



Eastleigh
Borough Council
**Statement
of Accounts**
for the Financial Year
2016/17

Eastleigh Borough Council

Sarah King Chief Financial Officer
Financial Services Unit Eastleigh Borough Council



CONTENTS

NARRATIVE STATEMENT	1
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	10
MOVEMENT IN RESERVES STATEMENT	11
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	12
BALANCE SHEET	14
CASH FLOW STATEMENT	16
NOTES TO THE ACCOUNTS - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	17
NOTES TO THE ACCOUNTS	35
COLLECTION FUND	87
NOTES TO THE COLLECTION FUND	88
GLOSSARY OF TERMS	89
NOTES - INDEX (in alphabetical order)	96

NOTES - DETAILED CONTENTS

Notes - Detailed Contents	Page No
1.00 Reporting Entity	17
1.01 Basis of Preparation	17
1.02 Judgements and estimations	17
1.03 General Principles	18
1.04 Accruals of Income and Expenditure	18
1.05 Foreign Currency Translation	18
1.06 Cash and Cash Equivalents	19
1.07 Exceptional Items	19
1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors	19
1.09 Charges to Revenue for Non-Current Assets	20
1.10 Employee Benefits	20
1.11 Events after the Balance Sheet date	21
1.12 Financial Instruments	21
1.13 Revenue Grants and Contributions	23
1.14 Intangible Assets	24
1.15 Inventories (Stocks)	24
1.16 Investment Property	25
1.17 Overheads and Support Services	25
1.18 Value Added Tax (VAT)	25
1.19 Non-Current Assets - Property, Plant and Equipment	25
1.20 Heritage Assets	28
1.21 Non-Current Assets Classified as Held For Sale	30
1.22 Private Finance Initiative (PFI)	30
1.23 Provisions, Contingent Liabilities and Assets	31
1.24 Reserves	32
1.25 Revenue Expenditure Funded from Capital Under Statute (REFCUS)	32
1.26 Operating Leases	32
1.27 Finance Leases	32
1.28 Borrowing Costs Eligible for Capitalisation	33
1.29 Minimum Revenue Provision (MRP)	33
1.30 Long Term Contracts	33
1.31 Retirement Benefits	34
1.32 Accounting standards that have been issued but have not yet been adopted	35
2 Expenditure and Funding Analysis	35
3 Critical judgements in applying accounting policies	36
4 Material items of income and expense	36
5 Prior period adjustment	36
6 Assumptions made about the future and other major sources of estimation uncertainty	37
7 Adjustments between accounting basis and funding basis under regulations	37
8 Transfers to/from earmarked reserves	42
9 Property, plant and equipment (PPE)	45
10 Heritage assets - 5 year summary of transactions	47
11 Heritage assets - further information	47
12 Investment Property	48
13 Income and expenditure in relation to Investment properties & changes in their fair value	48
14 Intangible assets	49
15 Finance Lease Asset	49
16 Long-term Investments & Short Term Investments	50
17 Contractual Commitments	50

NOTES - DETAILED CONTENTS

Notes - Detailed Contents - continued		Page No
18	Long term debtors	50
19	Financial Instruments	50
20	Nature and extent of risk arising from financial instruments	51
21	Short-term investments available for sale	56
22	Inventories	56
23	Short Term Debtors	57
24	Cash and cash equivalents	57
25	Short-term borrowing	57
26	Short Term Creditors	58
27	Provisions	58
28	Long-term borrowing	58
29	Other long Term liabilities	58
30	Capital grants receipts in advance	58
31	Usable reserves	59
32	Unusable reserves	59
	32a Revaluation reserve	59
	32b Financial Instruments Adjustment Account	60
	32c Capital adjustment account	60
	32d Deferred Capital Receipts Reserve	62
	32e Pensions Reserve	62
	32f Collection Fund Adjustment Account	63
	32g Accumulated Absences Account	63
33	Cash Flow statement - Cash Operating activities	64
34	Cash Flow statement - Investing activities	64
35	Cash Flow statement - Financing activities	64
36	Cash Flow statement - Adjustment of net (surplus) or deficit on the provision of services for non cash movements	65
37	Long Term Debtors - Aspect Building Communities & Woodside Avenue Developments LLP	66
38	Amounts reported for resource allocation decisions & Expenditure Funding Analysis	68
39	Trading operations	69
40	Agency services	70
41	Members' allowances	70
42	Officers' remuneration	70
43	Exit packages regarding compulsory and other departures	73
44	External Audit Costs	73
45	Grant and Contributions Income	74
46	Related Party Transactions	76
47	Capital expenditure and capital financing	77
48	Leases - Council as a lessee	77
49	Leases - Council as a lessor	78
50	PFI and Similar Contracts	78
51	Impairment Losses	78
52	Capitalisation of Borrowing Costs	78
53	Termination Benefits	79
54	Defined Benefit Pension Schemes	79
55	Contingent Liabilities	85
56	Contingent Assets	86
57	Group accounts	86
58	Events after the balance sheet date	86
59	Date accounts are authorised for issue	86

NARRATIVE STATEMENT

a Introduction

The accounting statements that follow show the Council's financial performance for the year 2016-17. The style of presentation of the statement is determined by the Code of Practice on Local Authority Accounting 2016-17 that the Council is legally required to follow. The Council's accounts for the financial year 2016-17 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 International Financial Reporting Standards (IFRS), 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 Deficit on Provision of Services is shown in the Movement in Reserves Statement.

2015-16 £'000	2016-17 £'000
3,582 Deficit on Provision of Services	2,102

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

2015-16	2016-17
£'000	£'000
40,246 Net worth in the Balance Sheet	34,800
Change in net worth in the Balance Sheet (31 March 2016 over 31 March 2017)	(5,446)

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. This 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 6(1) of The Accounts and Audit Regulations 2015 requires the Council to conduct a review of the effectiveness of its system of internal control, and to prepare an Annual Governance Statement to be approved by the relevant authority (Audit and Resources Committee) in advance of the approval of 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 2016-17.

NARRATIVE STATEMENT - continued

b Net Service expenditure and related matters

The 2016-17 service expenditure is presented in the table below, highlighting interest payable and receivable, other operating costs together with income from local taxpayers and revenue 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.

2015-16 Net revenue service expenditure and sources of funding		2016-17		
Actual Net Exp £'000		Approved Budget £'000	Actual Net Exp £'000	Variance £'000
14,234	Cost of services - continuing operations	21,216	16,375	4,841
2,695	Precepts of local precepting authorities	2,715	2,746	(31)
1	Payments to the Government Housing Capital Receipts Pool	-	-	-
1,255	(Gain)/Loss on the disposal of Property, Plant and Equipment	-	(1,272)	1,272
(1,964)	(Gain)/Loss on Investment Property	-	(3,734)	3,734
696	Interest and similar charges	696	874	(178)
(1,508)	Interest and investment income	(1,810)	(1,814)	4
1,420	Pensions interest	1,430	1,430	-
16,829	Net operating expenditure	24,247	14,605	9,642
(8,736)	Demand on the Collection Fund	(8,618)	(8,245)	(373)
(2,554)	General government grants	(1,225)	(1,655)	430
(1,957)	Non-domestic rates redistribution	(3,125)	(2,603)	(522)
3,582	Deficit for the year	11,279	2,102	9,177
(11,880)	Net additional amount required by statute and non-statutory practices to be debited or credited to the General Fund	(14,786)	(5,867)	(8,919)
7,877	Reverse capital grants & developers' contributions related to non-current assets	3,288	3,288	-
(4)	Reverse employee benefits	-	(32)	32
398	Net transfers to reserves	183	123	60
(27)	(Increase) in General Fund balance	(36)	(386)	350

The actual surplus of £386,000 was achieved against a budgeted surplus of £36,000 producing an overall favourable variance for the financial year 2016-17 of £350,000 for the General Fund.

NARRATIVE STATEMENT - 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.

Material assets acquired

2015-16 £'000	Items of material capital expenditure that resulted in addition to non-current assets in the year 2016-17 (The amount of expenditure for the same assets is given for 2015-16)	2016-17 £'000
0	New Kings Court	15,928
0	Land at Bursledon Road	15,772
1,198	Fleming Park Leisure Centre	15,647
0	International House	6,767
0	Stoneham Lane Pre-Emption	1,523
0	Marks & Spencers Development	1,461
1,612	Lakeside Amenity Buidling	1,052
0	Thorneydown Farm	725
0	Salesforce Software	620
0	ICT Equipment	203
0	Barclays Bank - Hamble	153
6	IVCP Car Park	124
69	Wheeled Bins	111
0	Lakeside Play Area	110
2,885	Total value of all material capital expenditure that resulted in non-current assets in the year	60,196

Materiality value is any project item in excess of £100,000 in the financial year 2016-17

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:

2015-16 £'000	Items of material capital expenditure that resulted in being written to revenue expenditure financed by capital under statute in year 2016-17 (expenditure for the same scheme given for 2015-16).	2016-17 £'000
431	Woodside Avenue HWRC	1,246
1,240	Disabled Facilities Grants	1,094
0	Jubilee Playing Field	917
0	Service Redesign	549
573	Housing Association Grants	452
793	Fleming Park Leisure Centre Development	361
2,308	Hatch Farm Housing Development	235
0	Solent Green Deal	364
180	10-12 Romsey Road	168
1	Sport Pitch Relocation Project	143
570	Old Civic Offices Site Development	141
0	Town Hill Farm Play Area Grants	105
6,096	Total value of all material capital expenditure that resulted in revenue expenditure financed by capital under statute	5,775

Materiality value is any project item in excess of £100,000 in the financial year 2016-17

Total capital expenditure, in the form of non-current assets and revenue expenditure financed by capital under statute is presented in detail at Note 47 on page 77.

NARRATIVE STATEMENT - continued

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

Material liabilities incurred

The trend set in previous years regarding the increase in material liabilities continued for 2016-17. The Council acquired further properties and continued to progress a number of key schemes including the development of a new leisure centre, development of the old Civic Offices site. In addition significant progression has been made with a number of housing sites including Woodside Avenue, Hatch Farm and Chestnut Avenue.

Interest rates on short-term borrowing continued to be attractive during the financial year, and the Council did not undertake any new element of long-term borrowing. The table below contains relevant balance sheet information to identify the analysis of this change in relation to the increasing net liability.

31 March 2016 £'000	Overall net investment/borrowing position	Change yr on yr £'000	31 March 2017 £'000
5,809	Cash and Cash Equivalents	(73)	5,736
(91,099)	Short Term Borrowing	(69,556)	(160,655)
(4,950)	Long Term Borrowing	1,000	(3,950)
(90,240)	Total net investment/borrowing position	(68,629)	(158,869)

d Pensions liability

Significance of pensions liability - Under the requirements of International Financial Reporting Standard IAS 19 (as revised for accounting periods commencing on or after 1 January 2013), 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 2017 there was a pension liability with a corresponding negative Pension Reserve. This pension liability is the difference between the value at 31 March 2017 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).

31 March 2016 £'000	Pension liability	Change yr on yr £'000	31 March 2017 £'000
(43,310)	Net liability related to defined benefit pension scheme	(5,860)	(49,170)

NARRATIVE STATEMENT - continued

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 2016-17.

f Significant changes in accounting policies

There have been no significant changes in accounting policies for the year 2016-17.

g Major change in statutory functions

The Council has not been affected by a change in statutory function during the financial year 2016-17.

NARRATIVE STATEMENT - continued

h Current borrowing facilities and capital borrowing

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

2015-16 £'000	Changes made to borrowing as defined by the Prudential Code	2016-17 £'000
90,280	Accumulated Prudential Code debt outstanding at the beginning of the year	123,555
	<u>Transactions in the year:</u>	
35,173	Capital expenditure funded by borrowing	69,463
(1,912)	Minimum revenue provision	(2,182)
14	Adjustment regarding discharge of liability related to IFRIC 12	14
123,555	Prudential Code debt outstanding at the end of the financial year	190,850

Borrowing has increased at 31 March 2017 when compared to 31 March 2016. The table below shows the borrowing at the end of the year 2016-17 compared to the position at the end of the previous financial year.

31 March 2016 £'000	Borrowing	31 March 2017 £'000
(91,099)	Short-term borrowing	(160,655)
(4,950)	Long-term borrowing	(3,950)
(96,049)	Total of all current borrowing	(164,605)

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.

NARRATIVE STATEMENT - continued

i Internal & external sources of funds for capital expenditure

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

2015-16 £'000	Internal & external sources of funds for capital expenditure	2016-17 £'000
35,755	Capital expenditure resulting in the creation of non-current assets	66,852
8,032	Revenue expenditure funded from capital under statute (This forms part of the deficit on the Comprehensive Income and Expenditure Statement at page 12)	6,535
43,787	Total capital expenditure in the year	73,387
	Resources applied to finance capital expenditure incurred in the year	
	<u>External resources</u>	
5,892	Grants	1,777
1,985	Developers' contributions	1,511
	<u>Internal resources</u>	
24	Capital receipts	71
713	Revenue contribution to capital	565
8,614	Total of all resources applied to finance capital expenditure	3,924
35,173	Use of prudential code borrowing to finance specific element of the capital expenditure	69,463
43,787	Total capital expenditure in the year	73,387

The Council's actual capital expenditure in the year was £73,387,000. The Council achieved 95% of the rolling capital budget.

j Significant provisions, contingencies and material write-offs

The Council has one significant provision as at 31 March 2016 in relation to appeals for National Non-Domestic Rating. This provision is specifically highlighted at note 27 on page 58.

k Material events after the reporting date

These accounts for 2016-17 were authorised by the Chief Financial Officer for issue on 28th September 2017. There are no material events after the reporting date.

l Impact of the current economic climate

The Council continues to make appropriate budget plans to cope with current economic conditions in the knowledge that future government funding is known to be reduced.

A review of all services continued throughout 2016-17 to ensure that service efficiency and delivery is maintained, and the Council can look to the future with a containable budget plan.

m Future events

See Note 58 on page 86 regarding events after the balance sheet date specifying a number of significant matters that the Council will undertake in 2016-17 or later.

n Prior period adjustment

These accounts do not contain any prior period adjustments.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

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 2017.

Sarah King CPFA

Chief Financial Officer

Signature available on request to Financial Services - Eastleigh Borough Council

Date: 28th September 2017

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.

Movement in reserves for 2015-16	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance @ 31 March 2015	(3,567)	(6,910)	(7,529)	(18,006)	(17,475)	(35,481)
Deficit on provision of services	3,582	-	-	3,582	-	3,582
Other Comprehensive Expenditure and Income	-	-	-	-	(8,347)	(8,347)
Total Comprehensive Income and Expenditure	3,582	-	-	3,582	(8,347)	(4,765)
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 40	(4,008)	-	(643)	(4,651)	4,651	-
Net (increase) before transfers to earmarked reserves	(426)	-	(643)	(1,069)	(3,696)	(4,765)
Transfers to/(from) Earmarked Reserves - See Note 8 Page 42	398	(398)	-	-	-	-
(Increase)/Decrease in year	(28)	(398)	(643)	(1,069)	(3,696)	(4,765)
Balance @ 31 March 2016	(3,595)	(7,308)	(8,172)	(19,075)	(21,171)	(40,246)
Movement in reserves for 2016-17						
Deficit on provision of services	2,102	-	-	2,102	-	2,102
Other Comprehensive Expenditure and Income	-	-	-	-	3,344	3,344
Total Comprehensive Income and Expenditure	2,102	-	-	2,102	3,344	5,446
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 38	(2,611)	-	(2,502)	(5,113)	5,113	-
Net (increase) before transfers to earmarked reserves	(509)	-	(2,502)	(3,011)	8,457	5,446
Transfers to/(from) Earmarked Reserves - See Note 8 Page 42	123	(123)	-	-	-	-
(Increase)/Decrease in year	(386)	(123)	(2,502)	(3,011)	8,457	5,446
Balance @ 31 March 2017	(3,981)	(7,431)	(10,674)	(22,086)	(12,714)	(34,800)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, 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.

2015-16			2016-17			
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Portfolio	Gross Exp £'000	Gross Income £'000	Net Exp £'000
2,150	(1,128)	1,022	Area Committes	1,840	(955)	885
11,714	(2,839)	8,875	Leader's	7,102	(3,556)	3,546
6,390	(4,128)	2,262	Environment & Sustainability	4,665	(2,365)	2,300
9,550	(9,972)	(422)	Transport & Streetscene	9,661	(9,893)	(232)
580	(65)	515	Health & Community Safety	523	(23)	500
4,137	(5,979)	(1,842)	Business, Skills & Education	5,216	(6,503)	(1,287)
5,770	(5,246)	524	Leisure	6,058	(2,951)	3,107
31,842	(31,496)	346	Youth & Social Policy	31,572	(30,736)	836
4,467	(1,513)	2,954	Deputy Leader's	8,940	(2,220)	6,720
76,600	(62,366)	14,234	Cost of services - continuing operations	75,577	(59,202)	16,375
			Other Operating Expenditure			
2,695	-		Precepts of local precepting authorities	2,746	-	
1	-		Payments to the Government Housing Capital Receipts Pool	-	-	
1,255	-		(Gain)/Loss on the disposal of Property, Plant & Equipment	-	(1,272)	
3,951	-	3,951	Total Other Operating Expenditure	2,746	(1,272)	1,474
			Financing and investment income and expenditure			
615	(2,579)		(Income) and Expenditure in relation to Investment Properties and changes in their fair value	563	(4,297)	
696	(1,508)		Interest payable/(receivable) and similar charges	874	(1,814)	
1,420	-		Pensions interest cost and expected return on pensions assets	1,430	-	
2,731	(4,087)	(1,356)	Total Financing and Investment Income and Exp	2,867	(6,111)	(3,244)
			Taxation and Non-Specific Grant Income			
-	(8,736)		Demand on Collection Fund	-	(8,245)	
-	(2,554)		General revenue grants(inc S31)	-	(1,655)	
-	(22,740)		Business Rates allocation	-	(23,846)	
20,314	-		Business Rates tariff	20,483	-	
-	469		Business Rates Levy	-	760	
20,314	(33,561)	(13,247)	Total Taxation and Non-Specific Grant Income	20,483	(32,986)	(12,503)
		3,582	Deficit on Provision of Services			2,102
			Above balance transferred to the next page			

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT continued

2015-16			2016-17		
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
		<u>3,582</u>			<u>2,102</u>
		Deficit on Provision of Services transferred from previous page			
		(4,087)			(926)
		Net (gains) losses on the revaluation of Property, Plant and Equipment			
		(4,260)			4,270
		Actuarial (gains)/losses on pension fund assets and liabilities			
		<u>(8,347)</u>			<u>3,344</u>
		Other comprehensive income and expenditure			
		<u>(4,765)</u>			<u>5,446</u>
		Total Comprehensive Income and Expenditure			

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'.

@ 31 March 2016	Balance Sheet	@ 31 March 2017	
£'000		£'000	Notes
116,643	Property, Plant & Equipment	175,366	9
754	Heritage Assets	768	10
29,850	Investment Property	30,873	12
427	Intangible Assets	967	14
42,579	Finance Lease Asset	42,570	15
446	Long-term Investments	421	16
249	Long Term Debtors	6,118	18
190,948	Long Term Assets	257,083	
174	Inventories	176	22
5,766	Short Term Debtors	6,689	23
220	Short Term Investments	9,302	16
5,809	Cash and Cash Equivalents	5,736	24
11,969	Current Assets	21,903	
(91,099)	Short Term Borrowing	(160,655)	25
(13,365)	Short Term Creditors	(16,590)	26
(2,420)	Provisions	(2,270)	27
(106,884)	Current Liabilities	(179,515)	
(4,950)	Long Term Borrowing	(3,950)	28
(58)	Other Long Term Liabilities	(44)	29
(7,469)	Capital Grants Receipts in Advance	(11,507)	30
(43,310)	Net liability related to defined benefit pension scheme	(49,170)	32e
(55,787)	Long Term Liabilities	(64,671)	
40,246	Net Assets	34,800	

BALANCE SHEET continued

@ 31 March 2016	Balance Sheet	@ 31 March 2017	Notes
£'000		£'000	
3,595	General Fund Balance	3,981	-
7,308	Earmarked reserves	7,431	8
8,172	Capital receipts reserve	10,674	31
19,075	Usable Reserves	22,086	
(676)	Capital Adjustment Account	(2,977)	32c
699	Collection Fund Adjustment Account	(161)	32f
(316)	Accumulated Absences Account	(348)	32g
42,581	Deferred Capital Receipts Reserve	42,571	32d
22,193	Revaluation Reserve	22,799	32a
(43,310)	Pensions Reserve	(49,170)	32e
21,171	Unusable Reserves	12,714	
40,246	Total Reserves	34,800	

Sarah King CPFA

Chief Financial Officer

Signature available on request to Financial Services - Eastleigh Borough Council

Date: 28th September 2017

CASH FLOW STATEMENT

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).

(restated)

2015-16	2016-17
£'000	£'000
3,582 Net (surplus) or deficit on the provision of services	2,102
(4,639) Adjust net (surplus) or deficit on the provision of services for non cash movements - see Note 36 on page 65	(783)
813 Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities - see Note 33 on page 64.	940
(244) Net cash flows from Operating Activities	2,259
38,165 Investing Activities - see Note 34 on page 64	66,022
(34,411) Financing Activities - see Note 35 on page 64	(68,208)
3,510 Net (increase) or decrease in cash and cash equivalents	73
9,319 Cash and cash equivalents at the beginning of the reporting period	5,809
5,809 Cash and cash equivalents at the end of the reporting period	5,736
(3,510) Increase/(Decrease) in cash and cash equivalents	(73)

Accounting Policies for application in the year 2016-17**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 2016-17, 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 2017.

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 2016-17 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 2016-17 financial year and its position at the year-end of 31 March 2017. 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 2014-15 and the Service Reporting Code of Practice 2016-17 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 treats the following as Cash and Cash Equivalents:

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

The Council treats 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 affected 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 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 Minimum Revenue Provision (MRP) contribution in the General Fund Balance.

1.10 Employee Benefits

An accrual for employee benefits (holiday leave, flexible hours 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 Revenue Grants and Contributions

Whether paid on account, by instalments or in arrears, revenue 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 Revenue 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 of 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 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 Council. A common useful economic life applied to software is ten 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 a 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 a 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 2016-17.

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.

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. 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

Non-current asset classification	Years	%	Depreciation method
Buildings, community, infrastructure	-	2	reducing balance
Land	-	-	not depreciated
Vehicles	7	-	straight line
Playgrounds	10	-	straight line
Plant and equipment	3 - 25	-	straight line
Assets under construction	-	-	not depreciated
Waste receptacles	-	10	reducing balance

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 price which is considered the highest and best use that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This concept means that it is necessary to consider whether a higher value exists for alternative configuration or uses. In considering the various alternative options IFRS13 requires that such uses must be: physically possible, legally permissible and financially feasible.

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:

Civic regalia	A large collection of items related to civic matters Measurement has been made using insurance valuations
All Other Works of Art	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	West End High Street
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
Bowled Over	Ageas Bowl cricket ground
Pirelli Art Works	Site previously occupied by Pirelli Cable Works - Eastleigh (West)
Velmore Doves	Velmore Community Centre
Charlotte Yonge Statue	Station Forecourt
Lions Public Art	Leigh Road Park
Eastleigh War Memorial	Leigh Road Park
Man of Trees	West End Village
Nautical Bench	Hamble Seafront
Regal Walk	Eastleigh Town Centre
History of Monks Brook Gates	Monks Brook

All heritage assets are tangible and are listed on the Council's balance sheet as at 31st March of each relevant financial year published.

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 normally 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. They are measured at the best estimate at the balance sheet date at 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 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 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 total borrowing costs related to the spend on the specific asset based on the average cost of the Council's total debt.

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 or revenue income stream,
- 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 Long Term Contracts

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.

1.31 Retirement Benefits- continued

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 are based on the Aon Hewitt 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, including administration costs - 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 on net defined benefit liability/(asset)** - 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.

NOTES TO THE ACCOUNTS

1.32 Accounting standards that have been issued but have not yet been adopted

There are no accounting standards due to come into force in 2017/18 that would have a material effect on the Council's transactions for 2016/17 and balances at 31 March 2017.

2 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available has been used to provide services in comparison with resources consumed by the Council in accordance with accounting practices. The Analysis also details how this expenditure is allocated to decision making purposes between the Council's portfolios. The full detail of income and Expenditure is presented in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Adjusted net position of General Fund	Changes between Accounting & Funding	Net position of the CIES		Adjusted net position of General Fund	Changes between Accounting & Funding	Net position of the CIES
854	168	1,022	Area Committees	873	12	885
6,370	2,505	8,875	Leader's	6,872	(3,326)	3,546
2,144	118	2,262	Environment & Sustainability	2,197	(25)	2,172
(872)	450	(422)	Transport & Streetscene	(686)	454	(232)
502	13	515	Health & Community Safety	481	19	500
(3,098)	1,256	(1,842)	Business, Skills & Education	(4,452)	3,165	(1,287)
2,633	(2,109)	524	Leisure	2,573	534	3,107
339	7	346	Youth & Social Policy	830	6	836
1,370	1,584	2,954	Deputy Leader's	1,218	5,502	6,720
10,242	3,992	14,234	Net Cost of Service	9,906	6,341	16,247
			Other Transactions chargeable to			
(10,668)	(8,331)	(18,999)	General Fund	(10,415)	(386)	(10,801)
(426)	(4,339)	(4,765)	Total Comprehensive Inc and Exp	(509)	5,955	5,446

The Adjustment for Accounting basis are detailed;

2015/16

	Capital Grants	Revenue Funded By Capital	Dep'n Impairment Revaluation	Total
Area Committees	(835)	829	174	168
Leader's	(1)	775	1,731	2,505
Environment & Sustainability	(2,331)	2,308	141	118
Transport & Streetscene	(104)	93	461	450
Health & Community Safety	0	0	13	13
Business, Skills & Education	(565)	1,047	774	1,256
Leisure	(2,977)	330	538	(2,109)
Youth & Social Policy	0	0	7	7
Deputy Leader's	(1,065)	2,648	1	1,584
	(7,878)	8,030	3,840	3,992

2016/17

Area Committees	(695)	524	183	12
Leader's	0	856	(4,182)	(3,326)
Environment & Sustainability	(410)	366	19	(25)
Transport & Streetscene	(80)	79	455	454
Health & Community Safety	0	10	9	19
Business, Skills & Education	0	2,375	790	3,165
Leisure	(507)	519	522	534
Youth & Social Policy	0	0	6	6
Deputy Leader's	(1,589)	7,090	1	5,502
	(3,281)	11,819	(2,197)	6,341

3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Notes 1.00 to 1.31 on pages 18 to 34, 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.

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).

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.

Accounting for Joint Ventures & Subsidiaries - the council has made judgements (shown below) for its arrangements for the Aspect Housing structure. These judgements are based on detailed knowledge of the agreements and external advice taken. The detail of this structure can be found at Note 37 on page 66.

Aspect (Eastleigh) Ltd (Co. No. 10200615) - Controlled Entity - Not material
Aspect Building Communities Ltd (Co. No. 09348356) - Joint Arrangement - Not material
Woodside Avenue Developments LLP (Co. No. OC4122318) - Joint Venture - Not material

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 10.

4 Material items of income and expense

Material items of income and expense incurred in the year 2016-17 , which are not disclosed on the face of the Comprehensive Income and Expenditure Statement at page 12 are as listed below:

	£'000
Housing Benefit payments	30,450
Housing Benefit grant income	30,721

5 Prior period adjustment

There are no prior period adjustments required in these accounts.

NOTES TO THE ACCOUNTS continued

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

Based on the above strategy, at 31 March 2017, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2016-17 would have been:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the 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.
Provisions	The Council currently has provisions on the balance sheet and also 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.
Pensions liability	At 31 March 2017, the net Pensions Liability was £49.17 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.

7 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 2015-16 & 2016-17 are provided on the following pages.

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
For the year 2016-17				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,136)	-	-	3,136
Amortisation of intangible assets	(80)	-	-	80
Capital grants and contributions applied	3,281	-	(3,281)	-
Revenue expenditure funded from capital under statute	(6,534)	-	-	6,534
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	(1,300)	-	-	1,300
Movements in market value of Investment Properties	2,323	-	-	(2,323)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,182	-	-	(2,182)
Capital expenditure charged against the General Fund	565	-	-	(565)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	3,281	(3,281)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,880	(3,880)	-	-
Transfer of Capital receipts for the funding of the Change and Transformation Programme.	(1,308)	1,308	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	71	-	(71)
Housing receipts pooled to the Government	(1)	1	-	-

Table continued on the following page:

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations - continued				
For the year 2016-17	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(2)	-	2
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,290)	-	-	4,290
Employer's pensions contributions and direct payments to pensioners payable in the year	2,700	-	-	(2,700)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax/ndr income credited to the Comprehensive Income and Expenditure Statement is different from council tax/ndr income calculated for the year in accordance with statutory requirements	(861)	-	-	861
Adjustment primarily involving the Accumulated Absences Account:				
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	(32)	-	-	32
Total of all adjustments on page 38 and this page	(2,611)	(2,502)	-	5,113

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
For the year 2015-16	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,754)	-	-	3,754
Amortisation of intangible assets	(83)	-	-	83
Capital grants and contributions applied	7,876	-	(7,876)	-
Revenue expenditure funded from capital under statute	(8,032)	-	-	8,032
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	(1,923)	-	-	1,923
Movements in the market value of Investment Properties	316	-	-	(316)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,912	-	-	(1,912)
Capital expenditure charged against the General Fund	713	-	-	(713)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	7,876	(7,876)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	666	(666)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	24	-	(24)
Housing receipts pooled to the Government	(1)	1	-	-

Table continued on the following page:

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations - continued				
For the year 2015-16	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(2)	-	2
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,400)	-	-	4,400
Employer's pensions contributions and direct payments to pensioners payable in the year	2,570	-	-	(2,570)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax/ndr income credited to the Comprehensive Income and Expenditure Statement is different from council tax/ndr income calculated for the year in accordance with statutory requirements	137	-	-	(137)
Adjustment primarily involving the Accumulated Absences Account:				
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	(5)	-	-	5
Total of all adjustments on page 40 and this page	(4,008)	(643)	0	4,651

NOTES TO THE ACCOUNTS continued

8 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 2016-17. All of these specific reserves are listed below on this page and continue on the following page.

Earmarked Reserves	Balance as at 31 March 2015	Transfers Out 2015-16	Transfers in 2015-16	Balance as at 31 March 2016	Transfers Out 2016-17	Transfers In 2016-17	Balance as at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
aa Commuted Sums	1,584	(69)	124	1,639	(78)	340	1,901
ab Grange Park	567	-	-	567	-	-	567
ac Revenue Gts/Contribs	1,080	(384)	323	1,019	(317)	300	1,002
ad Investment Properties	282	(93)	-	189	(66)	531	654
ae Recycling	222	-	79	301	-	38	339
af Core Strategy	-	-	-	-	-	-	-
ag LAC (HEWEB)	217	(9)	-	208	(20)	-	188
ah LAC (Eastleigh)	322	(8)	55	369	-	16	385
ai Land Charges	289	(130)	186	345	(110)	10	245
aj On Street Parking	102	-	-	102	-	-	102
ak Uninsured losses	99	(37)	28	90	-	-	90
am LAC (BHH)	57	(22)	16	51	(9)	9	51
an Building Control	115	-	43	158	-	55	213
ao Black Horse H Mtce	40	(22)	83	101	(27)	71	145
ap Licensing	65	-	-	65	-	-	65
aq Ticket Machine	50	-	-	50	(10)	-	40
ar Carbon Neutral	158	(5)	-	153	-	-	153
au YZONE (BFOHH)	57	-	12	69	-	10	79
av Dilapidations	21	(20)	2	3	-	21	24
aw Carbon Reductions	35	-	-	35	(4)	-	31
ax Cap Fin HEWEB	33	(9)	-	24	(8)	1	17
ay Green Energy	12	-	-	12	-	-	12
az Capital Financing	504	(704)	589	389	(553)	304	140
ba Biodiversity Projects	27	(7)	-	20	(4)	-	16
bb The Sidings	54	(45)	5	14	(8)	4	10
bc Channon Retail Park	7	(7)	15	15	-	5	20
bd Community and Health	7	(2)	-	5	-	-	5
bf Interest equalisation	120	-	-	120	-	-	120
bg Shsez Brand/Marketing	12	-	-	12	(12)	-	-
bh Hou Private S Leasing	10	-	-	10	-	-	10
bi Special purpose vehicle	12	(12)	-	-	-	-	-
bj Self Insurance	29	-	7	36	-	-	36
bk LAC (BFOHH)	13	(2)	-	11	-	-	11
bl LAC (CFH)	13	-	5	18	-	5	23
bo Hackney Carriages	24	(5)	-	19	(10)	-	9
Total of all reserves on this page carried to next page	6,239	(1,592)	1,572	6,219	(1,236)	1,720	6,703

NOTES TO THE ACCOUNTS continued

8 Transfers to/from earmarked reserves - continued

Earmarked Reserves	Balance as at 31 March 2015	Transfers Out 2015-16	Transfers in 2015-16	Balance as at 31 March 2016	Transfers Out 2016-17	Transfers In 2016-17	Balance as at 31 March 2017
Total of all reserves from previous page	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	6,239	(1,592)	1,572	6,219	(1,236)	1,720	6,703
bp Highways Works	8	-	-	8	-	-	8
bq Cap Fin BHH	1	-	-	1	(2)	2	1
br Quobb Lane Sewer	5	-	-	5	-	-	5
bt Cap Fin Eastleigh	4	-	-	4	(2)	-	2
bu Highways Agency	3	-	-	3	-	-	3
bv The Point	3	-	-	3	(3)	-	-
bw Hamble Point Car Park	2	-	-	2	-	-	2
bx Street Lighting	2	-	-	2	-	-	2
bz Cap Fin Bishopstoke	1	-	-	1	-	-	1
cb Homelessness Prevent	37	-	-	37	-	-	37
cc Avenue Park Shrine	10	-	-	10	-	-	10
cd Local Plan reserve	511	(269)	633	875	(727)	203	351
ce Transport & Plant	84	(126)	180	138	(101)	-	37
cf Travelodge	0	-	-	-	-	3	3
cg Development M'ment	-	-	-	-	(1)	55	54
ch 11 Lower Northam Rd	-	-	-	-	-	46	46
ci 11 A/B Northam Road	-	-	-	-	-	8	8
cj Garage Repairs	-	-	-	-	-	8	8
ck International House	-	-	-	-	-	150	150
Total of all reserves	6,910	(1,987)	2,385	7,308	(2,072)	2,195	7,431

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

Reserve	Purpose
aa Commuted Sums	Funds held in relation to open spaces
ab Grange Park	Future major capital works and park improvements
ac Revenue Gts/Contribs	Revenue grants and contributions until required for spending
ad Investment Properties	Offset shortfalls in rent and interest increases 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 insurance provider
am LAC (BHH)	Future LAC projects and initiatives
an Building Control	Supports the trading partnership arrangement with SCC
ao Black Horse H 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
au YZONE (BFOHH)	Funds used to support the YZONE project development

Earmarked reserves information continued on the following page:

NOTES TO THE ACCOUNTS continued

8 Transfers to/from earmarked reserves - continued

Reserve	Purpose
av Dilapidations	Funds to meet the cost of non-current asset dilapidations
aw Carbon Reductions	Funded by the Area Based Grant 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
bf Interest equalisation	To offset revenue effects of low investment interest rates
bg Shsez Brand/Marketing	For use in branding for the SHSEZ initiative
bh Hou Private S Leasing	Dilapidations of £500 per property re housing scheme Portsmouth HA
bi Special purpose vehicle	For financing a special purpose vehicle 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
bo Hackney Carriages	Reserve to fund future losses
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
bt Cap Fin Eastleigh	For future funding of capital expenditure at Eastleigh
bu Highways Agency	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 Bishopstoke	For future funding of capital expenditure at Bishopstoke
bz Homelessness Prevent	To fund future staffing costs and Housing Initiatives
ca Avenue Park Shrine	Funds for future maintenance works of the War Shrine
cb Local Plan reserve	To fund additional planning related cost to support the Local Plan
cc Transport & Plant	To fund future investment in the Transport Service
cd Travelodge	To fund future maintenance cost of the Travelodge
ce Development M'ment	Funding for agreed planning issues associated with Boorley Green & Che
cf 11 Lower Northam Rd	To fund future maintenance cost of 11 Lower Northam Road
cg 11 A/B Northam Road	To fund future maintenance cost of 11 A/B Lower Northam Road
ch Garage Repairs	To fund future maintenance costs of Garage Sites
ci International House	To fund future maintenance cost of International House

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

9 Property, plant and equipment (PPE)

Movements on balances in 2016-17

	Land & Buildings	Vehicles Plant & Equipment	Infra-structure Assets	Community	Assets Under Construction	Total PPE Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 March 2016	94,547	5,089	1,620	11,436	3,951	116,643
<u>Cost or valuation</u>						
As at 1 April 2016	96,270	12,642	1,869	12,800	3,951	127,532
<u>Movements in 2016-17</u>						
Additions	40,370	782	260	-	19,519	60,931
Disposals and impairments	-	(206)	-	-	-	(206)
Reclassifications	1,926	-	-	-	(1,925)	1
Revaluations (charged to services)	(777)	-	-	-	-	(777)
Revaluations (to the Revaluation Reserve)	926	-	-	-	-	926
As at 31 March 2017	138,715	13,218	2,129	12,800	21,545	188,407
<u>Accumulated Depreciation</u>						
As at 1 April 2016	(1,723)	(7,553)	(249)	(1,364)	-	(10,889)
<u>Movements in 2016-17</u>						
Depreciation - annual charge	(1,299)	(784)	(44)	(231)	-	(2,358)
Depreciation written out to the revaluation reserve	-	-	-	-	-	-
Disposals and impairments	-	206	-	-	-	206
Reclassifications	-	-	-	-	-	-
As at 31 March 2017	(3,022)	(8,131)	(293)	(1,595)	-	(13,041)
Net Book Value at 31 March 2017	135,693	5,087	1,836	11,205	21,545	175,366

The valuation of all material assets was undertaken in 2016/17 by an independent external company (DVS) who reported there is no material change to the valuations reported.

NOTES TO THE ACCOUNTS continued

9 Property, plant and equipment (PPE) - continued

Movements on balances in 2015-16

	Land & Buildings	Vehicles Plant & Equipment	Infra- structure Assets	Community	Assets Under Construc- tion	Total PPE Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 March 2015	92,946	5,677	1,442	11,466	7,142	118,673
<u>Cost or valuation</u>						
As at 1 April 2015	93,445	12,744	1,656	12,596	7,142	127,583
<u>Movements in 2015-16</u>						
Additions	32,098	327	213	204	2,809	35,651
Disposals and impairments	(1,937)	(429)	-	-	-	(2,366)
Reclassifications	(30,115)	-	-	-	(6,000)	(36,115)
Revaluations (charged to services)	(1,308)	-	-	-	-	(1,308)
Revaluations (to the Revaluation Reserve)	4,087	-	-	-	-	4,087
As at 31 March 2016	96,270	12,642	1,869	12,800	3,951	127,532
<u>Accumulated Depreciation</u>						
As at 1 April 2015	(499)	(7,067)	(214)	(1,130)	-	(8,910)
<u>Movements in 2015-16</u>						
Depreciation - annual charge	(1,263)	(914)	(35)	(234)	-	(2,446)
Depreciation written out to the revaluation reserve	-	-	-	-	-	-
Disposals and impairments	39	428	-	-	-	467
Reclassifications	-	-	-	-	-	-
As at 31 March 2016	(1,723)	(7,553)	(249)	(1,364)	-	(10,889)
Net Book Value at 31 March 2016	94,547	5,089	1,620	11,436	3,951	116,643

An internal valuation was undertaken for material non-current assets at 31 March 2016.

NOTES TO THE ACCOUNTS continued

10 Heritage assets - 5 year summary of transactions

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Cost of Acquisitions of heritage assets					
Civic Regalia	148	148	148	148	148
Other Works of Art	361	425	433	556	606
- Additions	28	3	73	49	14
- Reclassified	36	5	50	23	-
	573	581	704	776	768
Value of Heritage Assets Acquired by Donation					
Civic Regalia	-	-	-	-	-
Other Works of Art	-	-	-	-	-
	-	-	-	-	-
Disposal of Heritage Assets					
Civic Regalia	-	-	-	-	-
Other Works of Art	-	-	-	(22)	-
	-	-	-	(22)	-
Grand Total	573	581	704	754	768

11 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 Easteigh's past railway heritage. A full list can be found on page 29.

12 Investment Property

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

2015-16 £'000	Investment Property	2016-17 £'000
29,533	Balance at the start of the year	29,850
	Movements in the year	
	- Additions - expenditure in year	-
	- Disposals in Year	(1,300)
562	Gain from fair value adjustment	2,532
(245)	Loss from fair value adjustment	(209)
	- Reclassifications	-
29,850	Total	30,873

Under IFRS 13 a level 2 fair value measurement has been carried out for all Investment Properties using a market comparable approach by the external company DVS.

13 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.

A breakdown of the expenditure and income is shown below:

2015-16 £'000	Income and expenditure in relation to Investment properties & changes in their fair value	2016-17 £'000
(562)	(Gain) on Revaluation of Investment Property	(2,532)
245	Loss on Revaluation of Investment Property	209
(2,017)	Income from Investment Property	(1,765)
(2,334)	Sub-total - gains	(4,088)
370	Maintenance and running costs of Investment Property	354
(1,964)	Net (Gain) on investment Property	(3,734)

NOTES TO THE ACCOUNTS continued

14 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.

2015-16 £'000	Intangible assets	2016-17 £'000
	Balance at the start of the financial year	
985	Cost b/fwd	1,050
(540)	Accumulated amortisation b/fwd	(623)
445	Net book value of intangible assets	427
	Movements in the year	
54	Additions - purchases	620
11	Reclassifications	-
(83)	Amortisation charged to services	(80)
	Balance at the start of the financial year	
1,050	Cost c/fwd	1,670
(623)	Accumulated amortisation c/fwd	(703)
427	Net book value of intangible assets	967

15 Finance Lease Asset

The finance lease asset is recognition of the lease to RB Plc for the Ageas Bowl Land & Stadium and the Ageas Hilton and Spa owned by Eastleigh Borough Council.

2015-16 £'000	Finance Lease Asset	2016-17 £'000
	Balance at the start of the financial year	
6,503	Cost b/fwd	42,579
36,081	Reclassification of Building (Ageas Hilton & Spa)	-
(5)	Lease value written to the Comprehensive Income and Expenditure Account *	(9)
42,579	Net book value of Non-Current Assets held for Sale	42,570

Over the period of the leases the value of the leased asset will be charged to the Comprehensive Income and Expenditure account to recognise that RB Plc will amortise the asset during its full useful economic life.

NOTES TO THE ACCOUNTS continued

15 Finance Lease Asset - continued

Finance Lease Debtor (net present value of Minimum lease payments)	31 March 2016 £'000	31 March 2017 £'000
Current	9	14
Non - Current	42,569	42,555
Unearned finance income	622,662	620,188
TOTAL	665,240	662,757

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Minimum Lease Payment 31 March 2016 £'000	Minimum Lease Payment 31 March 2017 £'000
Not later than 1 year	2,482	2,482
Later the 1 year and not later than 5 years	9,930	9,930
Later Than 5 years	652,828	650,345
TOTAL	665,240	662,757

The minimum lease payments receivable do not include rents that are contingent rents on events taking place after the lease was entered into, such as adjustments following rent reviews. The gross investment in lease payments for each year are the same as the minimum Lease payment.

16 Long-term Investments & Short Term Investments

The Council has a service level agreement in place with the Hampshire Community Bank, which has loaned an amount to the Council in order to finance the making of non-specified investments into small institutions. These long and short-term investment sums on the balance sheet relate to the element of the investments made that are due for repayment either in the next financial year or over future years.

17 Contractual Commitments

The Council entered into contractual commitments of £24,165,852 for works at Fleming Park Leisure Centre. The value of works as at 31st March 2017 was £15,564,948 and contract liabilities of £8,600,904 remain as at 31st March 2017 to complete this scheme.

18 Long term debtors

2015-16 £'000	Long term debtors	2016-17 £'000
55	Housing Association Loans	52
4	Mortgages (ex Housing Revenue Account properties & renovations)	4
134	Car loans to staff	88
	- North Stoneham Development Loan	622
	- Woodside Avenue Developments LLP Grant*	5,286
56	Other	66
249	Total long-term debtors	6,118

* See Note 37 on page 66 for more information

NOTES TO THE ACCOUNTS continued

19 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.

Carrying amount 31 March 2016 £'000	Fair Value 31 March 2016 £'000	Loans and receivables and financial liabilities fair values	Carrying amount 31 March 2017 £'000	Fair Value 31 March 2017 £'000
		<u>Current</u>		
6,017	6,017	Cash and cash equivalents	15,020	15,020
4,031	4,031	Loans and receivables	4,739	4,739
(96,936)	(96,936)	Financial liabilities	(170,275)	(170,275)
(86,888)	(86,888)	Total Current	(150,516)	(150,516)
		<u>Non-Current</u>		
446	446	Long-term Investments	421	421
249	249	Loans and receivables	6,118	6,118
(5,008)	(5,008)	Financial liabilities	(3,994)	(3,994)
(4,313)	(4,313)	Total Non-Current	2,545	2,545

The fair value of total current financial liabilities at the end of 2016-17 has increased when compared to the end of 2015-16. The reason for this increase as at 31st March 2017 is due to the continuation of the Council's ambitious capital programme for Housing and Property.

20 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 seeking 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.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy normally 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.

20 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 Resources Committee during 2016-17. 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. 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 other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is BBB+ or equivalent. The limit is £7.5m per institution and restricted in duration to 100 days
- certificates of deposit with Banks and Building Societies meeting the above credit criteria;
- Deposits with other local authorities;
- Money Market funds with a AAAM rating or equivalent and a Constant Net Asset Value (Constant NAV); the limit is £7.5m per institution
- UK Government bonds (Gilts); and,
- UK Treasury Bills.
(the maximum maturity of each of the above instruments will be 12 months)

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):

NOTES TO THE ACCOUNTS continued

20 Nature and extent of risk arising from financial instruments - continued

Investment type	Criteria	Maximum duration
a) UK government bonds	Gilts are Triple-A-rated	Any gilt with a finite maturity date
b) Bonds issued by Multilateral Development Banks (i.e. European Investment Bank, World Bank); and bonds issued by an institution where the institution is guaranteed by the UK government (e.g. GEFCO)	Triple-A-rated	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	Restricted to a maximum of 40% of overall investments and maximum maturity of 5 years
d) Deposits including callable deposits, forward deposits and certificates of deposits with banks and building societies.	Long-term rating in Double A1 category or Triple A category.	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-term 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	Triple - A minus rated	These funds do not have fixed maturity dates.
g) Hampshire Community Bank	No defined credit rating	These investments do not have a fixed maturity date
h) Municipal Bonds Agency	No defined credit rating	

Customers for goods and services are assessed, taking into account all factors including their financial position and past experience, with individual credit limits being set 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. Experience shows 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 31st March 2017 that this was likely to crystallise.

NOTES TO THE ACCOUNTS continued

20 Nature and extent of risk arising from financial instruments - continued

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.

Potential maximum exposure to credit risk					
Estimated maximum exposure to default & uncollectability		Amount	Historical experience of default	Historical experience adjusted for market conditions	Estimated maximum exposure to default & uncollectability
31 March 2016		31 March 2017	31 March 2017	31 March 2017	31 March 2017
£'000 (A * C)		£'000 A	% B	% C	£'000 (A * C)
-	Deposits into banks and financial institutions*	15,038	-	-	-
-	Long-term debtors #	6,118	-	-	-
32	Court costs	205	14.8	14.6	30
-	Government & public bodies*	1,476	-	-	-
31	Customers (exc. statutory debts)	7,148	0.5	0.5	36
63					66

* 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 for payment" but not impaired amount can be analysed by age as follows:

31 March 2016	Customer balances past their due date for payment	31 March 2017
£'000		£'000
1,550	Less than two months	2,710
1,073	Two to five months	639
415	Five months to one year	656
2,738	More than one year	2,684
5,776	Total	6,689

20 Nature and extent of risk arising from 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.

31 March 2016 £'000	Maturity analysis of financial liabilities	31 March 2017 £'000
(53,056)	Less than three months <i>The above includes all collection fund creditors</i>	(103,478)
(42,850)	Three to six months	(46,371)
(7,579)	Six months to one year	(26,234)
(5,929)	More than one year	(5,112)
(109,414)	Total of all financial instruments liabilities	(181,195)
(5,965)	Less - Collection Fund creditors (all maturing in less than three months)	(5,470)
(103,449)	Total equal to total short and long term borrowing and creditors	(175,725)

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

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.

20 Nature and extent of risk arising from 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 2017, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2016-17 would have been:

Year Ending 31 March 2016 £'000	Effect in the financial year of a 1% higher interest rate	Year Ending 31 March 2017 £'000
1,330	Increase in interest payable on variable rate borrowings	3,364
(190)	Increase in interest receivable on variable rate investments	(233)
1,140	Interest that would have been to the charged/credited to the Comprehensive Income and Expenditure Statement if interest rates had rates had been 1% higher in the year	3,131

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2016-17 continued at 0.25% and allowance for a full 1% reduction would result in a negative interest rate.

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.

21 Short-term investments available for sale

As at 31 March 2017 no short-term investments (available for sale) were held.

22 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

23 Short Term Debtors

31 March 2016 £'000	Short Term Debtors	31 March 2017 £'000
462	Central government bodies	607
733	Other local authorities	623
2	NHS bodies	1
-	- Public corporations and trading funds	-
6,470	Other entities and individuals	7,353
(1,901)	Bad debt provision for "Other entities and individuals"	(1,895)
5,766	Total	6,689

24 Cash and cash equivalents

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

31 March 2016 £'000	Cash and cash equivalents	31 March 2017 £'000
11	Cash held by the authority	13
5,798	Bank current accounts	4,223
-	- Short-term deposits in money market funds	1,500
5,809	Total	5,736

25 Short-term borrowing

The Council's short-term borrowing has increased significantly as at the end of 2016-17 when compared to 2015-16. This is due to the continuation of the ambitious Capital Programme for Property and Housing.

31 March 2016 £'000	Short-term borrowing	31 March 2017 £'000
(1,000)	Public Works Loans Board (PWLB) element of short-term borrowing	(1,000)
(90,099)	Other Short Term Borrowing	(159,655)
(91,099)	Total all short-term borrowing	(160,655)

NOTES TO THE ACCOUNTS continued

26 Short Term Creditors

31 March 2016 £'000	Short Term Creditors	31 March 2017 £'000
(4,544)	Central government bodies	(6,447)
(3,910)	Other local authorities	(3,876)
(206)	NHS bodies	-
(4,705)	Other entities and individuals	(6,267)
(13,365)	Total	(16,590)

27 Provisions

31 March 2016 £'000	Provisions	Change yr on yr	31 March 2017 £'000
(2,200)	Non-Domestic Rating (NDR) Provision for Appeals	(70)	(2,270)
(220)	VAT partial exemption	220	-
(2,420)	Total	150	(2,270)

The substantive amount for NDR is in relation to the outstanding rating appeals relevant to Business Rate Retention. The VAT partial exemption provision has been removed as the likelihood of breaching the partial exemption limit is now minimal.

28 Long-term borrowing

The Council has £3m of PWLB long-term debt as at 31st March 2017 and £0.95m loan from the Hampshire Community Bank amounting to £3.95m in total. The Council did not commit to convert any of its short-term borrowing into long-term borrowing in the year 2016-17 as market conditions remained favourable in relation to the holding of short-term borrowing.

29 Other long Term liabilities

This liability (related to an IFRIC 12 PFI matter) is analysed within the table at Note 50 on page 78.

30 Capital grants receipts in advance

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

31 Usable reserves

Capital Receipts Reserve

Movements in the Authority's usable reserves are summarised in the Movement in Reserves Statement on page 11. The General Fund Reserve needs no further analysis in excess of the information given on page 11, and the movements in earmarked reserves are given at Note 8 on page 42. The movements in usable capital receipts is given in detail below.

2015-16 £'000	Capital Receipts Reserve	2016-17 £'000
7,529	Opening balance for the year	8,172
2	Capital receipts released from deferred receipts in the year	2
2	Total capital receipts related to housing mortgages	2
(1)	Housing receipts paid to the CLG National Pool subject to percentage pooling arrangements	(1)
1	Net receipts remaining after costs and pooling payment	(1)
666	Capital receipts received in the year	2,572
(24)	Financing of capital expenditure in the year	(71)
8,172	Closing balance	10,674

32 Unusable reserves

32a 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.

NOTES TO THE ACCOUNTS continued

32 Unusable reserves - 32a Revaluation reserve- continued

2015-16 £'000	Revaluation Reserve	2016-17 £'000
18,657	Opening balance for the year	22,193
4,087	Revaluation of Operational Non-Current Assets	926
(176)	Disposal of non-current assets	-
(375)	Depreciation on revalued Non-Current Assets	(320)
22,193	Closing balance	22,799

32b Financial Instruments Adjustment Account

There were no adjustments for Financial Instruments during the period.

2015-16 £'000	Financial Instruments Adjustment Account	2016-17 £'000
	- Balance at 1 April	-
	- 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	-
	- Balance at 31 March	-

32c 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

32c Capital adjustment account - continued

2015-16 £'000	Capital adjustment account	2016-17 £'000
37,800	Balance at 1 April	(676)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,378)	Charges for depreciation and impairment of non-current assets	(2,816)
(83)	Amortisation of intangible assets	(80)
(8,032)	Revenue expenditure funded from capital under statute	(6,534)
(1,745)	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	(1,300)
(36,081)	Recognition of Finance Lease Asset	-
(49,319)	Net written out amount of the cost of non-current assets consumed	(10,730)
	Capital financing applied in the year:	
24	Use of the Capital Receipts Reserve to finance capital expenditure capital expenditure	71
7,877	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,288
1,912	Statutory provision for the financing of capital investment charged against the General Fund	2,182
713	Capital expenditure charged against the General Fund	565
10,526	Net capital financing applied in the year	6,106
317	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,323
317	Net movements recognised in the Comprehensive Income and Expenditure Statement	2,323
(676)	Balance at 31 March	(2,977)

NOTES TO THE ACCOUNTS continued

32d Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the 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.

2015-16 £'000	Deferred Capital Receipts Reserve	2016-17 £'000
6,507	Balance at 1 April	42,581
36,074	Finance lease asset	-
-	- Amount released to unapplied capital receipts	(10)
42,581	Balance at 31 March	42,571

32e 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:

2015-16 £'000	Pensions Reserve	2016-17 £'000
(45,740)	Balance at 1 April	(43,310)
4,260	Actuarial gains or losses on pensions assets and liabilities	(4,270)
(4,400)	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	(4,290)
2,570	Employer's pensions contributions and direct payments to pensioners payable in the year	2,700
(43,310)	Balance at 31 March	(49,170)
(41,830)	Funded element of the Pensions Reserve - see page 81	(47,690)
(1,480)	Unfunded element of the Pensions Reserve - see page 84	(1,480)
(43,310)	Balance at 31 March	(49,170)

NOTES TO THE ACCOUNTS continued

32f 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 and National Non-Domestic Rates.

2015-16 £'000	Collection Fund Adjustment Account	2016-17 £'000
562	Opening balance	699
137	Movement in the year	(860)
699	Closing balance	(161)

32g 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:

2015-16 £'000	Accumulated Absences Account	2016-17 £'000
(311)	Balance at 1 April	(316)
311	Settlement or cancellation of accrual made at the end of the preceding year	316
(316)	Amounts accrued at the end of the current year	(348)
(316)	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.	(348)

NOTES TO THE ACCOUNTS continued

33 Cash Flow statement - Cash Operating activities

2015-16 £'000 Restated	Cash Flow statement - Cash Operating activities	2016-17 £'000
(1,509)	Interest received	(1,814)
696	Interest paid	874
(813)	Net total for Cash Flow statement - Cash Operating activities	(940)

34 Cash Flow statement - Investing activities

2015-16 £'000 Restated	Cash Flow statement - Investing activities	2016-17 £'000
38,271	Purchase of property, plant and equipment, investment property and intangible assets	64,464
147	Proceeds Developers Contributions and the sale of property, plant and equipment, investment property and intangible assets	(6,611)
484	Long Term Investment Change	-
220	Short Term Investments	9,302
(957)	Net Interest paid / (Received)	(1,131)
38,165	Net cash flows from investing activities	66,024

35 Cash Flow statement - Financing activities

2015-16 £'000 Restated	Cash Flow statement - Financing activities	2016-17 £'000
(289,479)	Cash receipts of short and long-term borrowing	(336,908)
255,067	Repayments of short and long-term borrowing	268,700
(34,412)	Net cash flows from financing activities	(68,208)

NOTES TO THE ACCOUNTS continued

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

2015-16 £'000	Adjustment of net (surplus) or deficit on the provision of services for non cash movements	2016-17 £'000
14	Rental charges not paid in cash	14
(1)	IFRIC 12 Interest charged to Comprehensive I&E Statement	(1)
(1,255)	Non-cash movements regarding the disposal of non current assets	1,272
(1,420)	International Accounting Standard 19 (IAS 19 - Pensions)	(1,430)
317	Investment Property revaluations	2,323
	- Non Cash Movement regarding sale of Assets Held for Sale	-
(83)	Amortisation of intangible assets	(80)
(2,446)	Depreciation and impairment of non-current assets	(2,358)
(1,308)	Revaluation of Non Current Assets charged to CI&E Statement	(777)
(134)	Bishopstoke Parish Council precept transferred to investment	(142)
	- Change in Provisions	220
(30)	Change in Long Term Debtors	583
31	Change in Inventories and Work in Progress	2
616	Change in Debtors	923
1,060	Change in Creditors	(1,332)
(4,639)	Total adjustment of net (surplus) or deficit on the provision of services for non cash movements (as per page 16)	(783)

37 Long Term Debtors - Aspect Building Communities & Woodside Avenue Developments LLP

As part of the Council's key Strategic priority of delivering more housing across the Borough, the Council created Aspect Building Communities Ltd (ABC Ltd). The Council has a non-controlling 24% interest in this company with Fareham Borough Council (24%), VIVID (26%) and Radian (26%) the other partners.

The aim of this company is to enable more effective delivery of Housing across Hampshire including;

- * Increase housing supply across the Borough for all tenure types.
- * Bring forward stalled developments.
- * Provide housing accessible to those in receipt of welfare benefits.
- * Boost the local economy through development, creating work in a number of industries.
- * Develop projects aimed at reducing carbon emissions.
- * Make a long term financial return on any project.

The corporate structure means that no party has control of the entity however it is recognised that any decision made by the ABC Ltd board requires unanimous consent. ABC Ltd have a management agreement with TIAA Ltd (an independent company) who run the day to day affairs of the company. In addition to the company secretary role, organising board meetings, completing statutory returns etc. TIAA Ltd also oversee the creation and ongoing management of each subsequent project specific Limited Liability Partnership. Using a company independent from each of the partners ensures that they act in the best interests of ABC Ltd as a whole rather than anyone party.

In order to more effectively and efficiently run each individual housing project a Limited Liability Partnership is created. The partners in each LLP present a full development appraisal to the ABC Ltd board for consideration with the request for them to manage the project, set-up and control the LLP. Once approved by the board the relevant agreements are put in place including a Management Agreement which insulates the ABC Ltd members from any losses and ring-fences the profits within the LLP.

ABC Ltd has annual running cost of approximately £32,000 which is equally funded by the partners. The Councils share of this cost is included within the accounts however due to the sum involved relating to the Council only being £8,000 it is considered not material for any form of group accounting.

The full company details are shown below and full accounts are available at companies house.

Aspect Building Communities Limited

C/O TIAA Ltd
53-55 Aerodrome Road
Gosport
PO13 0FQ

Company Number - 09348356

37 Long Term Debtors - Aspect Building Communities & Woodside Avenue Developments LLP

As a Limited Liability Partnership has an aim of making a profit the Council can only be a member through a company. The Council has created a wholly owned subsidiary called Aspect (Eastleigh) Ltd to enable membership. This company has no transactions passing through it so does not complete accounts and exists solely to enable membership to the Limited Liability Partnerships created.

The full company details are;

Aspect (Eastleigh) Limited

Eastleigh House
Upper Market Street
Eastleigh House
SO50 9YN

Company Number 10200615

The first LLP created is Woodside Avenue Developments LLP (WAD LLP) which is a partnership between Aspect (Eastleigh) Ltd and VIVID. This will deliver a 100 unit development on Woodside Avenue in Eastleigh. The Council funds this partnership using a capital housing grant which gets approval at Cabinet. The Council in return have a 90% charge over the profits of WAD LLP and the grant has protections in place to ensure delivery of the development.

This grant is shown as a long term liability within the accounts of WAD LLP payable to the Council as any proceeds from the sale of the assets will be due to either the Council or VIVID. Whilst neither the Council nor Aspect (Eastleigh) Ltd have control of WAD LLP and can not force a sale it is acknowledged that this sum is due back to the Council at some point in the future. This sum is included as a long term debtor within the accounts and is shown at note 18 on page 50.

The full company details are shown below.

Woodside Avenue Developments LLP

C/O TIAA Ltd
53-55 Aerodrome Road
Gosport
Hampshire
PO13 0FQ

Company Number - OC412318

NOTES TO THE ACCOUNTS continued

38 Amounts reported for resource allocation decisions & Expenditure Funding 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.

2015-16 £'000		2016-17 £'000
(21,427)	Fees, Charges & other service income	(21,216)
4	(Surplus) or deficit on associates and joint ventures	(12)
(1,508)	Interest and investment income	(1,814)
(10,693)	Income from council tax and NDR (Business Rate Retention)	(10,848)
(40,793)	Revenue grants and contributions	(37,497)
(74,417)	Total Income	(71,387)
15,377	Employee expenses	15,487
1,420	Pension past service costs	1,430
50,678	Other service expenses	50,177
2,384	Support Service recharges	3,134
3,493	Depreciation, amortisation, revaluations and impairment	913
696	Interest Payments	874
2,695	Precepts & Levies	2,746
1	Payments to Housing Capital Receipts Pool	0
1,255	(Gain)/Loss on Disposal of Fixed Assets	(1,272)
77,999	Total Expenditure	73,489
3,582	Deficit on the provision of services	2,102

NOTES TO THE ACCOUNTS continued

39 Trading operations

The Authority has six 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 six of those units is provided in the table below:

		2014-15		2015-16		2016-17	
		£'000	£'000	£'000	£'000	£'000	£'000
Trade Waste	Turnover	657		750		836	
	Expenditure	566		549		554	
Surplus			91		201		282

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.

Wessex House	Turnover	942		884		912	
	Expenditure	594		603		452	
Surplus			348		281		460

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.

Open Air Markets	Turnover	46		85		48	
	Expenditure	55		87		80	
Surplus/(Deficit)			(9)		(2)		(32)

A Management contract is let to operate a market in the town centre on a Thursday and Saturday.

Corporation Estates	Turnover	4,157		4,912		8,812	
	Expenditure	1,457		2,931		4,461	
Surplus			2,700		1,981		4,351

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.

Transport	Turnover	121		116		109	
	Expenditure	128		91		107	
Surplus			(7)		25		2

The Authority operate MOT test facilities in accordance with regulations (previous figures unavailable).

Streetscene	Turnover	178		185		212	
	Expenditure	61		110		53	
Surplus			117		75		159

The Authority provides grounds maintenance and street cleansing services to Parish Councils and external companies (previous figures unavailable).

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.

NOTES TO THE ACCOUNTS continued

40 Agency services

The Council currently undertakes work on an agency basis for Hampshire County Council. The reimbursable expenditure for the year 2016-17 was £1,433,000 and comparison to the previous year £1,751,000 is shown in the table below.

2015-16			Agency services	2016-17		
Expenditure £'000	Income £'000	Net £'000		Expenditure £'000	Income £'000	Net £'000
128	(112)	16	Traffic Management	105	(103)	2
286	(271)	15	Environmental	262	(262)	-
89	(89)	-	Development Control	89	(89)	-
1,248	(1,248)	-	Design	977	(977)	-
1,751	(1,720)	31	Totals for Hampshire County Council	1,433	(1,431)	2

41 Members' allowances

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

2015-16 £'000	Members' allowances	0 £'000
272	Basic allowance	274
108	Other special allowances (e.g. chairs of committees)	108
7	Travel, subsistence and other expenses	5
387	Total	387

42 Officers' remuneration

The table for 2016-17 shown on the following page 71, 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 2015-16 shown on page 72, 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.

NOTES TO THE ACCOUNTS continued

42 Officers' remuneration- continued

Information for 2016-17

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year 2016-17				
Post Title	Salary	Total	Pension	Total
	including	Remuneration	Contributions	including
	fees &	exc pension		pension
	allowances	contributions		contributions
	£	£	£	£
Corporate Director Left 30/09/16. Full Year £86,548	43,274	141,473	5,651	147,124
Head of Culture Left 31/03/2017	64,013	137,859	7,522	145,381
Head of Regeneration & Planning Policy Left 30/11/16. Full Year £59,213	46,232	117,797	7,677	125,474
Chief Executive	106,880	106,880	13,955	120,835
Head of Transport & Engineering	59,458	99,458	5,169	104,627
Head of Revenue & Benefits	60,905	60,905	7,951	68,855
Corporate Director - Support Services From 16/06/16. Full Year £73,599	58,477	58,477	7,633	66,110
Head of Countryside & Trees Left 07/04/16. Full Year £73,599	1,212	65,326	158	65,484
Strategic Manager	53,649	54,612	7,028	61,640
Head of Development Management	54,512	54,512	7,106	61,618
Local Area Manager	53,666	53,666	6,995	60,661
Local Area Manager	53,613	53,613	6,995	60,608
Local Area Manager	52,130	53,093	6,829	59,922
Monitoring Officer (Part Time 24 hours) Full Time £64,496 (includes £7,502 returning Officer fees)	49,394	49,394	5,467	54,861
Corporate Director - Strategy From 22/08/16. Full Year £73,599	43,633	43,633	5,716	49,349
Corporate Director - Service Delivery From 01/09/16. Full Year £73,866	43,089	43,089	5,624	48,713
Direct Services Manager From 01/09/16. Full Year £53,399	31,149	31,470	4,081	35,551
Programme Manager From 09/09/16. Full Year 53,339	31,218	31,218	4,090	35,308
Performance & Governance Manager From 01/09/16. Full Year £52,452	30,597	30,597	3,988	34,585
Assistant Corporate Director To 31/08/16. Full Year £59,431	24,763	24,763	3,231	27,994
Head of Direct Services To 31/08/16. Full Year £56,380	23,490	23,490	3,077	26,567
Operations Building Manager From 01/12/16. Full Year £52,185	17,395	17,716	2,279	19,995
Head of Support Services To 15/06/16. Full Year £64,336	14,459	14,459	1,887	16,346
Legal Services Manager From 06/02/17. Full Year £51,000	7,741	7,741	1,014	8,755
Commercial Business Manager From 06/03/2017. Full Year £62,454	4,365	4,365	572	4,937

The Council had no staff who were paid more than £150,000 in either 2016/17 or 2015/16.

NOTES TO THE ACCOUNTS continued

42 Officers' remuneration- continued

Information for 2015-16

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year 2015-16				
Post Title	Salary	Total	Pension	Total
	including	Remuneration	Contributions	including
	fees &	exc pension		pension
	allowances	contributions		contributions
	£	£	£	£
Chief Executive	105,005	105,005	13,706	118,711
Head of HR	42,789	100,191	5,549	105,740
left 31/12/2015. Full year £56,855				
Corporate Director	85,261	85,261	11,120	96,381
Corporate Director	68,594	68,594	8,603	77,197
left 16/02/2016. Full year £75,064				
Head of Support services	62,097	62,097	8,086	70,183
Head of Revenue & Benefits	60,289	60,289	7,742	68,031
Head of Transport and Engineering	59,148	59,148	7,677	66,825
Head of Regeneration & Planning Policy	58,977	58,977	7,677	66,654
Corporate Director	58,940	58,940	7,677	66,617
Head of Culture	56,524	56,524	7,355	63,879
Head of Direct Services	55,422	55,422	7,134	62,556
Area Co-Ordinator	54,082	54,082	6,958	61,040
Area Co-Ordinator	53,242	53,242	6,925	60,167
Area Co-Ordinator	53,168	53,168	6,925	60,093
Head of Development Management	52,796	52,796	6,867	59,663
Area Co-Ordinator	51,244	51,244	6,586	57,830
Head of Countryside & Trees	50,755	50,755	6,600	57,355
Head of Legal & Democratic Services part time 24 hrs ft salary £64,044 includes £5,701 returning officer fees	47,243	47,243	5,412	52,655
Head of Customer Service & ICT (left 22/05/15 Full year £58,301)	8,306	8,306	1,081	9,387

Employer's pension contributions in relation to staff were 19.1% for both of the above mentioned years. and the contribution analysis amounted to 13.1% directly attributable to each staff member, plus a lump sum of 6%.

NOTES TO THE ACCOUNTS continued

42 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.

2015-16 No	Number of employees whose remuneration was in the range:	2016-17 No
2	£50,000 - £54,999	2
-	£55,000 - £59,999	-
-	£60,000 - £64,999	2
1	£65,000 - £69,999	-
-	£70,000 - £74,000	1
1	£75,000 - £79,999	1
-	£80,000 - £84,999	1
4	Total number of officers whose remuneration exceeded £50,000	7

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 71 & 72.

43 Exit packages regarding compulsory and other departures

In the year 2016-17

£0 - £20,000
 £20,001 - £40,000
 £40,001 - £60,000
 £60,001 - £80,000
 £80,001 - £100,000
 £100,001 - £150,000
Total of all categories

In the year 2015-16

£0 - £20,000
 £20,001 - £40,000
 £40,001 - £60,000
 £60,001 - £80,000
Total of all categories

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
9	2	11	115
6	4	10	286
1	2	3	141
2	2	4	274
1	1	2	181
1	0	1	117
20	11	31	1,114
-	5	5	32
-	1	1	36
1	1	2	101
-	-	-	-
1	7	8	169

44 External Audit Costs

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

NOTES TO THE ACCOUNTS continued

44 External Audit Costs - continued

2015-16 £'000	External Audit Costs	2016-17 £'000
52	Fees payable to EY with regard to external audit services carried out	51
12	Fees payable to EY for the certification of grant claims and returns	12
64	Total of all external audit fees	63

45 Grant and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016-17:

2015-16 £'000 restated	Grant and Contributions Income	2016-17 £'000
Credited to Taxation and Non Specific Grant Income		
8,598	Council Tax Income	9,105
1,938	Revenue Support Grant & Council tax freeze grant (for 2014-15 only)	1,196
692	Area Based Grant & S31 grants related to National Non-Domestic Rates	460
11,228	Total Grant and Contributions Income	10,761
Credited to Taxation and Non Specific Grant Income		

2015-16 £'000	Grant and Contributions Income	2016-17 £'000
Credited to Services		
Department for Communities & Local Government		
151	Cost of Collection	151
10	Neighbourhood Plans	15
	- UK Online Centre	-
49	Business Support Schemes	-
	- Council Tax Discount for Family Annexes	-
8	Transparency Grant	8
218	Total amount for Department for Communities & Local Government	174
88	Cabinet Office - Individual Electoral Registration	56
Department for Environment, Food and Rural Affairs		
	- Invasive Non Native Species	-
20	Stewardship Grant	20
11	Single Payment Scheme & Higher Level Stewardship (HLS)	12
31	Total amount for Department for Environment, Food and Rural Affairs	32
337	Total amount carried forward to next page:	262

NOTES TO THE ACCOUNTS continued

45 Grant and Contributions Income - continued

2015-16 £'000	Grant and Contributions Income - Credited to Services - continued	2016-17 £'000
337	Bfwd from previous page	262
	Department for Work and Pensions	
435	Housing and Council Tax Benefit Administration	417
	- Housing Benefit Review	-
30,720	Housing Benefit Rebates	30,050
20	Housing Benefit Council Tax Support	-
126	Housing Benefit Discretion Rent Allowance	110
84	Non HRA Rent Allowances Subsidy	77
29	Housing Benefit Universal Credit	14
	- Housing Benefit Revaluation Work	2
1	Local Authority Data Sharing (LADS) Programme	15
52	New Burdens	45
11	Fraud and Error Reduction Incentive Scheme (FERIS)	7
31,478	Total amount for Department for Work and Pensions	30,737
6	Department of Transport - Bus operators grant	6
1	Department of Energy and Climate Change - Pioneer Places	-
	- Department of Business & Growth - Regional Growth Fund	-
80	Ministry of Justice - Elections	310
	Other Bodies	
39	Hampshire County Council - Community Safety	19
318	Hampshire County Council	435
74	Other Local Authority Grants	71
	- Esmee Fairbairn	60
239	Arts Council	178
410	Other Contributions	316
11	Natural England	23
36	B&Q	-
24	Partnership for Urban South Hampshire (PUSH)	13
11	Social Services	12
85	Sport England Grant	-
	- Homes & Communities Agency	75
7,877	Capital Grants applied to Services (includes New Homes Bonus Grant)	3,288
9,124	Total amount for Other Bodies	4,490
41,026	Total Grant and Contributions Income Credited to Services	35,805

45 Grant and Contributions Income- continued

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

46 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

Elected members have direct control over the Council's financial and operating policies. During 2016-17 a number of members were involved in various organisations which received funding from the Council; these are listed below. A significant number of members also declared that they were elected members for Parish/Town councils. Any declarations of interest are recorded in the Register of Members' Interests which is open to public inspection.

	£'000
Citizens Advice Bureau(CAB) - Grant towards costs - Member trustee of CAB (5)	180
Asian Welfare & Cultural Association - Grant - Member Trustee of Association (2)	6
Emanuel Baptist Church - Hire of church - Member elder of church (2)	1
Woodside Avenue Developments LLP - Housing Grant - Member & Director are Directors of Aspect Building Communities Ltd and Aspect (Eastleigh) Ltd (3)	5,206
Aspect Building Communities Ltd - Housing Grant - Member & Director are Directors of Aspect Building Communities Ltd and Aspect (Eastleigh) Ltd (1)	85

For each related party above the full balance due in the year 2016-17 has been paid. The figure in brackets indicates the number of payments made during the year.

Officers

Senior Officers have the ability to influence the council. During 2016-17 there were a number of related party transactions between the Council, Woodside Avenue Development LLP and Aspect Building Communities Ltd. These figures are included in the detail above.

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

47 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.

2015-16 £'000	Capital expenditure and capital financing	2016-17 £'000
92,824	Opening capital financing requirement	126,099
35,755	Capital expenditure for non-current assets	66,852
8,032	Revenue expenditure funded from capital under statute	6,535
	Material elements of the above expenditure are stated in the foreword in the tables presented on page 4	
43,787	Total capital investment	73,387
	<u>Sources of finance</u>	
(7,877)	Government grants and other contributions	(3,288)
(713)	Sums set aside from revenue (RCCO & Voluntary Revenue Provision)	(565)
(24)	Use of capital receipts	(71)
(1,912)	Minimum Revenue Provision	(2,182)
14	Adjustment regarding discharge of liability related to IFRIC 12	14
(10,512)	Total sources of finance	(6,092)
126,099	Closing capital financing requirement	193,394
(33,275)	Change in capital financing requirement in the year	67,295

2014-15 £'000	Explanation of movements in year	2016-17 £'000
35,173	Increase in underlying need to borrowing (unsupported by government financial assistance)	69,463
(1,912)	Minimum revenue provision	(2,182)
14	Assets acquired under PFI/PPP contracts	14
33,275	Change in capital financing requirement in the year	67,295

48 Leases - Council as a lessee

Future minimum lease rentals payable are given in the table below, all relating to property. At 31 March 2017 the Council had no vehicle leases or any other operating leases relating to vehicles.

2015-16 £'000	Future minimum lease rentals payable	2016-17 £'000
467	Due within one year	460
1,732	Due later than one year and not later than five years	1,744
1,148	Due after five years	867
3,347	Total Future Minimum Lease Rentals Payable	3,071

NOTES TO THE ACCOUNTS continued

49 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:

2015-16 £'000	Future minimum lease rentals receivable	2016-17 £'000
5,358	Due within one year	6,647
18,319	Due later than one year and not later than five years	23,423
112,316	Due after five years	112,804
135,993	Total Future Minimum Lease Rentals Receivable	142,874

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

50 PFI and Similar Contracts

The Council is currently engaged in a long-term contract with Places for People (formerly 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 Places for People. 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	14	(16)	1
Within two to five years	30	(31)	1

The gross value of the asset written into Other Land and Buildings (part of Property, Plant and Equipment) was £291,000.

51 Impairment Losses

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

52 Capitalisation of Borrowing Costs

The Council has a policy of capitalising interest borrowing costs for the construction and development of assets where the total cost of the non-current asset exceeds £3m. The specific policy is determined on page 33. No interest was capitalised in the year 2016/17.

53 Termination Benefits

In order to continue the ongoing process of realising efficiencies the Council accepted some voluntary redundancy and flexible-retirement request from staff.

54 Defined Benefit Pension Schemes

LGPS funded benefits

The disclosures [below] relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS") [and certain related unfunded liabilities which have been separately disclosed].

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

Funding/Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

54 Defined Benefit Pension Schemes- continued

LGPS funded benefits

Risks associated with the Fund in relation to accounting

Asset volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

Inflation Risk

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life Expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Principal financial assumptions (% per annum)	31 March 2015 % p.a.	31 March 2016 % p.a.	31 March 2017 % p.a.
Discount rate	3.2	3.4	2.6
RPI Inflation	2.9	2.9	3.1
CPI Inflation	1.8	1.8	2.0
Pension increases	1.8	1.8	2.0
Pension accounts revaluation rate	1.8	1.8	2.0
Salary increases	3.3	3.3	3.5

NOTES TO THE ACCOUNTS continued

54 Defined Benefit Pension Schemes (funded) - continued

Mortality assumptions - The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below:

Assumed life expectancy at age 65	31 March 2016	31 March 2017
Males	years	years
Member aged 65 at accounting date	24.6	24.0
Member aged 45 at accounting date	26.7	26.0
Females		
Member aged 65 at accounting date	26.4	27.0
Member aged 45 at accounting date	28.7	29.3

Asset allocation	Value at 31 March 2016	Value at 31 March 2017		Total
	Total	Quoted	Unquoted	
	%	%	%	%
Equities	56.3	56.8	3.5	60.3
Property	8.2	0.5	6.0	6.5
Government bonds	25.7	25.0	0.2	25.2
Corporate bonds	2.1	1.4	0.0	1.4
Cash	4.7	3.4	0.0	3.4
Other *	3.0	0.0	3.2	3.2
	100.0	87.1	12.9	100.0

Reconciliation of funded status to the balance sheet	Value at 31 March 2016	Value at 31 March 2017
	£M	£M
Fair value of assets	79.41	97.74
Present value of funded defined benefit obligation	121.24	145.43
Funded status	(41.83)	(47.69)
Impact of minimum funding requirement/asset ceiling	0.00	0.00
Asset/liability recognised in the balance sheet	(41.83)	(47.69)

The split of the liabilities at the last valuation between the various categories of members is as follows:

Split of the defined benefit obligation at the last valuation date between the various categories of members	Split at 31 March 2017
	%
Active members	32
Deferred Pensioners	19
Pensioners	49
Total	100

NOTES TO THE ACCOUNTS continued

54 Defined Benefit Pension Schemes (funded) - continued

Breakdown of amounts recognised in profit and loss/Surplus or Deficit and Other Comprehensive Income (OCI)	Period ending 31 March 2016 £M	Period ending 31 March 2017 £M
Operating cost		
Current service cost (1)	2.93	2.76
Past service cost (including curtailments)	0.05	0.10
Settlement cost	-	-
Financing cost	1.37	1.38
Interest on net defined benefit liability/(asset)		
Pension expense recognised in profit and loss	4.35	4.24
Remeasurements in OCI		
Return on plan assets (in excess of)/below that recognised in net interest	1.41	(15.86)
Actuarial (gains)/losses due to change in financial assumptions	(4.43)	25.37
Actuarial (gains)/losses due to change in demographic assumptions	-	(1.63)
Actuarial (gains)/losses due to liability experience	(1.18)	(3.67)
Total amount recognised in OCI	(4.02)	4.21
Total Amount recognised	0.15	8.45
Changes to the present value of defined benefit obligation during the accounting period	Period ending 31 March 2016 £M	Period ending 31 March 2017 £M
Opening defined benefit obligation	123.07	121.24
Current service cost	2.93	2.76
Interest expense on defined benefit obligation	3.89	4.08
Contributions by participants	0.79	0.79
Actuarial (gains)/losses on liabilities - financial assumptions	(4.43)	25.37
Actuarial (gains)/losses on liabilities - demographic assumptions	-	(1.63)
Actuarial (gains)/losses on liabilities - experience	(1.18)	(3.67)
Net benefits paid out	(3.88)	(3.61)
Past service cost (including curtailments)	0.05	0.10
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	121.24	145.43

NOTES TO THE ACCOUNTS continued

54 Defined Benefit Pension Schemes (funded) - continued

Changes to the fair value of assets during the accounting period	Period ending 31 March 2016 £M	Period ending 31 March 2017 £M
Opening fair value of assets	78.93	79.41
Interest income on assets	2.52	2.70
Remeasurement gains/(losses) on assets	(1.41)	15.86
Contributions by the employer	2.46	2.59
Contributions by participants	0.79	0.79
Net benefits paid out	(3.88)	(3.61)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	79.41	97.74

Actual return on assets	Period ending 31 March 2016 £M	Period ending 31 March 2017 £M
Expected return on assets	2.52	2.70
Actuarial gains/(losses) on assets	(1.41)	15.86
Actual return on assets	1.11	18.56

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 Local Government Pension Scheme (LGPS) under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations. No pension fund exists to meet these benefits.

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2016.

Principal financial assumptions (% per annum)	31 March 2015 % p.a.	31 March 2016 % p.a.	31 March 2017 % p.a.
Discount rate	3.2	3.4	2.6
RPI Inflation	2.9	2.9	3.1
CPI Inflation	1.8	1.8	2.0
Pension increases	1.8	1.8	2.0

NOTES TO THE ACCOUNTS continued

54 Defined Benefit Pension Schemes (unfunded) - continued

Mortality assumptions - The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below:

Assumed life expectancy at age 65	31 March 2016	31 March 2017
Males	years	years
Member aged 65 at accounting date	24.6	24.0
Females		
Member aged 65 at accounting date	26.4	27.0

Reconciliation of funded status to the balance sheet	Value at 31 March 2016 £M	Value at 31 March 2017 £M
Present value of funded defined benefit obligation	1.48	1.48
Asset/liability recognised in the balance sheet	(1.48)	(1.48)

Breakdown of amounts recognised in profit and loss/Surplus or Deficit and Other Comprehensive Income (OCI)	Period ending 31 March 2016 £M	Period ending 31 March 2017 £M
Operating cost	-	-
Financing cost	0.05	0.05
Interest on net defined benefit liability/(asset)		
Pension expense recognised in profit and loss	0.05	0.05
Remeasurements in OCI		
Actuarial (gains)/losses due to change in financial assumptions	(0.03)	0.10
Actuarial (gains)/losses due to change in demographic assumptions	-	(0.04)
Actuarial (gains)/losses due to liability experience	(0.03)	-
Total amount recognised in OCI	(0.06)	0.06
Total Amount recognised	(0.01)	0.11

NOTES TO THE ACCOUNTS continued

54 Defined Benefit Pension Schemes (unfunded) - continued

Changes to the present value of defined benefit obligation during the accounting period	Period ending 31 March 2016 £M	Period ending 31 March 2017 £M
Opening defined benefit obligation	1.60	1.48
Current service cost	-	-
Interest expense on defined benefit obligation	0.05	0.05
Contributions by participants	-	-
Actuarial (gains)/losses on liabilities - financial assumptions	(0.03)	0.10
Actuarial (gains)/losses on liabilities - demographic assumptions	-	(0.04)
Actuarial (gains)/losses on liabilities - experience	(0.03)	-
Net benefits paid out	(0.11)	(0.11)
Past service cost (including curtailments)	-	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	1.48	1.48

Changes to the fair value of assets during the accounting period	Period ending 31 March 2016 £M	Period ending 31 March 2017 £M
Opening fair value of assets	-	-
Interest income on assets	-	-
Remeasurement gains/(losses) on assets	-	-
Contributions by the employer	0.11	0.11
Contributions by participants	-	-
Net benefits paid out	(0.11)	(0.11)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	0.00	0.00

Sensitivity of Actuarial Assumptions

The table below show the sensitivity of the actuarial assumptions and what impact a 0.1% change would have for each of the assumptions.

	Increase in Assumptions £M	Decrease in Assumption £M
Rate of inflation (adjustment to discount rate +0.1% or - 0.1% Pa)	(2.69)	2.74
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.00	(0.49)
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	2.24	(2.20)
Post retirement mortality assumption (increase or decrease by 1 year)	4.22	(4.21)

NOTES TO THE ACCOUNTS continued

55 Contingent Liabilities

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

2015-16 £'000	Contingent Liabilities	2016-17 £'000
71	Wide Lane Land - dependent on potential changes in land valuation	71
71	Total	71

56 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 2016-17 the income generated from this source was £1,018,485 (2015-16 £534,750). The generation of this income is outside of the Council's control and is not quantifiable for future years.

57 Group accounts

For 2015-16 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.

58 Events after the balance sheet date

Ageas Bowl Refinancing - In 2017/18 Eastleigh Borough Council will be completing a revised financing agreement with RB Hotels Ltd this will secure a more secure longer term income stream for the Council.

59 Date accounts are authorised for issue

These accounts were authorised for issue by the Chief Financial Officer on 30th June 2016.

COLLECTION FUND

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

2015-16		Collection Fund	2016-17	
£'000	£'000		£'000	£'000
63,553		Amounts required by statute to be credited to the Collection Fund	66,835	
		Council Tax (Note 1)		
(26)		Transfers from General Fund:		
58,064		Council Tax Benefits	(21)	
		Income collectable from business rate payers (note 2)	59,250	
	121,591	TOTAL INCOME		126,064
		Amounts required by statute to be debited to the Collection Fund		
		Precepts and demands:		
44,276		Hampshire County Council: Council Tax	46,772	
5,117		Hampshire County Council: Business rates	5,365	
6,712		Police & Crime Commissioner for Hampshire: Council Tax	6,954	
2,618		Hampshire Fire and Rescue: Council Tax	2,713	
569		Hampshire Fire and Rescue: Business rates	596	
5,549		Eastleigh Borough Council: Council Tax	5,637	
22,740		Eastleigh Borough Council: Business rates	23,846	
2,695		Parish Councils: Council Tax	2,746	
	90,276			94,629
		Business rates:		
28,425		Payment to DCLG	29,807	
151		Costs of collection	151	
71		Provision for appeals	169	
	28,647			30,127
		Impairment of debts:		
48		Council Tax write offs	43	
110		Business rates write offs	445	
158		Increase/(decrease) in provision for bad debts	(156)	
	316			332
		Contributions/transfers towards previous year's estimated Collection Fund surplus/deficits (CT & NDR)		
181		Government	570	
1,184		Hampshire County Council	1,534	
171		Police & Crime Commissioner for Hampshire	217	
72		Hampshire Fire and Rescue	96	
354		Eastleigh Borough Council	723	
	1,962			3,140
	121,201	TOTAL EXPENDITURE		128,228
		MOVEMENT ON FUND BALANCE		
60		(Deficit)/Surplus for year: Council Tax	(71)	
330		(Deficit)/Surplus for year: Business rates	(2,093)	
	390			(2,164)
3,495		Balance brought forward Council Tax	3,555	
250		Balance brought forward Business rates	580	
	3,745			4,135
3,555		Balance carried forward Council Tax	3,484	
580		Balance carried forward Business rates	(1,513)	
	4,135			1,971

NOTES TO THE COLLECTION FUND

Note 1 - Council Tax Base for 2016-17 by banding

Band	Value Range	No. of dwellings	Ratio to Band D	Band D equivalents
A-	Band A with disabled reduction	5.40	5/9	5.0
A	Up to £40,000	2,365.30	6/9	2,190.7
B	£40,001 to £52,000	7,927.20	7/9	7,342.0
C	£52,001 to £68,000	14,439.10	8/9	13,373.1
D	£68,001 to £88,000	8,948.30	9/9	8,287.7
E	£88,001 to £120,000	8,252.40	11/9	7,643.2
F	£120,001 to £160,000	3,890.60	13/9	3,603.4
G	£160,001 to £320,000	1,639.20	15/9	1,518.2
H	Over £320,000	35.50	18/9	32.9
Summary of band D equivalents				43,996.0
Reduction for non collection				-659.9
Local Tax Base (expressed to one decimal place)				43,336.1

Note 2 - Rateable values used for Business ratepayers

2015-16		2016-17
133,849,888	Total rateable value as at 31 March	133,109,769
49.3p	National Non-Domestic Rate for the year	49.7p
48.0p	Small business rate relief	48.4p

Note 3 - Collection Fund allocation of surplus

The fund surplus of £1,971,000 shown at the bottom of page 87, is attributed to the following bodies:

Attributable parts of the Collection Fund surplus as at 31 March 2017		£000
Hampshire County Council:	Council Tax	2,524
	Business rates	(136)
Police & Crime Commissioner for Hants:	Council Tax	372
Hampshire Fire and Rescue:	Council Tax	145
	Business rates	(15)
Eastleigh Borough Council:	Council Tax	444
	Business rates	(606)
Central Government:	Business rates	(757)
Collection Fund surplus shown on page 87		1,971

2015-16 £'000	Reconciliation of the amount shown as demand on the Collection Fund relating to Council Tax (see page 12)	2016-17 £'000
5,549	Precepts and demands from Eastleigh Borough Council	5,637
209	Surplus contributable to Eastleigh Borough Council	266
2,695	Precepts and demands from Parish and Town Councils	2,746
-	Community charge surplus to Eastleigh Borough Council	-
8,453		8,649
6	Change to accruals accounting in relation to main demand	(23)
8,459	Sum included in Comprehensive Income & Expenditure Statement	8,626

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”.

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.

Business Rates Retention – revised scheme of National Non-Domestic Rating introduced as from 1st April 2013. The Government methodology behind the rating process is that the scheme provides for Local Authority stimulation and growth in relation to commercial property located in its area.

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 revenue 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.

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

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.

Prudential Code Borrowing - This is specified in detail within Statutory Instruments issued in relation to the Local Government Finance Act 2003. The Council use it to borrow for capital items only after a full appraisal is undertaken to determine that it is prudent.

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.

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

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.

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.

NOTES - INDEX (in alphabetical order)

Notes - Index	Page No	
2	Accounting standards that have been issued but have not yet been adopted	35
1.04	Accruals of Income and Expenditure	18
32g	Accumulated Absences Account	63
38	Acquired and discontinued operations	68
7	Adjustments between accounting basis and funding basis under regulations	37
40	Agency services	70
37	Amounts reported for resource allocation decisions	66
6	Assumptions made about the future and other major sources of estimation uncertainty	37
1.01	Basis of Preparation	17
1.28	Borrowing Costs Eligible for Capitalisation	33
32c	Capital adjustment account	60
47	Capital expenditure and capital financing	77
30	Capital grants receipts in advance	58
52	Capitalisation of Borrowing Costs	78
1.06	Cash and Cash Equivalents	19
24	Cash and cash equivalents	57
36	Cash Flow statement - Adjustment of net (surplus) or deficit on the provision of services for non cash movements	65
33	Cash Flow statement - Cash Operating activities	64
35	Cash Flow statement - Financing activities	64
34	Cash Flow statement - Investing activities	64
1.09	Charges to Revenue for Non-Current Assets	20
32f	Collection Fund Adjustment Account	63
56	Contingent Assets	86
55	Contingent Liabilities	85
17	Contractual Commitments	50
3	Critical judgements in applying accounting policies	35
59	Date accounts are authorised for issue	86
32d	Deferred Capital Receipts Reserve	62
54	Defined Benefit Pension Schemes	79
1.10	Employee Benefits	20
1.11	Events after the Balance Sheet date	21
58	Events after the balance sheet date	86
1.07	Exceptional Items	19
43	Exit packages regarding compulsory and other departures	73
44	External Audit Costs	73
15	Finance Lease Asset	49
1.27	Finance Leases	32
1.12	Financial Instruments	21
19	Financial Instruments	50
32b	Financial Instruments Adjustment Account	60
1.05	Foreign Currency Translation	18
1.03	General Principles	18
45	Grant and Contributions Income	74
57	Group accounts	86
1.20	Heritage Assets	28
10	Heritage assets - 5 year summary of transactions	47
11	Heritage assets - further information	47
51	Impairment Losses	78
13	Income and expenditure in relation to Investment properties & changes in their fair value	48

Note - Index - continues on the following page

NOTES - INDEX (in alphabetical order)

Notes - Index - continued	Page No
1.14 Intangible Assets	24
14 Intangible assets	49
22 Inventories	56
1.15 Inventories (Stocks)	24
1.16 Investment Property	25
12 Investment Property	48
1.02 Judgements and estimations	17
48 Leases - Council as a lessee	77
49 Leases - Council as a lessor	78
1.30 Long Term Contracts	33
18 Long term debtors	50
28 Long-term borrowing	58
16 Long-term Investments	50
4 Material items of income and expense	36
41 Members' allowances	70
1.29 Minimum Revenue Provision (MRP)	33
20 Nature and extent of risk arising from financial instruments	51
1.19 Non-Current Assets - Property, Plant and Equipment	25
1.21 Non-Current Assets Classified as Held For Sale	30
42 Officers' remuneration	70
1.26 Operating Leases	32
29 Other long Term liabilities	58
1.17 Overheads and Support Services	25
32e Pensions Reserve	62
50 PFI and Similar Contracts	78
5 Prior period adjustment	36
1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors	19
1.22 Private Finance Initiative (PFI)	30
9 Property, plant and equipment (PPE)	45
27 Provisions	58
1.23 Provisions, Contingent Liabilities and Assets	31
46 Related Party Transactions	76
1.00 Reporting Entity	17
1.24 Reserves	32
1.31 Retirement Benefits	34
32a Revaluation reserve	59
1.25 Revenue Expenditure Funded from Capital Under Statute (REFCUS)	32
1.13 Revenue Grants and Contributions	23
26 Short Term Creditors	58
23 Short Term Debtors	57
25 Short-term borrowing	57
21 Short-term investments available for sale	56
53 Termination Benefits	79
39 Trading operations	69
8 Transfers to/from earmarked reserves	42
32 Unusable reserves	59
31 Usable reserves	59
1.18 Value Added Tax (VAT)	25