon Windmill Committee which received funding of £30,728. One member was chair of the Eastleigh Churches Rent Deposit Scheme which received £2,500. One member was involved with the Emmanuel Baptist Church which received £75 for use as a Polling Station at elections held in the year. Three members declared that they were also elected members for parish/town councils at Bishopstoke, Chandler's Ford and Hedge End Town Council respectively. Any declarations of interest are recorded in the Register of Members' Interests which is open to public inspection.

##### **Officers**

Chief Officers have the ability to influence the council. During 2011-12 there were no material related party transactions between the Council and Chief Officers.

##### **Other public bodies [subject to common control by central government]**

The council provided material financial assistance to a number of organisations (mainly community related bodies) although it does not exercise any form of control over those organisations.

##### **Entities controlled or significantly influenced by the authority**

The council holds funds on behalf of parish councils in the form of temporary loans but does not have a controlling influence over them.

**NOTES TO THE ACCOUNTS continued**

**45 Capital expenditure and capital financing**

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

2010-11 £000	<b>Capital expenditure and capital financing</b>	2011-12 £000
35,573	Opening capital financing requirement	47,129
10,126	Capital expenditure for non-current assets	17,618
5,220	Revenue expenditure funded from capital under statute - material elements of this expenditure are stated in the foreword at the lower table presented on page 4	3,514
15,346	Total capital investment	21,132
	<b>Sources of finance</b>	
(2,961)	Government grants and other contributions	(2,508)
(384)	Sums set aside from revenue:	(199)
	- Use of capital receipts	(114)
	- Reversal of application of capital receipts from a previous year	20
(457)	Minimum Revenue Provision	(870)
12	Adjustment regarding discharge of liability related to IFRIC 12	12
(3,790)	Total sources of finance	(3,659)
47,129	Closing capital financing requirement	64,602
11,556	Change in capital financing requirement in the year	17,473

2010-11 £000	<b>Explanation of movements in year</b>	2011-12 £000
12,001	Increase in underlying need to borrowing (unsupported by government financial assistance)	18,331
(457)	Minimum revenue provision	(870)
12	Assets acquired under PFI/PPP contracts	12
11,556	Change in capital financing requirement in the year	17,473

**46 Leases - Council as a lessee**

Future minimum lease rentals payable are given in the table below. The Council has previously acquired the use of some of its vehicles and equipment under leases. However, as at 31 March 2012 the council had no vehicle leases or any other operating leases relating to vehicles.

2010-11 £000	<b>Future minimum lease rentals payable</b>	2011-12 £000
248	Due within one year	248
994	Due later than one year and not later than five years	994
2,085	Due after five years	1,836
3,327	Total Future Minimum Lease Rentals Payable	3,078

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**NOTES TO THE ACCOUNTS continued**

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**47 Leases - Council as a lessor**

The council leases out most of its investment property under operating leases for the purpose of generating income. It also leases out property for the purpose of the provision of community services such as sports and leisure facilities and community centres. The future minimum lease rentals receivable are:

2010-11 £000	Future minimum lease rentals receivable	2011-12 £000
3,870	Due within one year	4,512
13,423	Due later than one year and not later than five years	16,031
116,583	Due after five years	125,856
133,876	Total Future Minimum Lease Rentals Receivable	146,399

The future minimum lease rentals receivable do not include rents that are contingent on events taking place in the future such as rent reviews.

**48 PFI and Similar Contracts**

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.

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	13	(16)	3
Within two to five years	54	(62)	8
Within six to ten years	44	(46)	2
Within eleven to fifteen years	-	-	-

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

**49 Impairment Losses**

All non-current assets are regularly assessed and no indication of impairment was found.

**50 Capitalisation of Borrowing Costs**

The Council has a policy of capitalising interest borrowing costs for the construction of assets where the total cost of the non-current asset exceeds £3m. The specific policy is determined on page 34. No circumstances arose in the year where this policy was applied.

**51 Termination Benefits**

The Council continued with budget plans developed in the previous financial year to cope with the economic downturn that prevailed in 2011-12 because, as with other public bodies, future government funding is now known to be reduced when compared to previous expectations.

In order to continue the process of cost reduction started in the previous financial year the Council accepted some voluntary redundancy requests and flexi-retirement from staff. In addition, a limited number of staff were made redundant on a mandatory basis.

**52 Defined Benefit Pension Schemes****LGPS funded benefits**

The disclosures that follow relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. The funded nature of the LGPS requires Eastleigh Borough Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Eastleigh Borough Council recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

The Council's regular contributions to the Fund for the accounting period ending 31 March 2013 are estimated to be £2.22m. In addition, Strain on the Fund contributions may be required.

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

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes are given at the top of the following page of these accounts.

**NOTES TO THE ACCOUNTS continued**

**52 Defined Benefit Pension Schemes (funded) continued**

<b>Principal financial assumptions (% per annum)</b>	<b>31 March 2010 %</b>	<b>31 March 2011 %</b>	<b>31 March 2012 %</b>
Discount rate	5.5	5.4	4.7
RPI Inflation	3.9	3.7	3.5
CPI Inflation	N/A	2.8	2.5
Rate of increase to pensions in payment	3.9	2.8	2.5
Rate of increase to deferred pensions	3.9	2.8	2.5
Rate of general increase in salaries	5.4	5.2	5.0

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

**Principal demographic assumptions**

<b>Post retirement mortality Retirement in normal health Males</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
Year of birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Rating to above base table (years) (*1)	0	0
Scaling to above base table rates (*2)	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.8	23.9
Future lifetime from age 65 (aged 45 at accounting date)	25.6	25.6

\*1 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.

\*2 The scaling factors shown apply to normal health retirements.

The table for Females continues on the following page

**52 Defined Benefit Pension Schemes (funded) continued**

**Principal demographic assumptions continued**

<b>Post retirement mortality Retirement in normal health Females</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
Year of birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Rating to above base table (years)	0	0
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	24.8	24.9
Future lifetime from age 65 (aged 45 at accounting date)	26.7	26.8

**Commutation**

For 31 March 2011 - Each member assumed to exchange 25% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.

For 31 March 2012 - Each member assumed to exchange 25% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.

**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 on the following page. Also shown are the assumed rates of return adopted by the Employer for the purposes of IAS 19.

**NOTES TO THE ACCOUNTS continued**

**52 Defined Benefit Pension Schemes (funded) continued**

**Expected return on assets - continued**

	Long-term expected rate of return 31 March 2010 % pa *	Asset split at 31 March 2010 %	Long-term expected rate of return 31 March 2011 % pa *	Asset split at 31 March 2011 %	Long-term expected rate of return 31 March 2012 % pa *	Asset split at 31 March 2012 %
Equities	8.0	61.3	8.4	63.4	8.1	55.1
Property	8.5	6.1	7.9	7.3	7.6	7.7
Government bonds	4.5	24.4	4.4	23.3	3.1	27.0
Corporate bonds	5.5	2.4	5.1	1.7	3.7	1.5
Cash	0.7	5.8	1.5	4.3	1.8	4.1
Other **	8.0	0.0	8.4	0.0	8.1	4.6
<b>Total</b>	<b>6.7</b>	<b>100.0</b>	<b>7.1</b>	<b>100.0</b>	<b>6.4</b>	<b>100.0</b>

\* - The overall expected rate of return on fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

Other \*\* - these holdings include hedge funds, currency holdings, asset allocation futures and other instruments. They are assumed 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 2012.

<b>Reconciliation of funded status to the balance sheet</b>	<b>Value as at 31 March 2010</b>	<b>Value as at 31 March 2011</b>	<b>Value as at 31 March 2012</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>
Fair value of assets	52.68	55.93	58.65
Present value of funded defined benefit obligation	(100.34)	(90.87)	103.17
Net pension liability recognised on the balance sheet	(47.66)	(34.94)	(44.52)

The net pension liability listed on the balance sheet is £(46.05)M. This amount is composed of the funded element contained in the above table £(44.52)M, together with the unfunded element listed in the table at page 87 of £(1.53)M.

**NOTES TO THE ACCOUNTS continued**

**52 Defined Benefit Pension Schemes (funded) continued**

<b>Changes to the surplus or deficit on the provision of services</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Current service cost	2.24	1.90
Past service cost	(11.65)	0.16
Interest cost	5.01	4.90
Expected return on assets	(3.48)	(3.93)
Expense recognised	<b>(7.88)</b>	<b>3.03</b>

<b>Changes to the present value of defined benefit obligation during the accounting period</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Opening present value of liabilities	(100.34)	(90.87)
Current service cost	(2.24)	(1.90)
Interest cost	(5.01)	(4.90)
Contributions by participants	(0.79)	(0.74)
Actuarial gains/(losses) on liabilities	2.36	(7.59)
Net benefits paid out	3.50	2.99
Past service cost	11.65	(0.16)
Closing defined benefit obligation	<b>(90.87)</b>	<b>(103.17)</b>

<b>Changes to the fair value of assets during the financial year</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Opening fair value of assets	52.68	55.93
Expected return on assets	3.48	3.93
Actuarial gains/(losses) on assets	0.16	(1.27)
Contributions by the employer	2.32	2.31
Contributions by participants	0.79	0.74
Net benefits paid out	(3.50)	(2.99)
Closing fair value of assets	<b>55.93</b>	<b>58.65</b>

<b>Actual return on assets</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Expected return on assets	3.48	3.93
Actuarial gains/(losses) on assets	0.16	(1.27)
Actual return on assets	<b>3.64</b>	<b>2.66</b>

**NOTES TO THE ACCOUNTS continued**

**52 Defined Benefit Pension Schemes (funded) continued**

<b>Analysis of amount recognised in Comprehensive Income and Expenditure</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Total actuarial gains/(losses)	2.52	(8.86)
Total gain/(loss)	<b>2.52</b>	<b>(8.86)</b>

<b>History of asset values, present value of defined benefit obligation and surplus/deficit</b>	<b>Period ending 31 March 2008 £M</b>	<b>Period ending 31 March 2009 £M</b>	<b>Period ending 31 March 2010 £M</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Fair value of assets	50.18	40.18	52.68	55.93	58.65
Present value of defined benefit obligation	(68.58)	(72.26)	(100.34)	(90.87)	(103.17)
Surplus/(deficit)	<b>(18.40)</b>	<b>(32.08)</b>	<b>(47.66)</b>	<b>(34.94)</b>	<b>(44.52)</b>

<b>History of experience gains and losses</b>	<b>Period ending 31 March 2008</b>	<b>Period ending 31 March 2009</b>	<b>Period ending 31 March 2010</b>	<b>Period ending 31 March 2011</b>	<b>Period ending 31 March 2012</b>
Experience gains/(losses) on assets <b>£Ms</b>	(0.07)	(13.62)	10.92	0.16	(1.27)
Percentage of assets %	(0.1)	(33.9)	20.7	0.3	(2.2)
Experience gains/(losses) on liabilities <b>£Ms</b>	(0.25)	(0.27)	0.77	1.18	(0.71)
Percentage of the present value of the liabilities %	(0.4)	(0.4)	0.8	1.3	(0.7)

**LGPS unfunded benefits**

The disclosures below relate to unfunded pension arrangements established by Eastleigh Borough Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS.

Eastleigh Borough Council recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

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

In the accounting period ending 31 March 2013 the Employer expects to pay £0.11M directly to beneficiaries.

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2012. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes are given at the top of the following page of these accounts.

**NOTES TO THE ACCOUNTS continued**

**52 Defined Benefit Pension Schemes continued**

**LGPS unfunded benefits - continued**

<b>Principal financial assumptions (% per annum)</b>	<b>31 March 2010 %</b>	<b>31 March 2011 %</b>	<b>31 March 2012 %</b>
Discount rate	5.5	5.5	4.6
RPI Inflation	3.8	3.6	3.4
CPI Inflation	N/A	2.7	2.4
Rate of increase to pensions in payment	3.8	2.7	2.4

**Principal demographic assumptions**

<b>Post retirement mortality Retirement in normal health Males</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
Year of birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Rating to above base table (years) (*1)	0	0
Scaling to above base table rates (*2)	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.8	23.9

\*1 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.

\*2 The scaling factors shown apply to normal health retirements.

The table for Females continues on the following page

**NOTES TO THE ACCOUNTS continued**

**52 Defined Benefit Pension Schemes (unfunded) continued**

<b>Post retirement mortality Retirement in normal health Females</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
Year of birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Rating to above base table (years)	0	0
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	24.8	24.9

<b>Reconciliation of balance sheet</b>	<b>31 March 2010 £M</b>	<b>31 March 2011 £M</b>	<b>31 March 2012 £M</b>
Present value of defined benefit obligation	1.66	1.51	1.53
Pension liability recognised on the balance sheet	(1.66)	(1.51)	(1.53)

The net pension liability listed on the balance sheet is £(46.05)M. This amount is composed of the unfunded element contained in the above table £(1.53)M, together with the funded element listed in the table at page 83 of £(44.52)M.

<b>Changes to the surplus or deficit on the provision of services</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Past service cost	(0.14)	-
Interest cost	0.08	0.08
Expense recognised	<b>(0.06)</b>	<b>0.08</b>

<b>Changes to the present value of unfunded defined benefit obligation during the accounting period</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Opening unfunded defined benefit obligation	1.66	1.51
Interest cost	0.08	0.08
Actuarial gains/(losses) on liabilities	0.02	0.05
Net benefits paid out	(0.11)	(0.11)
Past service cost	(0.14)	-
<b>Closing unfunded defined benefit obligation</b>	<b>1.51</b>	<b>1.53</b>

**NOTES TO THE ACCOUNTS continued**

**52 Defined Benefit Pension Schemes (unfunded) continued**

<b>Changes to the fair value of assets during the financial year</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Opening fair value of assets	-	-
Contributions by the employer	0.11	0.11
Net benefits paid out	(0.11)	(0.11)
Closing fair value of assets	-	-
<b>Analysis of amount recognised in Other Comprehensive Income and Expenditure</b>		
Total actuarial gains/(losses)	(0.02)	(0.05)
Total gain/(loss)	<b>(0.02)</b>	<b>(0.05)</b>

<b>History of present value of defined benefit obligation and surplus/deficit</b>	<b>Period ending 31 March 2008 £M</b>	<b>Period ending 31 March 2009 £M</b>	<b>Period ending 31 March 2010 £M</b>	<b>Period ending 31 March 2011 £M</b>	<b>Period ending 31 March 2012 £M</b>
Present value of liabilities	1.44	1.48	1.66	1.51	1.53
Surplus/(deficit)	<b>(1.44)</b>	<b>(1.48)</b>	<b>(1.66)</b>	<b>(1.51)</b>	<b>(1.53)</b>

<b>History of experience gains and losses</b>	<b>Period ending 31 March 2008</b>	<b>Period ending 31 March 2009</b>	<b>Period ending 31 March 2010</b>	<b>Period ending 31 March 2011</b>	<b>Period ending 31 March 2012</b>
Experience gains/(losses) on assets £Ms	0.00	(0.03)	0.06	(0.06)	0.05
Percentage of the present value of the liabilities %	0.0	(2.0)	3.6	(4.0)	3.3

**53 Contingent Liabilities**

There are contingent liabilities that could potentially impact on the Council. These liabilities are included in the table below:

<b>31 03 11 £000</b>	<b>Contingent Liabilities</b>	<b>31 03 12 £000</b>
15	Hamble Jetty - in the event of the partial or total destruction of the jetty	15
71	Wide Lane Land - dependent on potential changes in land valuation	71
20	Land charges	40
150	Potential for situation where insurance matter does not provide for adequate cover for the Council (MMI)	-
-	Court judgement (made in December 2011) regarding Employer's Liability Policy trigger litigation relating to mesothelioma case (MMI Insurance) See next page for narrative on this specific matter	347
256	<b>Total</b>	<b>473</b>

**53 Contingent Liabilities - continued**

The Council is aware of a potential contingent liability arising from a previous insurance arrangement with the Municipal Mutual Insurance Company. The company is winding up all of its business and had expected to achieve a solvent run-off. However, events during 2011-12 have occurred that have significantly revised the Company's expectations, and it now may possibly need to meet the liabilities of a number of insurance claims that the Company had previously considered that it could avoid.

The estimated maximum liability if the Company becomes insolvent is £347,000 and this is listed in the table on the previous page (No 88). There is no possibility of reimbursement from third parties.

**54 Contingent Assets**

As part of the Large Scale Voluntary Transfer Agreement (LSVT), the Council is entitled to receive income generated from Right to Buy sales of former Council properties. In 2011-12 the income generated from this source was £328,566 (2010-11 £256,456). The generation of this income is outside of the Council's control and is not quantifiable for future years.

**55 Group accounts**

For 2011-12 it is not considered that there are any bodies that meet the requirements for Group Accounting and as such these accounts solely represent the Council's transactions and balances in the year.

**56 Events after the balance sheet date**

In the summer months of 2012, the Council will undertake the acquisition of land and buildings at the Ageas Bowl (cricket ground and facilities) at West End for a capital purchase sum in excess of £6m. In addition, building work will be starting at the Ageas Bowl for a 4 star hotel for which the Council will spend around £30m to achieve completion of the construction.

Eastleigh House is a building acquired by the Council in 2010-11, which remained operational for business use during 2011-12. The Council has engaged architects to redesign the use of this building as a future civic office facility, with an expectancy for occupation by Council staff and members in March 2014. The net capital cost of this civic office move is estimated to be in the region of £8m, after allowing for the sale of the existing civic office site.

**57 Date accounts are authorised for issue**

These accounts were authorised for issue by the Corporate Director (CFO) on 28th June 2012. The accounts have not yet been audited or approved by the Audit & Resources Committee.

**COLLECTION FUND**

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

2010-11		Collection Fund	2011-12	
£000	£000		£000	£000
		<b>Amounts required by statute to be credited to the Collection Fund</b>		
58,685		Council Tax (Note 1)	59,208	
5,714		Transfers from General Fund:		
49,401		Council Tax Benefits	5,733	
		Income collectable from business rate payers (note 2)	52,856	
	<u>113,800</u>	<b>TOTAL INCOME</b>		<u>117,797</u>
		<b>Amounts required by statute to be debited to the Collection Fund</b>		
		<b>Precepts and demands:</b>		
45,758		Hampshire County Council	46,049	
6,448		Hampshire Police Authority	6,489	
2,706		Hampshire Fire and Rescue	2,723	
5,941		Eastleigh Borough Council	5,943	
2,363		Parish Councils	2,411	
	63,216			63,615
		<b>Business rate:</b>		
48,910		Payment to national pool	52,588	
155		Costs of collection	155	
	49,065			52,743
		<b>Impairment of debts:</b>		
40		Council Tax write offs	46	
149		Business rate write offs	219	
210		Increase/(decrease) in provision for bad debts	(71)	
	399			194
		<b>Contributions towards previous year's estimated Collection Fund surplus</b>		
274		Hampshire County Council	434	
38		Hampshire Police Authority	61	
16		Hampshire Fire and Rescue	26	
49		Eastleigh Borough Council	79	
	377			600
	<u>113,057</u>	<b>TOTAL EXPENDITURE</b>		<u>117,152</u>
		<b>MOVEMENT ON FUND BALANCE</b>		
	743	(Deficit)/Surplus for year		645
	900	Balance brought forward		1,643
	<u>1,643</u>	Balance carried forward		<u>2,288</u>

**NOTES TO THE COLLECTION FUND**

**Note 1 - Council Tax Base for 2011-12 by banding**

<b>Band</b>	<b>Value Range</b>	<b>No. of dwellings</b>	<b>Ratio to Band D</b>	<b>Band D equivalents</b>
A-	Band A with disabled reduction	6.75	5/9	3.8
A	Up to £40,000	3,433.00	6/9	2,288.7
B	£40,001 to £52,000	9,298.75	7/9	7,232.4
C	£52,001 to £68,000	15,307.25	8/9	13,606.4
D	£68,001 to £88,000	8,541.75	9/9	8,541.8
E	£88,001 to £120,000	6,417.75	11/9	7,843.9
F	£120,001 to £160,000	2,673.25	13/9	3,861.4
G	£160,001 to £320,000	927.25	15/9	1,545.4
H	Over £320,000	17.50	18/9	35.0
Summary of band D equivalents				44,958.8
Band D				85.1
Reduction				-675.7
Local Tax Base (expressed to one decimal place)				44,368.2

**Note 2 - Rateable values used for Business ratepayers**

<b>2010-11</b>		<b>2011-12</b>
133,725,873	Total rateable value as at 31 March	134,443,106
41.4p	National Non-Domestic Rate for the year	43.3p
40.7p	Small business rate relief	42.6p

**Note 3 - Collection Fund allocation of surplus**

The fund surplus of £2,288,000 shown at the bottom of page 90, is attributed to the following bodies:

Attributable parts of the Collection Fund surplus as at 31 March 2012	<b>£000</b>
Hampshire County Council	1,657
Hampshire Police Authority	234
Hampshire Fire and Rescue	98
Eastleigh Borough Council	299
Collection Fund surplus shown on page 90	2,288

<b>2010-11</b>	<b>Reconciliation of the amount shown as demand on the Collection Fund (see page 13)</b>	<b>2011-12</b>
<b>£000</b>		<b>£000</b>
5,940	Precepts and demands from Eastleigh Borough Council	5,943
49	Surplus contributable to Eastleigh Borough Council	79
2,363	Precepts and demands from Parish and Town Councils	2,411
1	Community charge surplus to Eastleigh Borough Council	-
8,353		8,433
98	Change to accruals accounting in relation to main demand	84
8,451	Sum shown in the Comprehensive Income & Expenditure Statement on page 13	8,517

## 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-ring fenced 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 Comprehensive Income & Expenditure Statement. 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.

**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.

## GLOSSARY OF TERMS continued

**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 Comprehensive Income & Expenditure Statement 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.

**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.

## GLOSSARY OF TERMS continued

**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.

**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.

## GLOSSARY OF TERMS continued

**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 Comprehensive Income & Expenditure Statement.