



Statement of Accounts and Annual Governance Statement 2018 - 19

RUSHMOOR
BOROUGH COUNCIL

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Narrative Statement from the Chief Financial Officer

ORGANISATIONAL OVERVIEW AND ENVIRONMENT

1. An introduction to Rushmoor

The Borough of Rushmoor, with an estimated population of around 95,800, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.



The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north.

The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, and works continue on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which will provide an additional 3,850 properties over the next fourteen years.

2. Council services and purpose

Rushmoor Borough Council (RBC) delivers more than 100 local services to the communities of Aldershot and Farnborough, including core services such as rubbish and recycling collection, street cleaning, planning, environmental health, housing, parks and leisure facilities.

The Council is more complex than ever before and plays an essential role in broad areas like engaging with and where necessary, supporting local communities and business, helping the most vulnerable in society and making sure our Borough continues to develop and thrive economically with an extensive regeneration programme.

There are significant financial challenges faced by Rushmoor and other Councils across the Country due to Government's austerity measures and funding policies, which have put increasing pressure on local public sector finances. The Council has effectively managed its resources through these challenges with sound financial management. The next few years, however, will be particularly demanding as we work towards meeting reductions in our budgets and unknown impacts of central government funding reviews and implications of Brexit.

ORGANISATIONAL MODEL

3. Political Structure of the Council in the 2018/19 Municipal Year

Rushmoor has 13 wards and the Council consists of 39 elected Members. The political make-up of the Council during 2018/19 was as stated below:

Party	Councillors
Conservative	26
Labour	11
Liberal Democrat	1
Independent	1
Total number of elected members	39

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

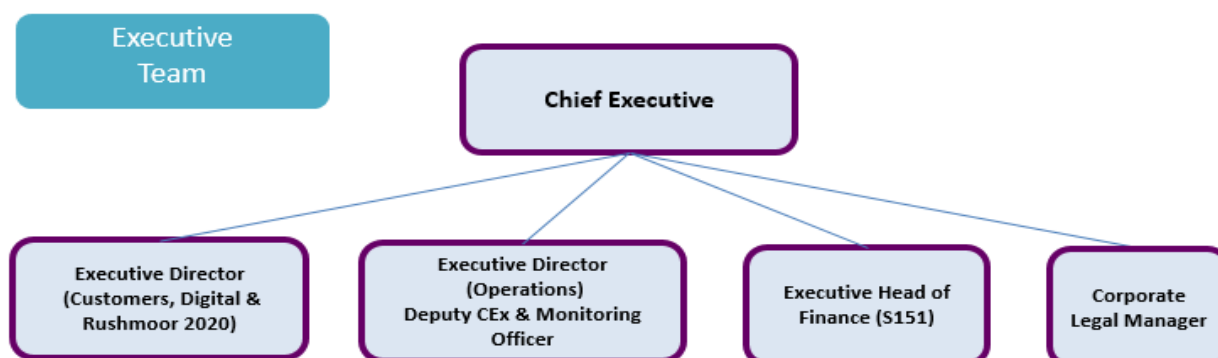
4. Management Structure of the Council

The Council has two senior management boards. Executive Leadership team (ELT), which consists of the Chief Executive, two Executive Directors, Executive Head of Finance and Corporate Legal Services Manager. ELT consider and co-ordinates the strategic direction of the Council. The second board is the Corporate Leadership Team (CLT), consisting of the Chief Executive, two Executive Directors and Heads of Service. The CLT considers and co-ordinates the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

The Executive Head of Finance (Chief Financial Officer) and Executive Director of Operations, as Monitoring Officer, are both members of CLT and ELT, ensuring that these key statutory roles have on-going access to the most senior level of the Council.

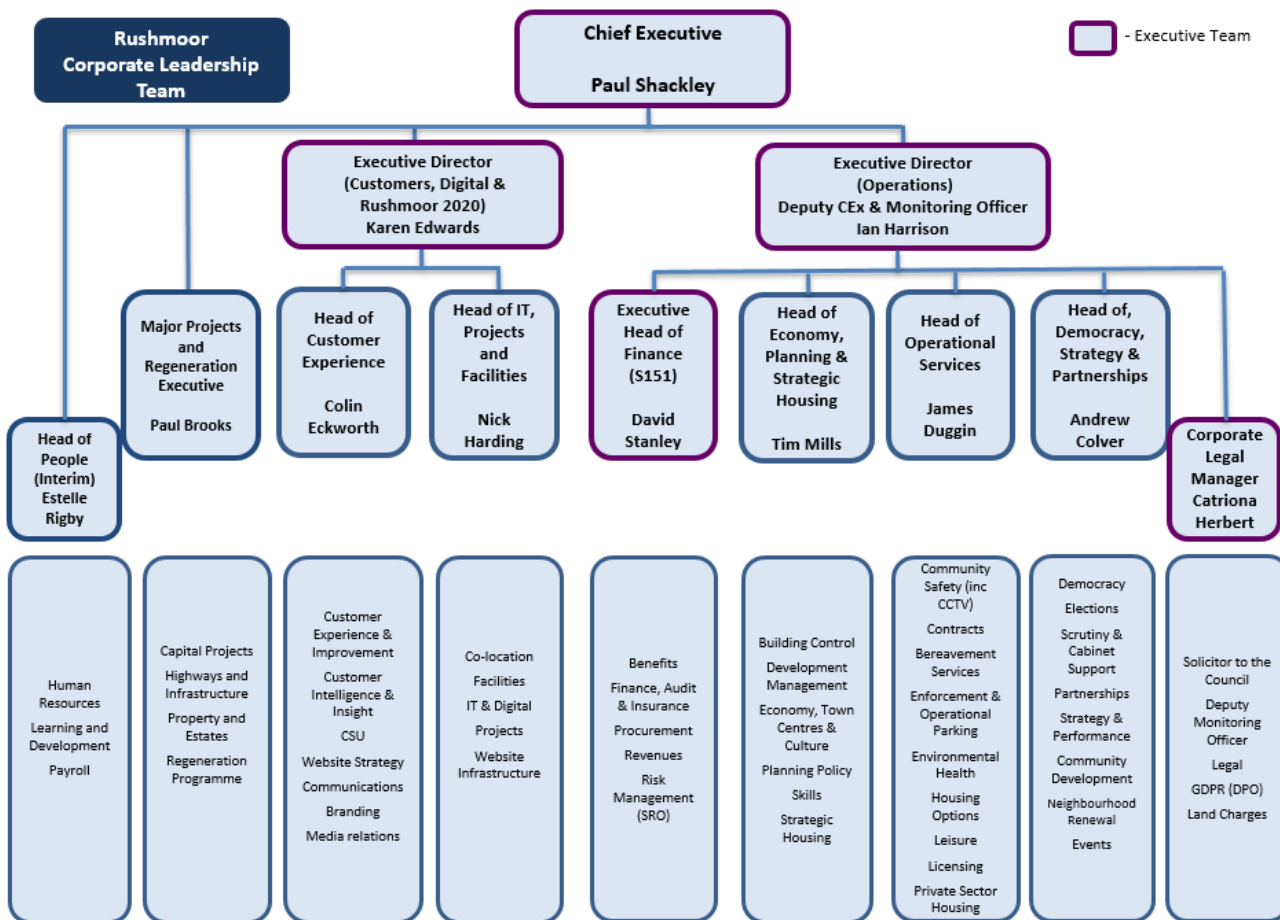
An outline of the structure is as follows:

Executive Leadership Team (ELT)



4. Management Structure of the Council (continued)

Corporate Leadership Team (CLT)



GOVERNANCE

5. Governance arrangements

Governance arrangements are outlined within the Annual Governance Statement on page 78 of this document.

RISK AND OPPORTUNITIES

5. Risks Management

A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. We believe that our performance monitoring, both financial and non-financial, our governance arrangements and our focus on the sustainability of the organisation, mitigates the risks we are facing and we are well placed to respond to the ever-changing environment.

Set out on the following page are the key risks from the Council’s Corporate risk register:

5. Risks Management (continued)

Risk	Impact	Mitigation
Large Regeneration Projects	<ul style="list-style-type: none"> • Risk to financial viability of schemes - external influences such as market values • Affordability to Authority • Risk of legal challenge during compulsory purchase option (CPO) • Risk of further decline in town centres, effecting local economy • Partner commitment e.g. other landowners & competing priorities • Holding costs during assembly of project 	<ul style="list-style-type: none"> • Farnborough Civic Quarter Master Plan • Regular oversight meetings with Elected Members • Bids being made for external funding • Investigating sharing risk through partnership with private developers • Legal advice sought on CPO • Robust regeneration functions with access to appropriate levels of expertise and resource fully established during 2018/19. • Public engagement around major projects.
IT: Information Assurance / Security	<ul style="list-style-type: none"> • Risk of system compromise / data breach / data loss and service loss. 	<ul style="list-style-type: none"> • Data/system access controls • Annual penetration testing • Annual security e-learning training for all staff • Annual gap analysis audit • Combine with Business Continuity exercise and breach procedures test by end Q2 2018/19 - incorporating new IT backup systems • GDPR working group work
Safeguarding Arrangements Safeguarding duties under Children's Act - adults and children	<ul style="list-style-type: none"> • Potential for serious injury, death etc. • Reputational impact to the Council • Fines and loss of confidence in service users. • Decrease morale from workers involved with service provision. 	<ul style="list-style-type: none"> • E-learning module has been developed for staff and will form part of all staff induction • Safeguarding to be included in staff contracts (new & renewed) • Champions being provided enhanced training • Referral process in place
T19 Hampshire County Council (HCC) Transformation Programme		
A) Parking Enforcement changes	A) Potential loss of jobs in back office (TUPE).	A) Meetings held with other Local Authorities and HCC
B) Agency agreements ending	B) Potential loss of traffic management agency work and posts (TUPE). No financial impact - major loss in control/influence.	B) Meetings held to discuss proposals
C) Waste disposal contract changes	C) Potentially significant impact on the RBC waste contract.	C) Meetings held by IH with HCC to discuss proposals. Long-term minimum 5 year project.
D) Waste recycling centres closure	D) Increased waiting times for recycling centres.	D) Watching brief followed by action to mitigate impact on RBC if possible
E) Social inclusion service funding changes	E) Potential risk of reduction in support services for vulnerable homeless	E) Seeking advice from Local Government Association on provision of temporary accommodation for homeless people.

STRATEGY AND RESOURCE ALLOCATION

6. The Council Plan – “Listen, Learn, Deliver Better”

One of the key strategic documents that frame the actions of the Council is the Council’s Corporate Plan. This document exists to help elected Members, staff and partners work together to deliver the vision for Rushmoor. It sets out our priorities – what we are doing and why.

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet’s priorities and its monitoring of performance.

The Corporate Plan is divided into four priority themes that support the overall purpose to work with others to improve the quality of people’s lives as follows:

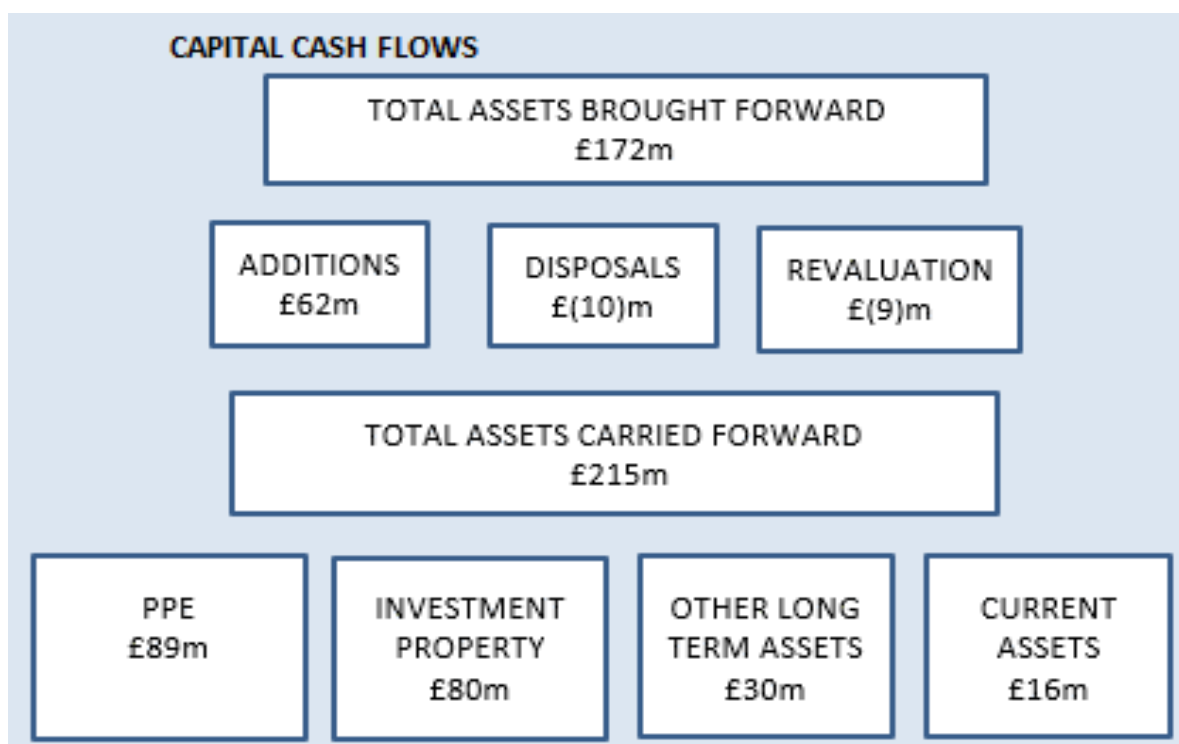


7. Resource Allocation

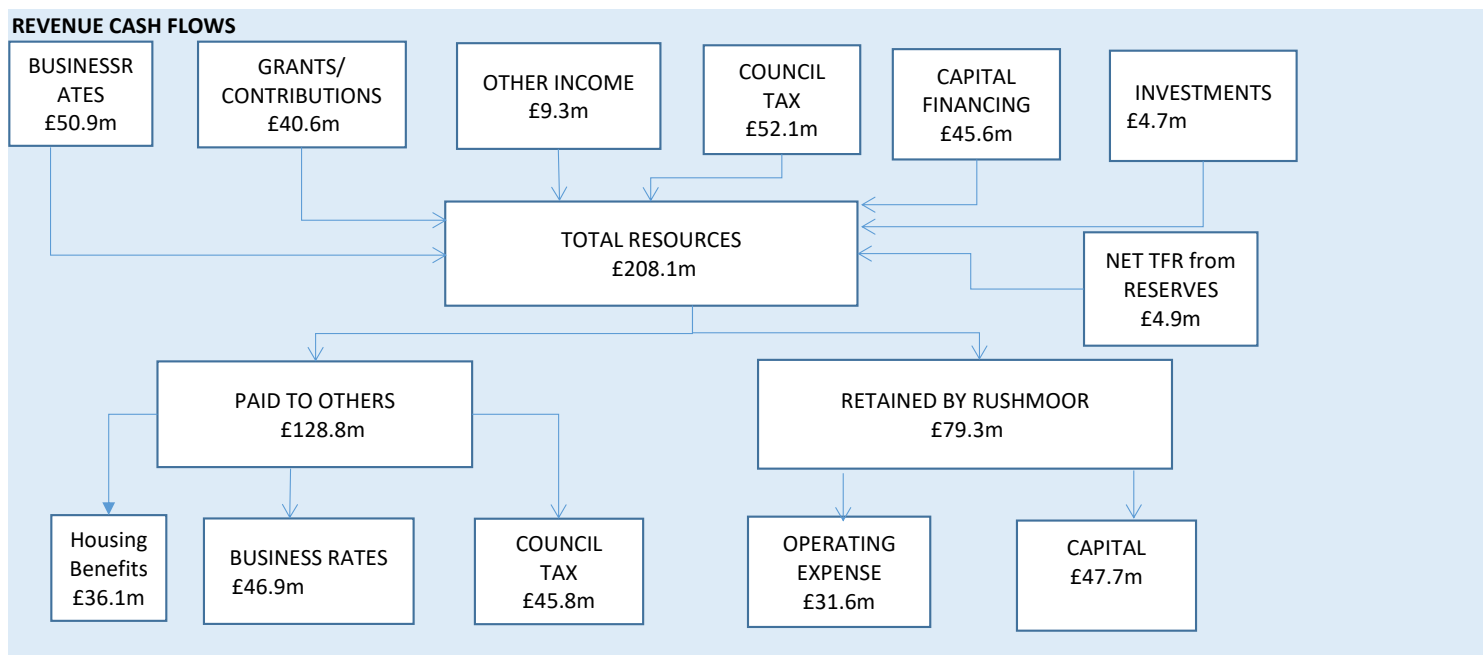
Rushmoor Borough Council manages cash flows of £208.1m and assets exceeding £215m by:

- Holding a General fund balance of £2m
- Collecting £51.4m of business rates. 60% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £19.8m
- Collecting £52m of Council tax payments. 88% of Council Tax collected is passed onto central government, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £6.1m
- Managing a £199m portfolio of land, building and other assets that generates £4.7m of income. Receiving grants and contribution of £40.6m mainly from central government.
-

Total capital cash flows through the Council are shown below:



Total revenue cash flows through the Council are shown below:

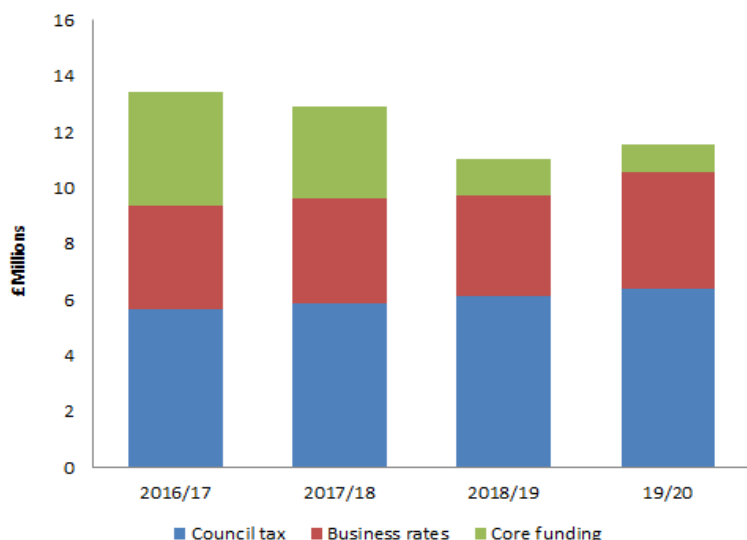


FINANCIAL PERFORMANCE

8. Core Funding

The Council, in line with other shire districts continues to experience an increasing reduction in core government funding. The Government’s aim is to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2020/21 financial year. The reduction in core funding places greater pressure on Council Tax now and will continue to do so in future years.

Core funding trend:

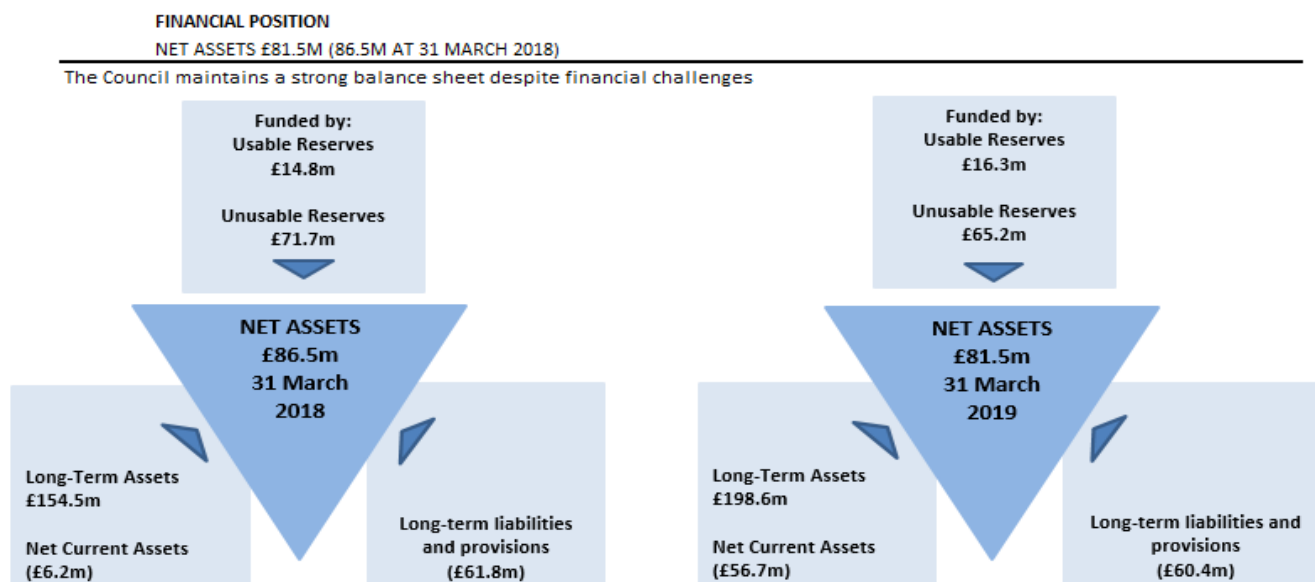


The increase in business rates marginally offsets the reduction in Council Tax. To address future challenges and reinvest in the Borough, Council Tax has increased by 2.99% in 2018/19 from 2017/18 for an equivalent Band D property, raising an additional £178k for the Council.

9. Financial position

The Council has maintained a strong financial position against the backdrop of reduced government funding by £2,032k between 2017/18 and 2018/19.

Liquidity ratio (a measure of the Councils' ability to cover short term obligations) has declined from 0.74 in 2017/18 to 0.22.



10. Capital

The Council has an ambitious five-year capital programme of £171.87m. The Capital Programme for 2018/19 and beyond will deliver a range of benefits that aim to achieve the Council's objectives:

- Invest to save schemes and property investment schemes, which will generate additional income streams for the Council
- Investment in local amenities such as football pitches and playgrounds, mainly funded by developers' contributions
- Continued investment in our town centres and the links to the new Wellesley development
- Development of a site for the provision of a depot for the Council's Waste, Recycling and Street Cleansing services

The table below shows the revised capital programme for 2018/19 and the indicative programme for following four year period 2019/20 to 2022/23:

	FIVE YEAR PLAN								Total £000
	Estimate 2018/19	Outturn 2018/19	Carry forward 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23		
	£000	£000	£000	£000	£000	£000	£000	£000	
EXPENDITURE									
Corporate and Democratic Services	1,497	1,433	64	1,224	-	-	-	2,721	
Customer Experience and Improvement	330	288	1,510	321	95	75	-	2,289	
Major Projects and Property	40,173	43,125	31,991	34,492	16,219	27,561	1,372	154,760	
Operational Services	3,637	3,199	303	3,510	2,405	1,205	1,205	11,827	
Planning and Economy	100	-	100	120	50	-	-	270	
Total Expenditure	45,737	48,045	33,968	39,667	18,769	28,841	2,577	171,867	
FUNDING									
Grants and other Contributions	2,929	1,871	1,058	10,462	3,248	2,498	998	20,135	
Developers' Contributions	131	121	10	810	-	-	-	941	
Capital Receipts/Borrowing	42,677	46,053	32,900	28,395	15,521	26,343	1,579	150,791	
Total Funding	45,737	48,045	33,968	39,667	18,769	28,841	2,577	171,867	

OUTLOOK

11. Future challenges

The Council's Medium Term Financial Strategy (MTFS) updated in 2018/19 reflects the Council's best estimate of what may occur in 2019/20 through to 2022/23, taking into account reduced government funding, continuing demand for local services, the need to promote the local economy and potential implication of Brexit.

The MTFS sets out a path to balance the Council's budget, innovate and seek efficiencies. Within the Council is an ethos of reviewing its internal processes and monitoring for economy, efficiency and effectiveness. Through sound financial stewardship, the Council continues to maintain its core services while delivering challenging savings.

The Council is committed to undertaking significant investment in the local economy through ambitious regeneration programmes that are shown in the Council's capital programme. Through the Council's investment property strategy and regeneration, the Council is increasing the potential business rate and investment income, while also providing socio-economic benefits to Aldershot and Farnborough.

To meet the financial challenges in 2018/19, the Council needed to reduce net spending requirement by £1.55m.

This has mainly been achieved by:

- Tighter budget control through increased use of virements
- Increased scrutiny of additional budget requests and further efficiency focus for budget holders
- Contract management and re-tendering of significant contracts
- Increasing income from investment activity

There are still risks that could affect the Council's financial position, which include:

- **Increased localism of Business rates:** At least 75% localism is still expected by 2020, and the current retained business rates is above the Council's baseline funding position. Therefore, any reset of the baseline to take account of growth achieved to date, may impact on the Council's finances.
- **Fair Funding Review:** Government funding is only known up to 2019/20. The Government has consulted on the funding formula and the methodologies that should be used to determine future funding. However, there is still uncertainty in terms of the funding allocation for the Council.
- **Reliance on income from investment activity:** The council has increased its reliance on income from investment properties from 6.2% of gross service expenditure in 2018/19 to 14.5% in 2019/20. Any short fall in income from investment property will have an increase adverse effect on service delivery. To mitigate future variable income flow a Commercial Property Reserve is being set up in 2019/20 funding by current income receipts from property.
- **Changes to New Homes Bonus:** This source of funding may be subject to change as the Government plans to change the incentive scheme in future years. The Council received £1.095m in 2018/19, with £1.011m awarded for 2019/20. The loss of such funding is a significant risk as the Council expects to deliver a large increase in new homes over the next 3 years.
- **Brexit:** The impact of the UK leaving the European Union is difficult to quantify as the current terms and timing of the exit are unknown. The Council has a number of income streams that are linked to economic performance, including fees and charges, treasury management investment and commercial investments. A significant down turn in economic performance, could potentially reduce disposal income of the Council's demographic, erode investment fund performance, reduce commercial property values and increase vacancies and defaults within the commercial property portfolio. The Council has received limited funding of £34k from central government to address the impact of exiting the EU, which is very unlikely to cover the impact of a bad deal.

- **COVID 19:** The impact from Covid-19 is not yet fully understood, but it is anticipated that Covid-19 will have a significant impact on the UK and global economy over the short to medium term.

Given Covid-19 did not exist at the balance sheet date (31 March 2019), it is considered as a non-adjusting event for which a limited estimate of the financial effect on the reporting entity (Rushmoor Borough Council) can be made at the balance sheet date. It is noted that the financial impact for 2019/20 and future years may be greater with consideration of the financial implications on the Balance Sheet in relation to asset valuations/impairments and the pension fund liability measurement, as at the relevant balance sheet dates.

Whilst any future financial implications of such asset and liability valuation movements would be recognised within the Comprehensive Income and Expenditure Statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council Tax payer.

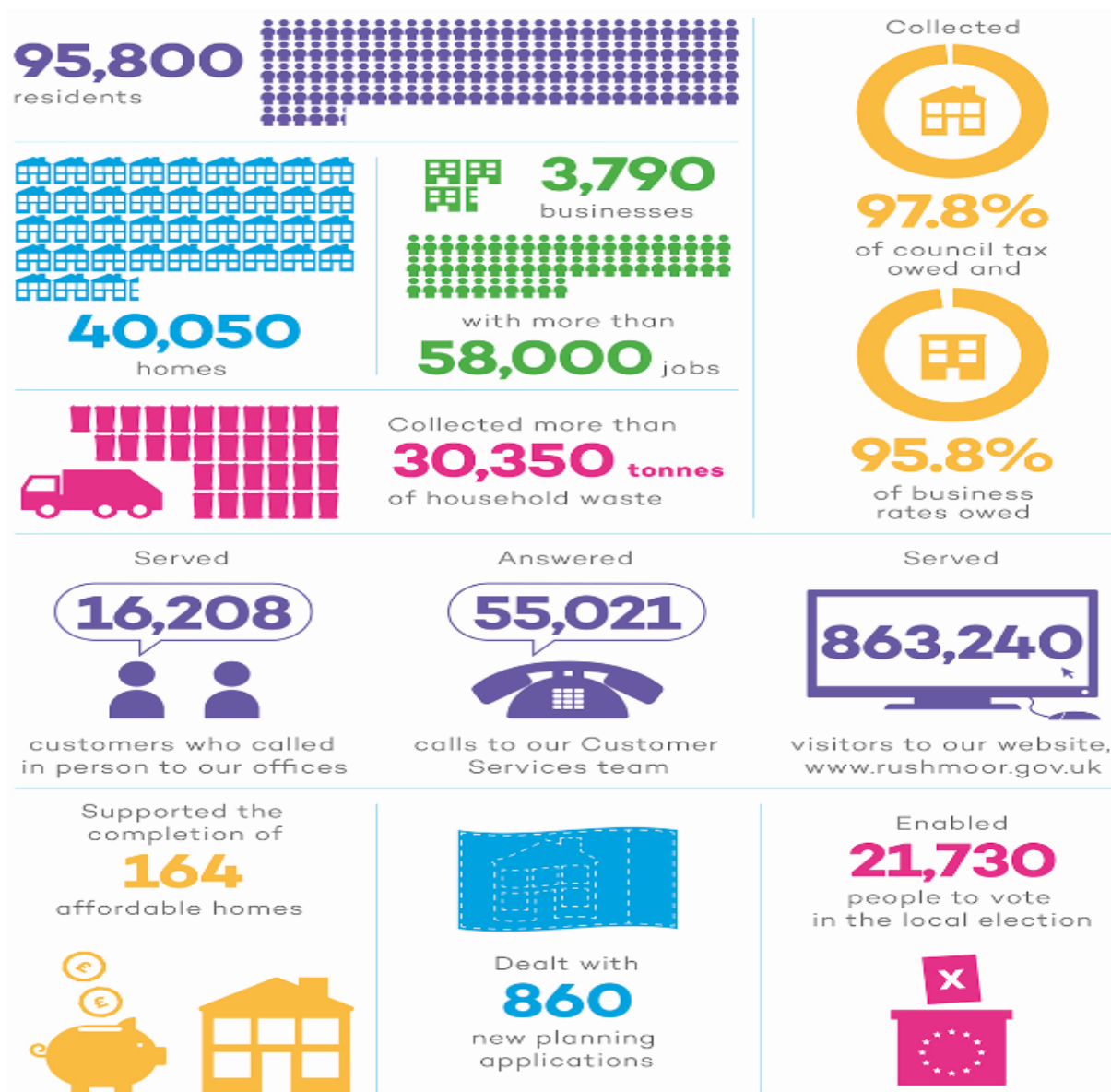
12. Non-Financial Performance of the Council

During 2018/19, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs. As the financial statements demonstrate, the Council continues to maintain a sound financial position.

We have established good financial management processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

The Council's Quarter 4 Corporate Performance Monitoring report can be found on the RBC website at Cabinet meeting - 28th May 2019 - Rushmoor Borough Council and contains extensive performance data relating to each of the Council's four themes. This includes Community Safety data such as local crime rates, educational attainment, benefit caseloads and local economic data. In addition, it provides progress reports against key schemes within the Council's Listen, Learn, Deliver Better corporate plan for achieving financial sustainability as well as the Organisation Development Programme.

The graphic below provides some useful quantitative information about the Council:



BASIS OF PREPARATION AND PRESENTATION

13. Explanation of accounting statements

The Statement of Accounts set out the Council's income and expenditure for the year, and its financial position at 31st March 2019.

The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2018/19, in turn underpinned by International Financial Reporting Standards.

The Core statements are:

- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific purposes. Page 14
- The **Comprehensive Income and Expenditure Statement** records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing. Page 15
- The **Balance Sheet** is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year. Page 16
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities. Page 17

The supplementary financial statements are:

- The **Expenditure and Funding Analysis** shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement. Page 29
- The **Collection Fund Statement** is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting Authorities, Central Government and its own General Fund. Page 75
- The **Independent Auditor's Report** provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Page 78
- The **Annual Governance Statement** sets out the governance structure of the Council and its key internal controls. Page 82

Receipt of further information

Further information about the statements is available from the Executive Head of Finance, Council Offices, Farnborough Road, Farnborough, Hampshire GU14 7JU. The statements are also available on the Council's website – www.rushmoor.gov.uk

Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work and dedication of staff across the Council. I would like to thank my colleagues both in Financial Services and from other departments, who have played a role in the preparation of this document.

David Stanley
Executive Head of Finance and Chief Financial Officer

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.

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Rushmoor Borough Council and its income and expenditure for the year ended 31st March 2019.

David Stanley
Chief Financial Officer
Date: 23rd November 2020

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Licensing, Audit and General Purposes Committee on

Cllr. S. Masterson
Chair of Licensing, Audit and General Purposes Committee
Date: 23rd November 2020

Movement in Reserves Statement

This Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
31 March 2017	10,453	5,863	1,651	17,967	68,416	86,383
Total Comprehensive Income and Expenditure	(528)	-	-	(528)	658	130
Adjustments between accounting basis and funding basis under regulations (Note 8) on Page 38	1,900	(4,612)	49	(2,663)	2,663	-
Net increase/(decrease)	1,372	(4,612)	49	(3,191)	3,321	130
31 March 2018	11,825	1,251	1,700	14,776	71,737	86,513
Transition to IFRS 9 and IFRS 15	-	-	-	-	(80)	(80)
Opening balance 1 April 2018	11,825	1,251	1,700	14,776	71,657	86,433
Total Comprehensive Income and Expenditure	(15,459)	-	-	(15,459)	10,523	(4,936)
Adjustments between accounting basis and funding basis under regulations (Note 8) on Page 39	17,699	(475)	(239)	16,985	(16,985)	-
Net increase/(decrease)	2,240	(475)	(239)	1,526	(6,462)	(4,936)
31 March 2019	14,065	776	1,461	16,302	65,195	81,497

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated	Restated	Restated	Comprehensive Income and Expenditure Statement	2018/19		
2017/18				Gross Exp	Income	Net Exp
Gross Exp £000	Gross Income £000	Net Exp £000		£000	£000	£000
42,097	(36,929)	5,168	Corporate & Democratic Services	42,970	(36,225)	6,745
11	-	11	Customer Experience & Improvement	10	-	10
3,431	(3,426)	5	Major Projects & Property	4,918	(4,304)	614
14,275	(7,338)	6,937	Operational Services	22,464	(8,297)	14,167
4,215	(1,927)	2,288	Planning & Economy	4,312	(1,872)	2,440
64,029	(49,620)	14,409	Cost of services - continuing operations	74,674	(50,698)	23,976
103	(912)	(809)	Other Operating Expenditure (Note 10)	32	(54)	(22)
2,322	(3,623)	(1,301)	Financing and Investment Income and Expenditure (Note 11)	6,707	(3,630)	3,077
16,514	(28,285)	(11,771)	Taxation and Non-Specific Grant Income and Expenditure (Note 12)	17,300	(28,872)	(11,572)
82,968	(82,440)	528	(Surplus) or Deficit on the Provision of Services	98,713	(83,254)	15,459
	(848)		(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 24)		(5,613)	
	190		Remeasurement of the net defined benefit liability/(asset) (Note 24)		(4,910)	
		(658)	Other Comprehensive Income and Expenditure			(10,523)
		(130)	Total Comprehensive Income and Expenditure			4,936

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 2018	Balance Sheet	31 March 2019	
£000		£000	Notes
85,934	Property, Plant & Equipment	88,461	13
258	Heritage Assets	258	
46,093	Investment Property	79,915	14
766	Intangible Assets	624	15
15,179	Long-Term Investments	22,304	17
6,312	Long-Term Debtors	7,003	17
154,542	Long-Term Assets	198,565	
9,253	Short-Term Investments	-	17
6,010	Short-Term Debtors	14,536	18
2,575	Cash and Cash Equivalents	1,355	19
17,838	Current Assets	15,891	
12,429	Short-Term Borrowing	59,929	20
11,325	Short-Term Creditors	12,285	21
354	Other Short-Term Liabilities	359	17
24,108	Current Liabilities	72,573	
3,278	Long-Term Provisions	4,407	22
1,714	Long-Term Borrowing	1,286	23
53,274	Other-Long Term Liabilities	51,025	23
3,493	Capital Grants Receipts in Advance	3,668	33
61,759	Long Term Liabilities	60,386	
86,513	Net Assets	81,497	
14,776	Usable Reserves	16,302	MIRS
71,737	Unusable Reserves	65,195	24
86,513	Total Reserves	81,497	

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).

2017/18 £000	Cash Flow Statement	2018/19 £000
(443)	Net surplus or (deficit) on the provision of services	(15,459)
809	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 25	9,496
(484)	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities - see Note 26	-
(118)	Net cash flows from Operating Activities	(5,963)
(5,238)	Investing Activities - see Note 28	(44,444)
2,906	Financing Activities - see Note 29	49,187
(2,450)	Net increase or (decrease) in cash and cash equivalents	(1,220)
5,025	Cash and cash equivalents at the beginning of the reporting period	2,575
2,575	Cash and cash equivalents at the end of the reporting period	1,355

The Council's cash flow statement has been compiled using the indirect method whereby the statement is prepared using the Surplus or Deficit on the Provision of Services and cash flows are derived by adjusting for non-cash items, removing the effect of accruals and extracting transactions relating to investing or financing activities.

1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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. In accordance with application accounting framework, these accounts are prepared on a going concern basis.

ii. Accruals of Income and Expenditure

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

- revenue from contracts with service recipients, whether for services or provision of goods, is recognised when (or as) the goods or service are transferred to the service recipient in accordance with performance obligations in the contract
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash and cash equivalents includes all bank accounts including overdrafts that are an integral part of the Authority's cash management.

Cash is represented by cash in hand and deposits with financial institutions repayable without any penalty on notice of not more than 24 hours.

Cash equivalents are deposits held with financial institutions that mature in no more than one month or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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.

v. 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 non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. These costs are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post Employment Benefits

The Council participates in the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest cost on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Hampshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

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

vii. Events After the Reporting Period

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

Two types of events can be identified:

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

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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, 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.

The Council borrowed funds for the purposes of capital expenditure in 2018/19, and therefore has a capital financing requirement in excess of zero at 31st March 2019. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council’s contract for Waste, Recycling and Grounds Maintenance. The amount presented in the Balance Sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

Financial Assets

Financial assets are classified based on the classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payment are not solely payment of principle and interest.

Financial Assets Measured at Amortised Cost

Financial assets are measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and 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 (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL (previously classified as Available For Sale assets at 31 March 2018) 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.

Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurements techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement data.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES and are balanced by entries in the Pooled Investment Fund Adjustment Account (PIFAA)

IFRS 9 Financial Instruments sets out that investments in equity should be classified as FVPL unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council has not elected equity instrument and therefore all equity investments are recorded as FVPL instruments.

Expected Credit Loss Model

The Council recognises expected credit loss on all its financial assets held at amortised cost or FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

No impairment losses are recognised for pooled funds.

ix. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

x. Heritage Assets

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and a statue. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area.

xi. Intangible Assets

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

The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2017/18 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head & Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xiv. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to either the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement or the relevant service line in the net cost of services. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xvi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that have an expected useful life of more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably (subject to a de-minimus capitalisation threshold of £10,000). Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

Assets are carried in the Balance Sheet using the following measurement bases:

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all material Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Componentisation is considered where the carrying value of the asset is greater than £500,000 and the value of the component is at least 20% of the carrying value.

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

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xvii. Provisions and Contingent Liabilities

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xviii. Reserves

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

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

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xx. VAT

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

xxi. 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 £1m,
- Scheme capital expenditure results in an asset or revenue income stream,
- Duration of scheme creation is more than one financial year.

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

For 2019/20 the list of standards are as below:

IFRS 16 Leases

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2020. The Council does not have any material leases within the scope of the new standard that are not already included in Balance Sheet.

IAS40 Investment Property: Transfers of Investment Property

Provides further explanation of the instances in which property can be reclassified as investment property. There is no material impact as the Council already complies.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 classifies the treatment of payments in a foreign currency made in advance of obtaining or delivering service or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides additional guidance on income tax treatment where there is uncertainty. There will be no material impact on the Council.

IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

IFRS 9 has been amended to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principle and interest. The Council has loan to which this applies.

3 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Net Expenditure chargeable to the General Fund	2017/18 Adjustments between Accounting and Funding Basis	2017/18 Net Expenditure charged in the CIES		2018/19 Net Expenditure chargeable to the General Fund	2018/19 Adjustments between Accounting and Funding Basis	2018/19 Net Expenditure charged in the CIES
Restated £000	Restated £000	Restated £000		£000	£000	£000
5,546	(378)	5,168	Corporate & Democratic Services	5,596	1,149	6,745
(636)	647	11	Customer Experience & Improvement	(565)	575	10
(1,849)	1,854	5	Major Projects & Property	(2,397)	3,011	614
5,632	1,305	6,937	Operational Services	5,259	8,908	14,167
1,868	420	2,288	Planning & Economy	2,089	351	2,440
10,561	3,848	14,409	Net cost of services	9,982	13,994	23,976
(11,933)	(2,033)	(13,966)	Other income and expenditure not charged to services but is chargeable to the General Fund	(12,221)	3,704	(8,517)
(1,372)	1,815	528	(Surplus)/Deficit on the Provision of Services	(2,239)	17,698	15,459
(10,453)			General Fund opening balance for the year	(11,826)		
(11,825) *			General Fund closing balance for the year	(14,065)		

* The General Fund closing balances for each financial year stated in the above table are composed of the following sources:

£000		£000
(2,000)	General Fund Reserve	(2,000)
(9,825)	Earmarked Reserves	(12,064)
(11,825)		(14,064)

Further notes on the Expenditure and Funding Analysis continue on the following page.

Notes to the Expenditure and Funding Analysis

The adjustment between Accounting and Funding Basis on Page 29 comprises the following amounts:

	2017/18			
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	Restated £000	Restated £000	Restated £000	Restated £000
Corporate & Democratic Services	41	(420)	1	(378)
Customer Experience & Improvement	442	205	1	648
Major Projects & Property	1,766	87	0	1,853
Operational Services	882	422	1	1,305
Planning & Economy	163	256	1	420
Net cost of services	3,294	550	4	3,848
Other income and expenditure from the Expenditure and Funding Analysis	(2,664)	1,180	(464)	(1,948)
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	630	1,730	(460)	1,900

	2018/19			
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£000	£000	£000	£000
Corporate & Democratic Services	288	856	5	1,149
Customer Experience & Improvement	376	196	3	575
Major Projects & Property	2,941	69	1	3,011
Operational Services	8,517	386	6	8,909
Planning & Economy	115	233	3	351
Net cost of services	12,237	1,740	18	13,995
Other income and expenditure from the Expenditure and Funding Analysis	2,013	1,280	412	3,705
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	14,250	3,020	430	17,700

Notes

Note a - Adjustments for Capital Purposes

This column contains a range of adjustments all related to capital. Each category of adjustment is described in the continuation of this note on the following page:

Note a - Adjustments for Capital Purposes continued

Adjustments for capital purposes - adds in depreciation and impairment and revaluation gains and losses in the service line

Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note b - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note c - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income - Income received on a segmental basis is analysed below:

2017/18 Revenues from external customers (excluding grants & contributions) Restated £000		2018/19 Revenues from external customers (excluding grants & contributions) £000
(986)	Corporate & Democratic Services	(764)
-	Customer Experience & Improvement	-
(3,412)	Major Projects & Property	(4,297)
(5,884)	Operational Services	(6,295)
(1,926)	Planning & Economy	(1,872)
(12,208)	Total	(13,228)

4 Expenditure and Income Analysed by Nature

This note breaks down the Income and Expenditure as reported in the Comprehensive Income and Expenditure Statement by nature including employees' expenses, Investment Income and expenditure and all capital charges adjustments applied in year.

2017/18 £000	Expenditure and Income Analysed by Nature	2018/19 £000
	Expenditure	
11,094	Employee Benefit Expenses	11,255
641	Changes in the fair value of Investment Properties	4,994
4,554	Depreciation, amortisation, impairment	13,734
16,514	Expenditure from Council Tax, Non-Domestic Rates	17,300
73	Interest Payments	181
48,913	Other Service Expenses	49,969
1,180	Net Interest on the net defined benefit liability (asset)	1,280
82,969	Total Expenditure	98,713
	Income	
(2,424)	Changes in the fair value of Investment Properties	(2,379)
(12,112)	Fees, Charges and Other Service Income	(12,946)
(837)	Gain on the disposal of non-current assets	-
(40,875)	Grants and Contributions	(40,597)
(24,968)	Income From Council Tax, Non-Domestic Rates	(26,044)
(820)	Interest and investment Income	(1,035)
(404)	Other Income	(253)
(82,441)	Total Income	(83,254)
528	(Surplus) or Deficit on the Provision of Services	15,459

5 Critical judgements in applying accounting policies

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

- **Future Funding for Local Government.** There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.
- **Asset Classifications.** The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.
- **Property, Plant and Equipment.** Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.
- **Lease Classification.** The Council has made judgments on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The accounting treatment for operating and finance leases is significantly different.
- **Contractual Arrangements.** The Council has made judgements on whether its contractual arrangements contain embedded leases i.e. arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment where fulfilment of the arrangement is dependent on the use of specific assets.
- **Potential Liabilities.** The Council has made judgements about the likelihood of potential liabilities and whether a provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact.
- **Bad or Doubtful Debts.** The Council has made judgements about the level of bad or doubtful debts and the level of provision that it may need to provide for. These judgements are based on historical experience of debtor defaults and current economic conditions.
- **Business Rate Appeals.** The Council has made judgements about the number of successful appeals under the Business Rates Retention Scheme.

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 13.

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

The Statement of Accounts contain some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31st March 2019 for which there is a risk of adjustment in the forthcoming financial year are provided below:

Item and Uncertainties	Effect if actual results differ from assumptions
<p>Pensions liability</p> <p>At 31st March 2019, the net Pensions Liability was £48.6 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.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured (the impact of changes in assumptions are outlined in note 37). For example, a 0.1% increase in the discount rate assumption would result in a reduction of £2.54m on the projected service cost. However, the assumptions interact in complex ways.</p> <p>During 2018/19, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £1.89 million due to changes in financial assumptions.</p> <p>Many of the financial assumptions are linked to current market conditions. Conversely, the same measurement increased by £1.92 million in the previous year.</p>

7 Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on the 31 May 2019. Events taking place after this date are not reflected in the financial statements or note. There have been not adjusting events that have impacted the financial accounts.

Non - adjusting events

The financial statements and notes have not been adjusted for the following events which took place after 31st March 2019 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at the date:

- COVID-19: The Pandemic has had significant impact on the UK and global economy. The Council holds material commercial investments. Income and fair value of such holdings may be adversely affected. An estimate of the financial impact cannot currently be accurately be made. Full consideration of the impact of COVID-19 in a going concern note 7a.

7a Going Concern Basis

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

Restrictions in place since late March 2020 in response to Covid-19 have had a wide-ranging impact on local businesses and residents. Council services have been reviewed in light of Government guidance, with income from fees and charges, council tax and business rates adversely affected. The Government has provided emergency funding to local authorities, with £1.133m received by Rushmoor Borough Council to date.

As stated within the note, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

Balances and Reserves reported in the financial statements

Items/Description	Balance as at 31 March 2018 (£'000)	Balance as at 31 March 2019 (£'000)	Balance as at 31 March 2020 (£'000) (unaudited)
General Fund Balance	2,000	2,000	2,000
<i>Earmarked Reserves</i>			
Stability and Resilience Reserve	4,353	4,869	6,674
All other Earmarked Reserves	5,472	7,195	11,025

The Council has reviewed its financial position in light of Covid-19 and assessed the impact as follows:

Impact on 2019/20

Additional expenditure: £Nil

Loss of Income: £187k

Income loss from Treasury management investment income (pooled funds) and is offset by reduced borrowing costs of £186k. Net variation across all Treasury Management activities is £8k

Given the outturn position for 2019/20, the impact from Covid-19 is contained within the net surplus on the Revenue Budget.

Impact on 2020/21

It is expected that the financial impact of Covid-19 will be much more significant in 2020/21, largely as a result of reduced income and additional expenditure following restrictions that were put in place in late March 2020.

As reported to Cabinet in August 2020, the forecast showed a net impact on the General Fund revenue budget of £0.804m, after taking into account Government funding of £1.133m and additional reserve transfers (Treasury Management, £0.290m). The £0.804m impact would be funded from the Stability and Resilience Reserve.

7a Going Concern Basis

Table 1 –2020/21 Q1 Budget Monitoring position

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
General Fund Revenue Budget				
Corporate & Democratic Services	5,289	5,399	5,432	33
Customer Experience and Improvement	19	(12)	(55)	(43)
Major Projects and Property	(4,928)	(4,302)	(3,987)	315
Operational Services	7,847	8,057	8,885	827
Planning & Economy	2,548	2,738	3,304	565
ICE Programme	496	862	862	0
SUB TOTAL	11,272	12,743	14,440	1,697
Less: Reversal of Accounting entries	(2,519)	(2,519)	(2,519)	0
Net Service Revenue Expenditure	8,753	10,224	11,921	1,697
Corporate Income & Expenditure [Note 1]	3,227	2,318	2,656	338
C19 Expenditure pressures	0	0	232	232
Movement in Reserves	746	546	(284)	(831)
Savings Plan	(1,436)	(1,436)	(951)	485
Net General Fund Revenue Budget	11,290	11,652	13,574	1,921
Funded by:				
Council Tax	6,705	6,705	6,705	0
Business Rates	3,767	3,767	3,767	0
New Homes Bonus	1,169	1,169	1,169	0
Covid-19 Emergency Funding	0	0	1,133	1,133
Other	(3)	(3)	(3)	0
TOTAL Funding	11,637	11,637	12,770	1,133
Core Surplus / (Deficit)	347	(15)	(804)	(789)
Balanced By:				
General Fund Balance		0		0
Service Improvement Fund [Note 2]	(297)	0	0	0
Workforce Reserve [Note 2]	(50)	0	0	0
Stability & Resilience Reserve	0	15	804	789

7a Going Concern Basis

However, this forecast did not include the impact of further financial support to the Council's leisure provider, Places Leisure. An additional management fee of £0.484m was agreed in late August 2020 to enable Farnborough and Aldershot Leisure centres to reopen on 01 September 2020.

Further Government support is expected during the course of the year, largely from the Local government income compensation scheme for lost sales, fees and charges. This should offset non-recoverable income losses such as Car Parks, Princes Hall, Markets and Car Boot Sales.

The forecast for the financial year and proposed use of reserves will need to be kept under review. The Council will need to evaluate what further options to consider when reviewing the Budget Strategy for 2021/22. An updated MTFs and Budget Strategy will be presented to Cabinet in October 2020. This will also take into account recent announcements concerning the further delay in the implementation of the Fair Funding Review and introduction of 75% Business Rates Retention. The Q2 budget monitoring report will be considered by Cabinet at their meeting in November 2020.

Appendix A, table 2 shows an indicative forecast of the Council's Reserves and Balances, as included in the 2019/20 Revenue Outturn report to Cabinet. Broad assumptions have been made around the utilisation of reserves to support the General Fund budget over the 3-year period 2020/21 to 2022/23 to provide members with some context around the proposed level of reserves and balances at 31 March 2020, and to provide a 'stress test' of the Council's financial resilience.

The Council has undertaken cash flow modelling through to December 2021 which demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and Cash management framework, with a minimum headroom of £100 million (based on CFR less actual borrowings).

The Council remains confident in its ability to maintain sufficient cash for its services through the medium term. This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £4.3 million at 21 October 2020 and the ability for short-term borrowing under the Treasury Management Policy of up to the CFR. This demonstrates that the Council has sufficient liquidity over the same period, assuming forecast average short term borrowings of £97 million.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of the audit report, based on the review of the forecasted reserve and cash position.

The Council's financial position has strengthened with the 2019/20 outturn, which provides additional headroom within the earmarked reserves and provides financial resilience to cope with the financial pressures from Covid-19 in the short to medium-term.

Collection Fund

Given the changes to the collection of both Council Tax (Hardship Fund and deferred payments) and Business Rates (additional reliefs, deferred payments), officers are still working through the impact on the Collection Fund. It is likely there will be a reduced level of collection in 2020/21 which will have an impact on the Council's resources in future years.

Savings Plan

The Savings Plan will be reviewed in the light of Covid-19 and is likely to result in a rephasing of savings. Any reduction in the level of savings planned for 2020/21 will increase the adverse variance currently forecast.

8 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustment detail is given in tables on the following two pages.

8 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 2017/18				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	1,405			(1,405)
Revaluation gains/losses on Property, Plant and Equipment	1,215			(1,215)
Movements in the market value of Investment Property	(1,783)			1,783
Amortisation of Intangible Assets	211			(211)
Capital grants and contributions received/applied	(1,185)		49	1,136
Revenue expenditure funded from capital under statute	1,723			(1,723)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(384)			384
Capital expenditure charged against the General Fund	(126)			126
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	(446)	484		(38)
Use of the Capital Receipts Reserve to finance new capital expenditure		(5,096)		5,096
Adjustments involving the Financial Instruments Adjustment Account				
Unrealised Fair Value gains/losses on financial investments	135			(135)
Fair Value gains/losses on financial investments	(50)			50
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	3,880			(3,880)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,150)			2,150
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(549)			549
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	4			(4)
Total Adjustments	1,900	(4,612)	49	2,663

8 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 2018/19				
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 (Property, Plant and Equipment)	1,852			(1,852)
Revaluation gains/losses on Property, Plant and Equipment	10,175			(10,175)
Movements in the market value of Investment Property	2,615			(2,615)
Amortisation of Intangible Assets	248			(248)
Capital grants and contributions applied	(1,391)		(239)	1,630
Revenue expenditure funded from capital under statute	1,460			(1,460)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(683)			683
Capital expenditure charged against the General Fund	(29)			29
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	2			(2)
Use of the Capital Receipts Reserve to finance new capital expenditure		(475)		475
Adjustments involving the Pooled Financial Instrument Fund Adjustment Account:				
Unrealised Fair Value gains/losses on financial investments	(125)			125
Fair Value gains/losses on financial investments	8			(8)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	5,350			(5,350)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,330)			2,330
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	529			(529)
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	18			(18)
Total Adjustments	17,699	(475)	(239)	(16,985)

9 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 2018/19.

Earmarked Reserves	Balance as at 31 March 2017 £000	Transfer Out 2017/18 £000	Transfers In 2017/18 £000	Balance as at 31 March 2018 £000	Transfer Out 2018/19 £000	Transfers In 2018/19 £000	Balance as at 31 March 2019 £000
Stability and Resilience Reserve	3,808	-	545	4,353	(43)	559	4,869
Commuted Sums/Amenity Areas	2,163	(41)	325	2,447	(88)	729	3,088
Service Improvement Fund	609	(98)	380	891	(276)	386	1,001
Mercury Abatement	529	-	45	574	-	45	619
Commercial Reserve	-	-	-	-	-	475	475
Insurance Reserve	253	-	-	253	-	-	253
Civil Parking Enforcement Surplus	432	(308)	111	235	(120)	131	246
Budget Carry Forwards	90	(90)	232	232	(232)	318	318
Other Grants (Individually below £45k)	252	(120)	89	221	(62)	86	245
Flexible Housing Grant	-	-	128	128	-	270	398
Planning Delivery Fund	-	-	125	125	(28)	125	222
Cohesion/Migration Impact/Gurkha Settlement	128	(31)	-	97	(22)	-	75
TAG Environmental Fund	78	-	13	91	-	6	97
Housing & Planning Delivery Grant	66	-	-	66	(66)	-	-
Planning Service Improvement	-	-	37	37	-	16	53
Custom Build	-	-	30	30	-	30	60
Land Charges	45	-	-	45	-	-	45
Total of all Earmarked General Fund Reserves	8,453	(688)	2,060	9,825	(937)	3,176	12,064

10 Other Operating Expenditure

2017/18 Gross Exp £000	2017/18 Gross Inc £000	2017/18 Net Exp £000	Other Operating Expenditure	2018/19 Gross Exp £000	2018/19 Gross Inc £000	2018/19 Net Exp £000
-	(15)	(15)	Photovoltaic Cells Feed In Tariff	-	(17)	(17)
-	(35)	(35)	Advertising income	-	-	-
-	(25)	(25)	Other Corporate Income & Expenditure	30	(37)	(7)
-	(837)	(837)	(Gains)/Losses on the disposal of non-current assets	2	-	2
103	-	103	Allowance for Doubtful Debts*	-	-	-
103	(912)	(809)	Total	32	(54)	(22)

*See note 11

11 Financing and Investment Income and Expenditure

2017/18 Gross Exp £000	2017/18 Gross Inc £000	2017/18 Net Exp £000	Financing and Investment Income and Expenditure	2018/19 Gross Exp £000	2018/19 Gross Inc £000	2018/19 Net Exp £000
73	-	73	Interest payable and similar charges	181	-	181
1,180	-	1,180	Net interest on the net defined benefit liability/(asset)	1,280	-	1,280
-	(820)	(820)	Interest receivable and similar income	-	(1,035)	(1,035)
641	(2,424)	(1,783)	Changes in the fair value of Investment Property	4,994	(2,379)	2,615
358	(223)	135	Unrealised Fair Value gains/losses on financial investments	91	(216)	(125)
70	120	50	Fair value (gains)/losses on financial investments	8	-	8
-	-	-	Impairment losses (including reversals of impairment losses or impairment gains)*	150	-	150
-	(36)	(36)	Other Investment Income	3	-	3
2,322	(3,623)	(1,301)	Total	6,707	(3,630)	3,077

*Impairment losses is a concept introduced by IFRS 9 and replaces Allowance for Doubtful Debts (bad debt provision) previously recognised in note 10 under IAS 39. As the transition occurs on 1 April 2018 there is no restatement in 17/18 of note 10.

12 Taxation and Non-specific Grant Income and Expenditure

2017/18 Gross Exp £000	2017/18 Gross Inc £000	2017/18 Net Exp £000	Taxation and Non-specific Grant Income and Expenditure	2018/19 Gross Exp £000	2018/19 Gross Inc £000	2018/19 Net Exp £000
-	(5,864)	(5,864)	Council Tax income	-	(6,148)	(6,148)
-	(114)	(114)	Collection Fund (Surplus)/Deficit - Council Tax	-	(99)	(99)
255	-	255	Collection Fund (Surplus)/Deficit - NDR	549	-	549
15,252	(18,990)	(3,738)	Non Domestic Rates (Income) and Expenditure	15,710	(19,797)	(4,087)
1,007	-	1,007	Non Domestic Rates (Safety net)/Levy Payment	1,041	-	1,041
-	(536)	(536)	Revenue Support Grant	-	(190)	(190)
-	(2,595)	(2,595)	Non-ringfenced Government Grants	-	(2,354)	(2,354)
-	(186)	(186)	Capital Grants and Contributions	-	(284)	(284)
16,514	(28,285)	(11,771)	Total	17,300	(28,872)	(11,572)

13 Property, Plant and Equipment (PPE)

Movements on balances in 2017/18

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2017	-	74,378	6,426	3,752	532	85,088
Adjustment	-	(38)	-	-	-	(38)
Additions	2,590	2,202	4,080	68	193	9,133
Revaluation increases recognised in the Revaluation Reserve	-	1,050	-	-	81	1,131
Revaluation decreases recognised in the Revaluation Reserve	-	(107)	-	-	(176)	(283)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(1,254)	-	-	(131)	(1,385)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	169	-	-	-	169
Other movements in cost or valuation	-	(575)	-	-	-	(575)
Derecognition - Disposals	-	-	(2,385)	-	-	(2,385)
Transfers and adjustments	1,720	2,172	-	-	-	3,891
As at 31 March 2018	4,310	77,998	8,121	3,820	499	94,747
Accumulated Depreciation						
As at 1 April 2017	-	(5,716)	(4,653)	-	-	(10,369)
Depreciation - annual charge	-	(1,108)	(296)	-	-	(1,404)
Depreciation charge written out and recognised in the Surplus/Deficit on the Provision of Services or Revaluation Reserve	-	575	-	-	-	575
Derecognition - Disposals	-	-	2,385	-	-	2,385
As at 31 March 2018	-	(6,249)	(2,564)	-	-	(8,813)
As at 31 March 2018	4,310	71,749	5,557	3,820	499	85,935
As at 31 March 2017	-	68,662	1,773	3,752	532	74,719

13 Property, Plant and Equipment (PPE)

Movements on balances in 2018/19

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2018	4,310	77,998	8,121	3,820	499	94,747
Adjustment	(2)	-	-	-	-	(2)
Additions	10	8,512	185	75	173	8,955
Revaluation increases recognised in the Revaluation Reserve	-	5,632	-	-	406	6,038
Revaluation decreases recognised in the Revaluation Reserve	-	(402)	-	-	(24)	(426)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	102	102
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(10,581)	-	-	(13)	(10,594)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	317	-	-	-	317
Other movements in cost or valuation	-	(1,987)	-	-	-	(1,987)
Derecognition - Disposals	-	-	(97)	(1)	-	(98)
Transfers and adjustments	(4,308)	4,213	-	-	84	(11)
As at 31 March 2019	10	83,702	8,209	3,894	1,227	97,042
Accumulated Depreciation						
As at 1 April 2018	-	(6,249)	(2,564)	-	-	(8,813)
Depreciation - annual charge	-	(1,155)	(697)	-	-	(1,852)
Depreciation charge written out and recognised in the Surplus/Deficit on the Provision of Services or Revaluation Reserve	-	1,987	-	-	-	1,987
Derecognition - Disposals	-	-	97	-	-	97
As at 31 March 2019	-	(5,417)	(3,164)	-	-	(8,581)
As at 31 March 2019	10	78,285	5,045	3,894	1,227	88,461
As at 31 March 2018	4,310	71,749	5,557	3,820	499	85,935

Depreciation

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

- Other Land and Buildings 5 to 55 years
- Vehicles, Plant and Equipment 4 to 15 years

Capital Commitments

The Council has the following material capital commitments as at 31st March 2019:

- Farnborough International Limited Loan – The Council is committed to paying £1.1m out in 2019/20 as part of the loan agreement made in 2018/19
- Aldershot Town Centre Integration – The Council is committed to paying £1.5m over to Grainger (which is funded from a LEP loan) once HCC sign off Grainger's works under the S278 agreement
- Purchase of Police Station site – The Council is committed to paying £5.1m over to Homes England to acquire the old police station site for regeneration as part of a purchase agreement made in 2018/19

Effects of Changes in Estimates

In 2018/19, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value as appropriate is revalued at least every five years. All valuations were carried out by Wilkes, Head and Eve. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset. The effective date of each revaluation is the date that the revaluation was produced.

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000	£000
Carried at historical cost	10	19	5,045	3,894	0	8,967
Valued at current value as at:						
31/03/2019	-	12,901	0	0	1,227	14,128
31/03/2018	-	2,804	0	0	0	2,804
31/03/2017	-	36,148	0	0	0	36,148
31/03/2016	-	13,364	0	0	0	13,364
31/03/2015	-	13,049	0	0	0	13,049
Total Valuation	0	78,266	0	0	1,227	79,493
Total asset valuation	10	78,285	5,045	3,894	1,227	88,461

14 Investment Property

The following items of income and expenditure have been accounted for in the Major Projects & Property Services section in the Comprehensive Income and Expenditure Statement:

2017/18 £000	Investment Property	2018/19 £000
(2,985)	Rental income from investment property	(3,654)
726	Direct operating expenses arising from investment property	818
(2,259)	Net (gain)/loss	(2,836)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2019.

The following table summarises the movement in the fair value of investment properties over the year:

2017/18 £000	Movements In Fair Value	2018/19 £000
47,997	Balance at the start of the year	46,093
204	Additions	36,426
(3,891)	Transfers	11
1,783	Net gains/(losses) from fair value adjustments taken to the Comprehensive Income and Expenditure Account	(2,615)
46,093	Total	79,915

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

In estimating the fair value of the Council's investment properties, the highest and best is use as advised by the valuer. The Council has no investment properties where the fair value measurement has been carried out at Level 1 (Quoted prices in active markets for identical assets) or Level 3 (Significant unobservable inputs).

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31st March 2019 by the Wilkes, Head & Eve in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's investment properties are categorised as follows:

Categories of Investment Property	2018/19 £000
Commercial/Industrial Units	24,137
Land leased out for mixed use	4,538
Office Units	16,948
Retail use	34,292
Total of all investment properties	79,915

15 Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets consist of purchased licenses only. 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. The useful lives assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £248,000 charged to revenue in 2018/19 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements. The movement on Intangible Asset balances during the year is as follows:

2017/18 £000	Intangible assets	2018/19 £000
	Balance at the start of the financial year	
2,121	Gross carrying amounts	2,184
(1,459)	Accumulated amortisation	(1,418)
662	Net carrying amount at start of year	766
315	Additions purchases	106
(253)	Disposals	(115)
(211)	Amortisation for the period	(248)
253	Reversal of past amortisation of disposal	115
766	Net carrying amount at end of year	624
	Comprising:	
2,183	Gross carrying amounts	2,175
(1,417)	Accumulated amortisation	(1,551)
766	Net book value of intangible assets	624

16 Interests in Jointly Controlled Operations

Jointly Controlled Operations

Community Safety Service

On 1st November 2012 the Council entered into a jointly controlled operation with Basingstoke and Deane Borough Council and Hart District Council to deliver a shared community safety service. Rushmoor Borough Council's element of the shared community safety service costs are included in the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement.

Below is a memorandum account of the financial activity of the shared community safety service from 1st April 2018 to 31st March 2019.

	Rushmoor Borough Council 2018/19 £000	Hart District Council 2018/19 £000	Basingstoke and Deane Borough Council 2018/19 £000	Total 2018/19 £000
Employee Related Expenditure	121	129	135	385
Premises Related Expenditure	4	-	-	4
Transport Related Expenditure	2	2	2	6
Supplies and Services	12	2	-	14
Support Services	81	-	-	81
Capital Charges	-	-	-	-
Net Project (Income) / Expenditure	(2)	2	-	-
Net Expenditure	218	135	137	490
Hosting Charge	(12)	6	6	-

The following is an extract of the Joint Community Safety Team Projects delivered on behalf of the 6 statutory agencies who work together under Section 17 of the Crime & Disorder Act 1998 (Probation, Police, Clinical Commissioning Groups, Hampshire County Council, The Local Authority and Fire Authority). The credit balance of funds of £46,000 as at 31st March 2019 is held as a creditor on Rushmoor Borough Council's balance sheet

Project	Balance as at 31st March 2017	2017/18 Project Income	2017/18 Project Exp	Balance as at 31st March 2018	2018/19 Project Income	2018/19 Project Exp	Balance as at 31st March 2019
	£000	£000	£000	£000	£000	£000	£000
Challenge and Change and OPS Stronghold	2	-	(2)	-	-	-	-
Anti Social Behaviour and Night Time Economy	3	-	-	3	-	(2)	1
Bike Project	4	-	-	4	-	-	4
Education Programme	5	-	(3)	2	-	-	2
OP Moat	2	-	(2)	-	-	-	-
LIBOR Fund	2	5	(3)	4	-	(1)	3
Community Development	23	-	(8)	15	-	(3)	12
Domestic Violence	-	-	-	-	7	(1)	6
Restorative Justice	20	-	-	20	-	(4)	16
Victim Needs Project	2	-	(1)	1	-	(1)	0
Speedwatch	1	-	-	1	-	-	1
Other	-	-	1	1	-	-	1
	64	5	(18)	51	7	(12)	46

CCTV Service

On 1st May 2013 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared CCTV service.

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1st April 2018 to 31st March 2019.

	Rushmoor Borough Council 2018/19 £000	Hart District Council 2018/19 £000	Total 2018/19 £000
Employee Related Expenditure	148	94	242
Premises Related Expenditure	2	2	4
Supplies & Services	59	9	68
Support Services	85	-	85
Capital Charges	28	-	28
Net Expenditure	322	105	427
Hosting Charge	(14)	14	-

Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service. Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning and Economy line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1st April 2018 to 31st March 2019.

	Rushmoor Borough Council 2018/19 £000	Hart District Council 2018/19 £000	Total 2018/19 £000
Employee Related Expenditure	232	263	495
Premises Related Expenditure	9	9	18
Transport Related Expenditure	3	4	7
Supplies & Services	8	7	15
Support Services	159	-	159
Net Expenditure	411	283	694
Hosting Charge	(7)	7	-
Fees & Charges	(179)	-	(179)
Other Income	(24)	-	(24)

In addition to the above, Hart contributed £3k towards the purchase of iPads to be used by inspectors.

As Hart District Council receive their income directly, no figures are shown for their income.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas.

There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

17 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand,
- bank current and deposit accounts with Lloyds bank,
- loans to companies,
- certificates of deposit and covered bonds issued by banks and building societies, and
- trade receivables for goods and services provided.

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by fund managers,
- pooled bond, equity and property funds managed by fund managers,

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long-term		Current	
	01/04/18 £000	31/03/19 £000	01/04/18 £000	31/03/19 £000
Investments				
<i>At Amortised Cost</i>	-	-	4,236	-
<i>At Fair Value through Profit & Loss</i>	15,179	22,304	5,018	-
Total Investments	15,179	22,304	9,254	-
Debtors				
<i>At Amortised Cost</i>				
- Trade Receivables	1,812	1,403	5,282	7,044
- Loans made for service purposes	4,500	5,600	-	-
- Loss Allowance	-	-	-	(474)
Total Debtors*	6,312	7,003	5,282	6,570
Cash & Cash Equivalents				
<i>At Amortised Cost</i>	-	-	2,575	1,355
Total Cash & Cash Equivalents	-	-	2,575	1,355
Total Financial Assets	21,491	29,307	17,111	7,925

*Debtors due within 1 year excludes £606,000 in respect of Council Tax debtors, HMRC and Non-Domestic Rates, from the total of £14,536,000 reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £6,785,000 is also excluded in respect of Payments in Advance.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Local Enterprise Partnership,
- short-term loans from other local authorities,
- lease payables detailed in note 36, and
- trade payables for goods and services received.

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long-term		Current	
	01/04/18 £000	31/03/19 £000	01/04/18 £000	31/03/19 £000
Borrowing				
<i>Loans at Amortised Cost</i>	1,714	1,286	12,429	59,929
Total Borrowing	1,714	1,286	12,429	59,929
Other Long Term Liabilities				
<i>Finance Lease Liabilities at Amortised cost</i>	2,828	2,470	354	359
Total Other Long Term Liabilities	2,828	2,470	354	359
Creditors				
<i>Liabilities at Amortised Cost</i>	-	-	4,039	5,265
Total Creditors*	0	0	4,039	5,265
Total Financial Liabilities	4,542	3,756	16,822	65,553

*The Creditors lines on the Balance Sheet include £5,978,000 from the total of £12,285,000 reported on the Balance Sheet, in respect of Council Tax creditors, Housing Benefit subsidy payments and payments for Non-Domestic Rates. £1,042,000 is also excluded in respect of Income in Advance that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Transition disclosures

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

Previous classification	New classification at 1 April 2018		
	Carrying amount brought forward at 1 April 2018 £000	Amortised cost £000	Fair value through profit or loss £000
Loans and receivables	11,594	11,594	-
Available for sale	24,432	4,236	20,196
Reclassified amount at 1 April 2018		15,830	20,196
Remeasurement at 1 April 2018		(80)	
Remeasured carrying amount at 1 April 2018		15,750	20,196
Impact on General Fund Balance		(80)	

Effect of reclassification and remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet

	New classification at 1 April 2018			Total Balance Sheet carrying Amount £000
	Amortised cost £000	Fair value through other comprehensive income £000	Non-financial instrument balances £000	
Remeasured carrying amount at 1 April 2018	15,750	20,196	728	36,674
Non-Current Investment	-	15,179	-	15,179
Long-term debtors	6,312	-	-	6,312
Current investment	4,157	5,017	-	9,253
Current debtors	5,282	-	728	6,010

Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- Bonds with a combined carrying amount of £4,235,982 were reclassified from available for sale to amortised cost, as it has a quoted market price which is no longer relevant to its classification and it is being held as part of a business model to collect contractual cash flows. On reclassification £79,000 of fair value was written off to the General Fund.
- Equity instruments with a carrying amount of £20,196,000 were reclassified from available for sale to fair value through profit or loss as there are no contractual payments comprising interest or principal. As per the statutory override the corresponding carrying amount is charged to a new reserve: Pooled Investment Fund Adjustment Account.

Reclassification and remeasurement of financial liabilities at 1 April 2018

All financial liabilities are measured at amortised cost on 1 April 2018 as per 31 March 2018. Therefore, no financial liabilities have changed classification and no remeasurement is required.

Reclassification and remeasurement of impairment losses at 1 April 2018

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model:

	Loss allowance for new classification at 1 April 2018	
	Impairment allowance brought forward at 1 April 2018 £000	Amortised cost £000
Previous classification		
Loans and receivables Available for sale	369	369
	-	-
Reclassified amounts at 1 April 2018	369	369
Remeasurement for incurred losses to expected losses basis at 1 April 2018	125	125
Impairment losses allowance at 1 April 2018	494	494

Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities	Financial Assets			2018/19 Total £000	2017/18 Total £000
	Amortised Cost £000	Amortised Cost £000	Elected to FVOCI £000	Fair Value PL £000		
Interest expense	(181)	-	-	-	(181)	(73)
Interest paid and similar charges	(181)	-	-	-	(181)	(73)
Interest revenue	-	266	21	748	1,035	820
Interest receivable and similar income	-	266	21	748	1,035	820
Losses on de-recognition	-	-	-	(3)	(3)	-
Losses from changes in fair value (Unrealised)	-	-	-	(91)	(91)	(358)
Losses from changes in fair value (Realised)	-	-	-	(8)	(8)	(70)
Gains on de-recognition	-	-	-	-	-	36
Gains from changes in fair value (Unrealised)	-	-	-	216	216	223
Gains from changes in fair value (Realised)	-	-	-	-	-	120
Fee income/(expense)	-	(20)	-	-	(20)	(30)
Other investment income	-	(20)	0	114	94	(79)
Net impact on Surplus/Deficit on Provision of Services	(181)	246	21	862	948	668

Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The fair value of all financial liabilities is equal to the carrying value reported in the balance sheet
- The fair value for all financial assets is equal to the carrying value reported in the balance sheet

Fair values are assessed against the following fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

All financial assets and liabilities apart from long term loans (assessed as a level 2) are assessed as being level 1 using an unadjusted quoted price in active markets

18 Short-Term Debtors

2017/18 £000	Short-Term Debtors	2018/19 £000
1,479	Central government bodies (excluding Business Rates)	3,217
800	Other local authorities (excluding Precepts)	605
160	Council Tax	179
234	NDR	426
3,002	Other entities and individuals	3,324
335	Payments in advance	6,785
6,010	Total Debtors	14,536

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31/03/18 £000	31/03/19 £000
Less than three months	0	0
Three to six months	0	0
Six months to a year	309	488
More than one year	461	502
	770	990
Less provision for debts	(377)	(385)
Total	393	605

19 Cash and Cash Equivalents

2017/18 £000	Cash and Cash Equivalents	2018/19 £000
6	Cash held by the Council	4
2,569	Short-term cash deposits	1,351
2,575	Total Cash and Cash Equivalents	1,355

20 Short-Term Borrowing

2017/18 £000	Short-Term Borrowing	2018/19 £000
429	Borrowing from M3 LEP	429
12,000	Borrowing from Local Authorities	59,500
12,429	Total Short-Term Borrowing	59,929

21 Short-Term Creditors

2017/18 £000	Short-Term Creditors	2018/19 £000
5,151	Central government bodies	5,620
2,572	Other local authorities	2,499
-	Council Tax	-
533	NDR	524
2,241	Other entities and individuals	2,600
828	Income in advance	1,042
11,325	Total Short-Term Creditors	12,285

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31st March 2019, the Council held £41,134 for this purpose in the "Other entities and individuals" line of the creditors analysis (£60,888 at 31st March 2018)

22 Provisions

Long-Term Provisions

2017/18 £000	Long-Term Provisions	2018/19 £000
2,738	Balance at 1st April	3,278
1,535	Additional provision made in the year	1,932
(995)	Amounts used in the year	(803)
3,278	Balance at 31st March	4,407

The Council had one long-term provision as at 1st April 2018 for £3.3 million in respect of Business Rate appeals, this has now further increased to £4.4 million as at 31st March 2019.

23 Other Long-Term Items

2017/18 £000	Other Long-Term Liabilities	2018/19 £000
50,446	Other Long Term Liabilities (Pension Liability)	48,556
2,828	Finance Lease Liabilities	2,469
53,274	Balance at 31st March	51,025

2017/18 £000	Long-Term Borrowing	2018/19 £000
1,714	Long-Term Borrowing	1,286

24 Unusable Reserves

2017/18 £000	Unusable Reserves	2018/19 £000
41,590	Revaluation Reserve	46,535
80,341	Capital Adjustment Account	67,475
383	Available for Sale Reserve	-
-	Pooled Investment Fund Adjustment Account	422
(50,446)	Pensions Reserve	(48,556)
6	Collection Fund Adjustment Account	(524)
(137)	Accumulated Absences Account	(157)
71,737	Total Unusable Reserves	65,195

Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 1st 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.

2017/18 £000	Revaluation Reserve	2018/19 £000
37,900	Balance at 1st April	41,590
1,131	Upward revaluation of assets	6,038
(283)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(425)
848		5,613
3,475	Adjusting amounts written to the Revaluation Reserve to amend the transfer of assets from Investment Properties to PPE	-
(632)	Difference between fair value depreciation and historical cost depreciation	(668)
2,843	Amount written off to the Capital Adjustment Account	(668)
41,590	Balance at 31st March	46,535

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2017/18 £000	Capital Adjustment Account	2018/19 £000
79,252	Balance at 1st April	80,341
	Amount written out of the Revaluation Reserve	
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(1,405)	Charges for depreciation and impairment of non-current assets (Property, Plant and Equipment)	(1,852)
(1,215)	Net revaluation gains/(losses) on Property, Plant and Equipment	(10,175)
(211)	Amortisation of intangible assets	(248)
(1,723)	Revenue expenditure funded from capital under statute	(1,460)
(38)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive I&E Statement	(2)
(4,592)	Net of the above transactions	(13,737)
632	Adjusting amounts written out of the Revaluation Reserve to account for difference between fair value depreciation and historical cost depreciation	668
(3,475)	Adjusting amounts written to the Revaluation Reserve to account for change in asset classification	-
(7,435)	Net written out amount of the cost of non-current assets consumed in the year	(13,069)
	<u>Capital financing applied in the year:</u>	
5,096	Use of the Capital Receipts Reserve to finance new capital expenditure	475
1,136	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to Capital financing	1,630
383	Statutory provision for the financing of capital investment charged against the General Fund balances	355
126	Capital expenditure charged against the General Fund	358
6,741	Net of the above transactions	2,818
1,783	Movements in the market value of Investment Property debited or credited to the Comprehensive I&E Statement	(2,615)
80,341	Balance at 31st March	67,475

Available for Sale Reserve

2017/18 £000	Available for Sale Reserve	2018/19 £000
	Balance transferred at 1st April 2018*	383
	Transfer to Pooled Investment Fund Adjustment Account	(303)
	Transfer to amortised cost	(80)
468	Balance at 1st April	-
586	Upward revaluation of investments	-
(671)	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	-
383	Balance at 31st March	-

*Available for Sales Reserve ceased to exist on 1 April 2018 due to the introduction of IFRS 9. Balances at 31 March 2018 have been transferred to the appropriate Reverse on the Balance Sheet

Pooled Investment Fund Adjustment Account

2017/18 £000	Pooled Investment Fund Adjustment Account	2018/19 £000
-	Balance at 1st April	303
-		218
	Upward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	
-	Downward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	(99)
-	Balance at 31st March	422

Pensions Reserve

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

2017/18 £000	Pensions Reserve	2018/19 £000
(48,526)	Balance at 1st April	(50,446)
(190)	Remeasurements of the net defined benefit (liability)/asset	4,910
(3,880)	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	(5,350)
2,150	Employer's pensions contributions and direct payments to pensioners payable in the year	2,330
(50,446)	Balance at 31st March	(48,556)

Collection Fund Adjustment Account

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

Information for the Collection Fund Adjustment Account is shown below:

2017/18 £000	Collection Fund Adjustment Account	2018/19 £000
(544)	Balance at 1st April	6
550	Amount by which council tax income and NDR income is (credited) or debited to the Comprehensive Income and Expenditure Statement is different from council tax income and NDR income calculated for the year in accordance with statutory requirements	(530)
6	Balance at 31st March	(524)

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2017/18 £000	Accumulated Absences Account	2018/19 £000
(134)	Balance at 1st April	(137)
134	Settlement or cancellation of accrual made at the end of the preceding year	137
(137)	Amounts accrued at the end of the current year	(157)
(3)	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	(20)
(137)	Balance at 31st March	(157)

25

Cash Flow Statement - Adjustment to net surplus or deficit on the provision of services for non-cash movements

2017/18 £000	Cash Flow Statement - Adjustment to net surplus or deficit on the provision of services for non-cash movements	2018/19 £000
1,405	Depreciation	1,852
1,215	Impairment and downward valuations	10,175
211	Amortisation	248
527	Increase/(decrease) in provision for doubtful debts	418
649	Increase/(decrease) in Creditors	1,322
(1,835)	(Increase)/decrease in Debtors	(8,059)
57	(Increase)/decrease in Interest Debtors	1
1,730	Movement in pension liability	3,020
39	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2
(3,189)	Other non-cash items charged to the net surplus or deficit on the provision of services	517
809	Total adjustment of net surplus or deficit on the provision of services for non-cash movements (as per page 17)	9,496

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

2017/18 £000	Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2018/19 £000
(484)	Proceeds from the sale of Property, Plant and Equipment, investment property and intangible assets	-
-	- Any other items for which the cash effects are investing or financing cash flows	-
(484)	Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows	-

27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000	Cash Flow	2018/19 £000
648	Interest received	643
(33)	Interest paid	(62)
615	Total interest received	581

28 Cash Flow Statement – Investing Activities

2017/18 £000	Cash Flow Statement – Investing Activities	2018/19 £000
(5,696)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(45,486)
(4,000)	Purchase of short-term and long-term investments	(7,000)
(4,384)	Other payments for investing activities	(1,173)
484	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	-
8,154	Proceeds from short-term and long-term investments	9,004
204	Other receipts from investing activities	211
(5,238)	Net cash flows from investing activities	(44,444)

29 Cash Flow Statement – Financing Activities

2017/18 £000	Cash Flow Statement – Financing Activities	2018/19 £000
24,000	Cash receipts of short and long-term borrowing	99,500
3,568	Other receipts from financing activities	2,471
(234)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(355)
(24,428)	Repayment of short and long-term borrowing	(52,429)
2,906	Net cash flows from financing activities	49,187

Reconciliation of liabilities arising from financing activities

	01/04/18 £000	Financing cash flows £000	Non-cash changes £000	31/03/19 £000
Long-term borrowings	1,714	(428)	-	1,286
Short-term borrowings	12,429	47,500	-	59,929
Lease liabilities	3,182	(355)	2	2,829
Total liabilities from financing activities	17,325	46,717	2	64,044

30 Members' Allowances

In 2018/19 a total of £314,216 was paid out in members' allowances, compared with a total of £305,808 in 2017/18.

31 Officers' Remuneration and Termination Benefits

The remuneration paid to the Council's senior employees is as follows:

Officers' Remuneration and Termination Benefits		Salary and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	2018/19	126,530	-	27,574	154,103
	2017/18	105,486	-	21,203	126,689
Corporate Director	2018/19	86,819	317	19,951	107,087
	2017/18	93,833	317	17,563	111,713
Corporate Director	2018/19	84,125	317	19,385	103,827
	2017/18	81,126	317	16,142	97,585
Head of Financial Services and Chief Finance Officer	2018/19	34,625	-	7,204	41,830
	2017/18	72,748	-	14,535	87,283
Head of Financial Services and Chief Finance Officer	2018/19	16,344	-	2,472	18,816
	2017/18	-	-	-	-

Head of Financial Services and Chief Finance Officer vacant from 3 September 2018 to 7 January 2019, annualised salary of £66,593

The rate of pension contribution to the Hampshire Pension Fund is 23.07%. This is split 15.1% of pensionable pay for individual employees plus an additional 7.97% relating to all scheme members.

The number of employees whose remuneration (including taxable benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. Data shown includes senior employees.

The number of employees whose remuneration (including benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000	2017/18 No of employees	2018/19 No of employees
Remuneration Band		
£50,000 - £54,999	7	8
£55,000 - £59,999	7	7
£60,000 - £64,999	1	1
£65,000 - £69,999	4	1
£70,000 - £74,999	3	-
£75,000 - £79,999	-	1
£80,000 - £84,999	1	1
£85,000 - £89,999	-	3
£90,000 - £94,999	1	1
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	1

Exit Packages

	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	
	2017/18 No	2018/19 No	2017/18 No	2018/19 No	2017/18 No	2018/19 No	2017/18 £	2018/19 £
£0-£20,000	2		2		4		49,853	
£20,001-£40,000		1	1	1	1	2	32,197	70,355
£40,001-£60,000				3		3		131,784
£60,001-£80,000		1				1		71,762
£80,001-£100,000		1				1		97,025
£100,001-£120,000		1				1		112,203
Total	2	4	3	4	5	8	82,050	483,129

32 External Audit Costs

2017/18 £000	External Audit Costs	2018/19 £000
50	Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	44
(6)	Refund of fee payable to Ernst and Young	
9	Fees payable to Ernst and Young for the certification of grant claims and returns	
53	Total	44

33 Grant Income

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

2017/18 £000	Grant Income	2018/19 £000
	<u>Credited to Taxation and Non Specific Grant Income & Expenditure</u>	
536	Revenue Support Grant	190
1,450	New Homes Bonus	1,095
819	Section 31 Grants in Relation to Business Rates	935
186	Capital Grants & Contributions	284
141	New Burden Grant	200
125	Planning Delivery Fund	125
40	Transition Grant	-
5	Top Up Grant	-
6	Council Tax Discount for Family Annexes	-
9	Homeless Reduction IT Set Grant	-
3,317	Total	2,829
	<u>Credited to Services</u>	
	Ministry of Housing, Communities and Local Government	
247	Flexible Homelessness Grant	390
84	Localising Council Tax Admin Subsidy	80
-	Other	3
	Department for Works and Pensions	
35,018	Housing Benefit Subsidy	34,562
326	Housing Benefit Admin Subsidy	300
240	Discretionary Housing Payment	225
51	Other	72
19	Cabinet Office	15
464	Developers Contributions	950
	Hampshire County Council	
998	Better Care Fund	1,106
62	Department for Environment, Food & Rural Affairs	32
	Other Grants and Contributions	
20	Contributions for other projects	7
22	Local & Parliamentary Elections contributions	20
-	Armed Forces Community Covenant	-
1	Developing Our Communities contribution for specific projects	-
5	Supported through Big Local, administered by Local Trust for the Big Lottery Fund	5
37,557	Total	37,767

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the giver. The balances at year-end are shown in the table below:

2017/18 £000	The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them	2018/19 £000
3,493	S 106/grants	3,668
39	Creditor	39
	Developers' contributions & capital grants	
	Armed Forces Community Covenant	
3,532	Total	3,707

34 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. During 2018/19, the Council provided financial assistance to 115 organisations by way of direct grant payments (£658,012), awards of rent relief (£236,449) and awards of business rates relief (£724,281)

Within the Business Rates Retention Scheme, rate relief has been awarded to charitable and not-for-profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the 115 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	£
Rushmoor Citizens Advice	329,153
Places for People Leisure Ltd	276,327
Farnborough and Cove War Memorial Hospital Trust	110,355
Step by Step	101,719
Rushmoor Voluntary Services	93,752
British Heart Foundation	55,148
Aldershot Town & District Football in the Community Trust	51,534
The Brain Tumour Charity	45,943
Basingstoke Canal Management Committee	42,246
Farnborough Football Club	35,624
Enterprise First	32,300
Dial-a-Ride	31,837
Aldershot Military Museum	30,012

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 33

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 30. During 2018/19, no works or services were commissioned from companies in which members had an interest. Financial assistance totalling £1,025,075 was awarded to voluntary organisations in which 38 members and 1 ex-member had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

Officers

Chief Officers have not disclosed any material transactions with related parties.

Entities Controlled or Significantly Influenced by the Council

The Council controls Rushmoor Homes through its ownership of 100% of the shares in the company. The company is currently in development and will assist to develop new homes to meet the Council's regeneration priorities and desire to improve the availability of quality housing within the Borough. The first full year of operation will be 2020/21. During 2018/19 the Council invested £112.50 in set up of the Company.

The Council holds a 50% stake in Rushmoor Development Partnernisp (RDP). The partnership is currently in development with the objective to redevelop sites in Farnborough and Aldershot. The first full year of operation will be 2020/21. During 2018/19 the Council invested £48,000 in set up of the Company.

35 Capital Expenditure and Capital Financing

As at 31st March 2019 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £60.8m. Total capital expenditure in 2018/19 was £47.69m, of which £1.46m was revenue expenditure funded from capital under statute. An amount of £0.475m was drawn from available capital receipts and government grants and contributions amounted to £1.63m. A summary of this expenditure and how it was financed is shown below.

2017/18 £000	Capital Expenditure and Capital Financing	2018/19 £000
6,548	Opening Capital Financing Requirement	15,618
	<u>Capital Investment</u>	
4,435	Loans to external body	1,100
8,899	Property, Plant and Equipment	8,600
205	Investment Property	36,426
315	Intangible Assets	106
1,722	Revenue Expenditure Funded from Capital under Statute	1,460
15,577	Total Capital Investment	47,692
	<u>Sources of Finance</u>	
(5,096)	Capital receipts	(475)
(1,136)	Government grants and other contributions	(1,630)
(126)	Direct revenue contributions	(29)
(150)	Minimum Revenue Provision	(329)
(6,507)	Total sources of finance applied	(2,463)
15,618	Closing Capital Financing Requirement	60,847
	<u>Explanation of movements in year</u>	
5,888	Increase in underlying need to borrowing (unsupported by government financial assistance)	45,582
3,182	Asset acquired under finance lease	(354)
9,070	Increase/(Decrease) in Capital Financing Requirement	45,228

36 Leases

Council as lessee

Finance leases

The Council has identified an embedded finance lease under IFRIC 4 for the refuse and grounds maintenance vehicles. These assets are shown as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2017/18 £000	Finance Lease Assets	2018/19 £000
3,416	Vehicles, Plant and Equipment	3,046
3,416	Total	3,046

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and the financial cost that will be payable by the Council in future years while the liability remains outstanding. Minimum lease payments are made up of the following amounts:

2017/18 £000	Finance Lease Liability	2018/19 £000
3,182	Finance lease liability (net present value of minimum lease payments)	2,829
172	Finance costs payable in future years	134
3,354	Total	2,963

The minimum lease payments will be payable over the following periods:

2017/18 £000	Finance lease Minimum Lease Payments	2018/19 £000
392	Not later than one year	392
1,535	Later than one year and not later than five years	1,485
1,427	Later than five years	1,085
3,354	Total	2,963

Finance lease liability over the following periods:

2017/18 £000	Finance Lease Liabilities	2018/19 £000
354	Not later than one year	359
1,432	Later than one year and not later than five years	1,401
1,396	Later than five years	1,068
3,182	Total	2,829

Council as Lessor
Operating Leases

The Council leases out property under operating leases for the following purposes:

- Returns from investment property and the provision of community services, such as sports facilities, tourism services and community centres
- Economic development purposes to provide suitable affordable accommodation for local businesses

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

2017/18 £000	Leases	2018/19 £000
3,216	Not later than one year	3,522
11,948	Later than one year and not later than five years	25,699
95,041	Later than five years	105,217
110,205	Total	134,438

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19, contingent rents of £5,590.34, were receivable by the Council (£76,236 in 2017/18, including £61,000 of back-dated rental income).

37 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post employment benefits

The cost of retirement benefits are recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Cost of Services:				
Service cost comprising:				
· current service cost	2.62	2.69	-	-
· past service costs	1.45	0.01	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	1.17	1.07	0.11	0.11
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5.24	3.77	0.11	0.11
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (Excluding the amount included in the net interest expense)	(6.41)	(0.44)	-	-
Actuarial gains and losses arising on changes in financial assumptions	7.07	(0.17)	0.12	-
Actuarial gains and losses arising on changes in demographic assumptions	(5.75)	-	(0.18)	-
Actuarial gains and losses arising from liability experience	0.23	0.76	0.01	0.04
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	0.38	3.92	0.06	0.15
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5.24)	(3.77)	(0.11)	(0.11)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	2.06	1.87		
Retirement benefits payable to pensioners			0.27	0.28

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Present value of the defined benefit obligation	142.35	135.97	4.13	4.34
Fair value of plan assets	97.92	89.86	-	-
Net liability arising from defined benefit obligations	44.43	46.11	4.13	4.34

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Opening fair value of scheme assets	89.86	88.39	-	-
Interest income	2.33	2.20	-	-
Remeasurement gain/(loss) on assets	6.41	0.44	-	-
Contributions from employer	2.06	1.87	0.27	0.28
Contributions from employees into the scheme	0.62	0.63	-	-
Net Benefits paid	(3.36)	(3.67)	(0.27)	(0.28)
Closing balance at 31st March	97.92	89.86	-	-

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Opening balance at 1st April	135.97	132.45	4.34	4.47
Current service cost	2.62	2.69	-	-
Interest cost	3.50	3.27	0.11	0.11
Contributions by scheme participants	0.62	0.63	-	-
Remeasurement (gains) and losses:				
Actuarial gains and losses arising from changes in financial assumptions	7.07	(0.17)	0.12	-
Actuarial gains and losses arising from changes in demographic assumptions	(5.75)	-	(0.18)	-
Actuarial gains and losses arising from changes due to liability experience	0.23	0.76	0.01	0.04
Net Benefits paid	(3.36)	(3.67)	(0.27)	(0.28)
Past service costs	1.45	0.01	-	-
Closing balance at 31st March	142.35	135.97	4.13	4.34

The remeasurement gain on the net defined benefit liability is comprised of:

- Return on plan assets – a measure of return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the scheme for the year
- Actuarial gains and losses – arise where actual events have not coincided with actuarial assumptions made for the last valuation.

The actual return on scheme assets in the year was £8.74 million (2017/18: £2.64 million).

Scheme history

	31/03/2019 £000	31/03/2018 £000	31/03/2017 £000
Present value of liabilities: Local Government Pension Scheme	(142,350)	(135,970)	(132,450)
Fair value of assets in the Local Government Pension Scheme	97,920	89,860	88,390
Surplus/(deficit) in the scheme: Local Government Pension Scheme	(44,430)	(46,110)	(44,060)
Discretionary Benefits	(4,130)	(4,340)	(4,470)
Total Surplus/(Deficit) in the Scheme	(48,560)	(50,450)	(48,530)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £48.6 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2020 is £2.17 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

Financial Assumptions:	31/03/2019 %	31/03/2018 %	31/03/2017 %
Rate of inflation (RPI)	3.30	3.20	3.10
Rate of inflation (CPI)	2.20	2.10	2.00
Rate of increase in salaries	3.70	3.60	3.50
Rate of increase to pensions in payment	2.20	2.10	2.00
Rate of increase to deferred pensions	2.20	2.10	2.00
Rate for discounting scheme liabilities	2.40	2.60	2.50
Pension accounts revaluation rate	2.20	2.10	2.00

Mortality assumptions:	31/03/2019 Years	31/03/2018 Years	31/03/2017 Years
Longevity at 65 for current pensioners:			
Men	23.3	24.1	24.0
Women	26.1	27.2	27.0
Longevity at 65 for future pensioners:			
Men	24.9	26.2	26.0
Women	27.8	29.4	29.3

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/2019 %	31/03/2018 %	31/03/2017 %
Equities	60.4	62.6	60.3
Property	7.6	7.0	6.5
Government Bonds	22.7	23.7	25.2
Corporate Bonds	5.2	1.0	1.4
Cash	2.3	2.6	3.4
Other assets	1.8	3.1	3.2
	100.0	100.0	100.0

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions outlined above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in Assumption £M	Decrease in Assumption £M
Rate of inflation (adjustment to discount rate +0.1% or -0.1% pa)	(2.50)	2.54
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.42	(0.42)
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	2.11	(2.08)
Post retirement mortality assumption (increase or decrease by 1 year)	4.52	(4.49)

38 Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk

Treasury Investments

The Council's credit risk management practices are set out in paragraph 7.10 of the Annual Treasury Management Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, and adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2019, £0 (2018: £0) of loss allowances related to treasury investments.

Trade and Lease Receivables and Contract Assets

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31/3/18 £000	31/3/19 £000
Neither past due or impaired	6,749	8,468
Less than two months	604	308
Two to six months	166	427
Six months to one year	476	602
More than one year	-	-
Total Receivables	7,995	9,805

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default and adjusted for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due.

Receivables are written off to the Surplus or Deficit on the Provision of Services when the debtor are formally insolvent, but steps are still taken to collect sums owing. The amount written off but still subject to enforcement action at 31st March 2019 is £45,000 (2018: £11,000).

Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Farnborough International. It has also committed to lend money to Farnborough International should it be requested to do so at market rates of interest.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

Borrower	Exposure type	Balance sheet 31/3/2019 £000	Risk exposure 31/3/2019 £000	Balance sheet 31/3/2018 £000	Risk exposure 31/3/2018 £000
Company loan	Loans at market rate	5600	-	4500	-
Company loan	Loan commitment at market rate	1100	-	-	-
Total		6700	-	4500	-

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy.

Loss allowances on loans for service purposes, financial guarantees and loan commitments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. They are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due. Loans are written off to the Surplus or Deficit on the Provision of Services when they are two years past due, but steps are still taken to collect sums owing.

Liquidity risk

The Council manages its liquidity position through risk management procedures as referred to above, including the setting and approval of prudential indicators and the approval of the Annual Treasury Management Strategy as well as through cash flow management procedures. This seeks to ensure that cash is available as needed.

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer-term financial assets. The approved limits placed on investments of greater than one year in duration, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters.

This includes monitoring the maturity profile of investments to ensure liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council does have some long-term borrowing with Local Enterprise Partnership (LEP) at below market rates. Therefore, there is no exposure to refinancing risk.

The maturity analysis of its financial assets and analysis of financial liabilities is as follows:

Maturity Analysis of Financial Assets	31/03/18	31/03/19
	£000	£000
Less than one year	17,782	7,925
Between one and two years	463	459
Between two and three years	457	446
More than three years	20,571	28,402
Total	39,273	37,232

Analysis of Financial Liabilities	31/03/18	31/03/19
	£000	£000
Less than one year	17,493	66,542
Between one and two years	788	793
Between two and three years	793	798
More than three years	2,961	2,165
Total	22,035	70,298

Market risks

Interest rate risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no 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 Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and Capital Strategy draws together the Council’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. At 31 March 2019, -£3.9m (2018: -£6.4m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £37.9m (2018: -£7.6m) to variable rates.

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 during the year. This allows any adverse changes to be accommodated.

At 31st March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	102
Impact on Surplus or Deficit on the Provision of Services	102

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed

Price risk

The market prices of the Council’s fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council’s maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2019 would result in a £235,000 (2018: £232,000) charge to Other Comprehensive Income and Expenditure which is then transferred to the Finance Instrument Revaluation Reserve (FIRR).

The Council’s investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council’s maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2019 would result in a £879,000 (2018: £529,000) charge to Other Comprehensive Income and Expenditure which is then transferred to the FIRR, if elected and the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

39 Contingent Assets

As at 31 March 2019 the Council had the following material contingent assets:

The Council holds a contingent assets of £183,390 in relation to a claim outstanding against a construction company involved in the development of the Depot.

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.

2017/18 £000	Collection Fund Income and Expenditure Account	2018/19		
		£000	£000	£000
		Council Tax	NDR	Total
48,485	<u>Income</u> Income from Council Tax payers	51,982		51,982
48,520	Income from Non Domestic Rate payers		51,399	51,399
97,005	Income Total	51,982	51,399	103,381
	<u>Expenditure</u>			
	Precepts			
34,474	Hampshire County Council	37,195		37,195
5,034	Police & Crime Commissioner for Hampshire	5,496		5,496
1,942	Hampshire Fire and Rescue	2,036		2,036
5,864	Rushmoor Borough Council	6,148		6,148
	Business rates:			
121	Allowance for collection		119	119
4,272	Payments to Hampshire County Council		4,455	4,455
475	Payments to Hampshire Fire and Rescue Authority		495	495
18,990	Payments to Rushmoor Borough Council		19,797	19,797
23,737	Payments to Government		24,747	24,747
	Provision for bad and doubtful debts			
223	Council Tax	276		276
213	NDR		337	337
1,349	Provision for NDR appeals		2,822	2,822
	Collection fund surplus/deficit			
701	Council Tax	811		811
(1,947)	NDR		(54)	(54)
95,448	Expenditure Total	51,962	52,718	104,680
(1,557)	Net Movement in Fund	(20)	1,319	1,299
158	Balance b/fwd 1 April	(1,993)	594	(1,399)
(1,399)	Balance c/fwd 31st March (surplus)/deficit	(2,013)	1,913	(100)
	The (surplus)/deficit as at 31st March allocated to:			
(1,402)	Hampshire County Council	(1,462)	172	(1,290)
(214)	Police & Crime Commissioner for Hampshire	(229)	-	(229)
(75)	Hampshire Fire and Rescue	(80)	19	(61)
(5)	Rushmoor Borough Council	(242)	765	523
297	Government		957	957
(1,399)		(2,013)	1,913	(100)

Notes to the Collection Fund

1. Council Tax

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police and Crime Commissioner, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (30,424.24 for 2017/18). This basic amount of Council Tax for a Band D property (£1642.65 for 2018/19) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

Tax Band	Discounted Equivalent Dwellings	Weighting	Band D Equivalent
A (Disabled Relief)	0	5/9	0
A	777	6/9	518
B	5,687	7/9	4,423
C	12,310	8/9	10,942
D	6,984	1	6,984
E	3,473	11/9	4,245
F	1,086	13/9	1,569
G	280	15/9	466
H	7	18/9	14
O (Army)	1,810	-	1,810
Total			30,971

2. Income from Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate specified by the government. In 2013/14 the administration of NDR changed following the introduction of the business rates retention scheme, so instead of paying the NDR to the pool the local authority retains a share of the total collectable rates due. For Rushmoor this is 40%, Hampshire County Council 9%, Hampshire Fire and Rescue Authority 1% and the Government 50%.

The rateable value of properties at 31st March 2019 is £121,628,369 and the national non-domestic multiplier was 48p. This gives a potential business yield of £58.3 million. The actual business rates collectable for 2018/19 after reliefs is £51.3 million. In addition there is an adjustment to the business rates income for the provision on appeals to the collection fund. This provision for 2018/19 has been increased from £8.2 million to £11 million, due to the potential number and value of successful appeals.

Business Rates Revaluation 2017

At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market. The most recent revaluation came into effect in England and Wales on 1st April 2017, based on rateable values from 1st April 2015.

Across England as a whole, the revaluation was expected to lead to an 11% increase in the rateable value of the average non-domestic property, with changes unevenly distributed across the country. The business rates multiplier was adjusted so that revaluation would be revenue neutral, after accounting for a forecast of the cost of appeals against the new values.

A complex package of reliefs was introduced to phase in the biggest increase in bills to ratepayers resulting from the revaluation.

The impact of revaluation on the amount of business rates retained by individual councils has been offset by changes to the redistributive “tariffs” and “top-ups” between councils, with the aim of leaving underlying budgets unaffected by revaluation.

3. Provision for Council Tax and NDR Bad or Doubtful Debts and NDR provision for valuation appeals

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund

2017/18 £000	Collection Fund - Provisions for bad or doubtful debts	2018/19 £000
	<u>Council Tax</u>	
1,219	Provisions at 1st April	1,359
223	Provisions made in year	276
(83)	Written off in year	(106)
1,359	Provisions at 31st March	1,529
	<u>NDR</u>	
777	Provisions at 1st April	531
213	Provisions made in year	337
(459)	Written off in year	(364)
531	Provisions at 31st March	504
	<u>NDR Valuation Appeals</u>	
6,844	Provisions at 1st April	8,193
1,349	Provisions made in year	2,822
8,193	Provisions at 31st March	11,015

INDEPENDENT AUDITOR'S REPORT TO RUSHMOOR BOROUGH COUNCIL

Opinion

We have audited the financial statements of Rushmoor Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- And the related notes to the Core Financial statements 1 to 39;
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Rushmoor Borough Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Emphasis of matter – disclosure in relation to the effects of COVID-19

We draw attention to note 7 and 7a of the Statement of Accounts which describes economic consequences Rushmoor Borough Council is facing as a result of COVID-19 which is impacting its operational and financial position and performance during 2019/20, 2020/21 and beyond. Our opinion is not modified in respect of this matter.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**Arrangements to secure economy, efficiency and effectiveness in the use of resources****Basis for Qualified Conclusion**

The Council has not revised its risk management framework during 2018/19, nor has it documented how it has effectively managed its key strategic risks during 2018/19. The Corporate Risk Register had not been updated since January 2018. We noted that the Council has failed to take account of our findings in last year's Audit Results Report on how they could further improve Risk Management and new arrangements put in place in 2017/18 have since lapsed due to resource constraints.

The Council is undergoing significant internal transformation and was involved in extensive regeneration partnerships in 2018/19. However, there is no centralised formal documented process which highlights the gross risks, the controls and mitigating actions to give an overview of the risks the Council faces and holds officers to account for those risks. We note that officers consider risk every day, however there is no framework in place to demonstrate that or show that the Officers and Members are strategically managing risk.

The issue above is evidence of weakness in informed decision making as result of not having proper arrangements in place for managing risks effectively and maintaining a sound system of internal control.

Qualified conclusion

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Rushmoor Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibilities of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 13, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Rushmoor Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Rushmoor Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Auditor's Report

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Rushmoor Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

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

Use of our report

This report is made solely to the members of Rushmoor Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain, (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
23rd November 2020

The maintenance and integrity of the Rushmoor Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Governance Statement 2018/19

1. Scope of Responsibility

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

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

RBC has approved and adopted a local code of corporate governance, which is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering good governance in Local Government'. A copy of RBC's adopted Code is on the Council's website (<https://www.rushmoor.gov.uk/>)

The Annual Governance Statement (AGS) 2018/19 states how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to detailed review by the Licensing, Audit and General Purposes Committee and approval in advance of them agreeing the Statement of Accounts, in which the AGS is referred to.

2. What is Governance

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

3. The purpose of the Governance Framework

The Governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

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

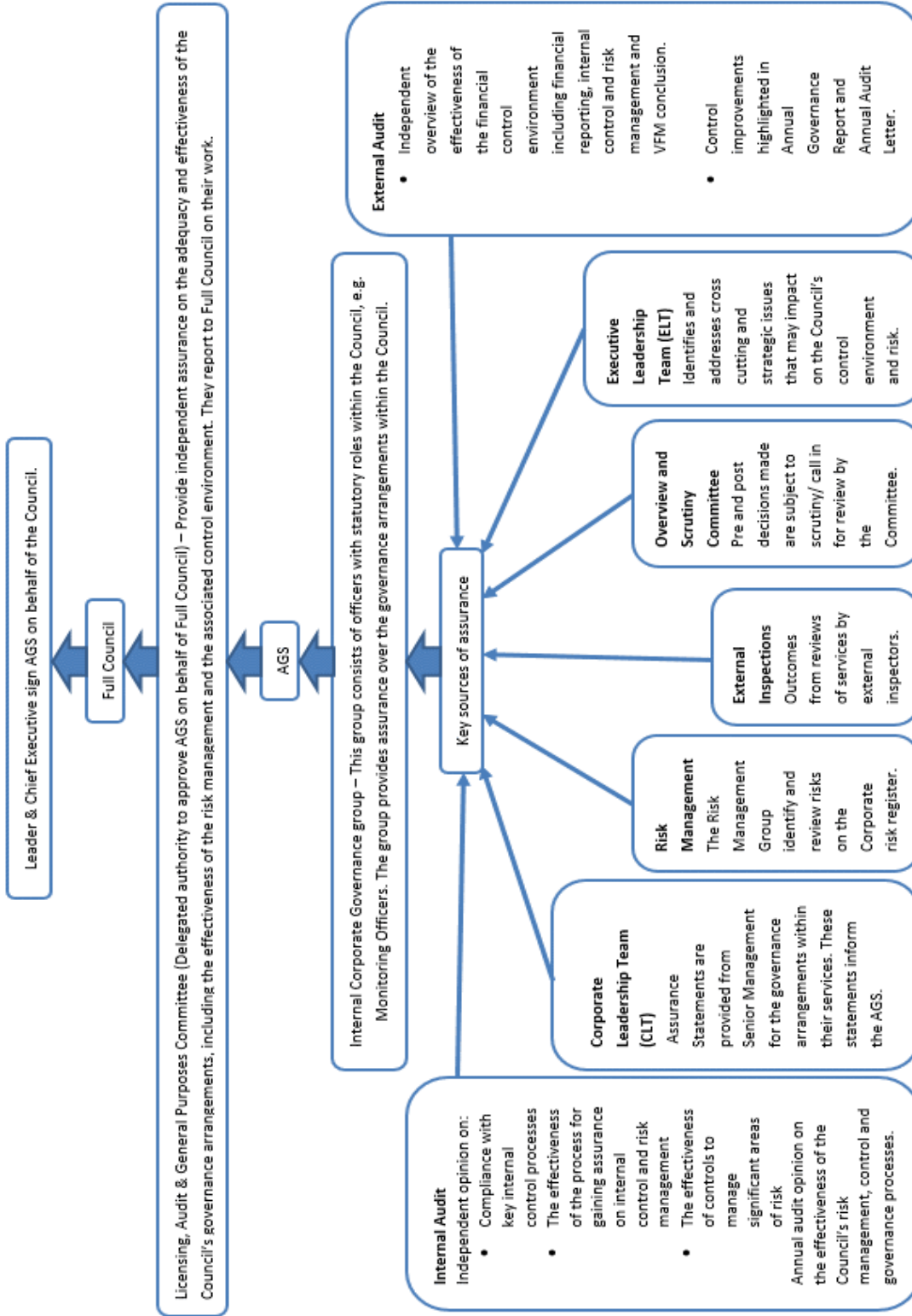
4. What is the Annual Governance Statement (AGS)?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, to report publicly on the extent to which we comply with our own local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the AGS and Statement of Accounts.

What is the Council's Governance Assurance Framework?



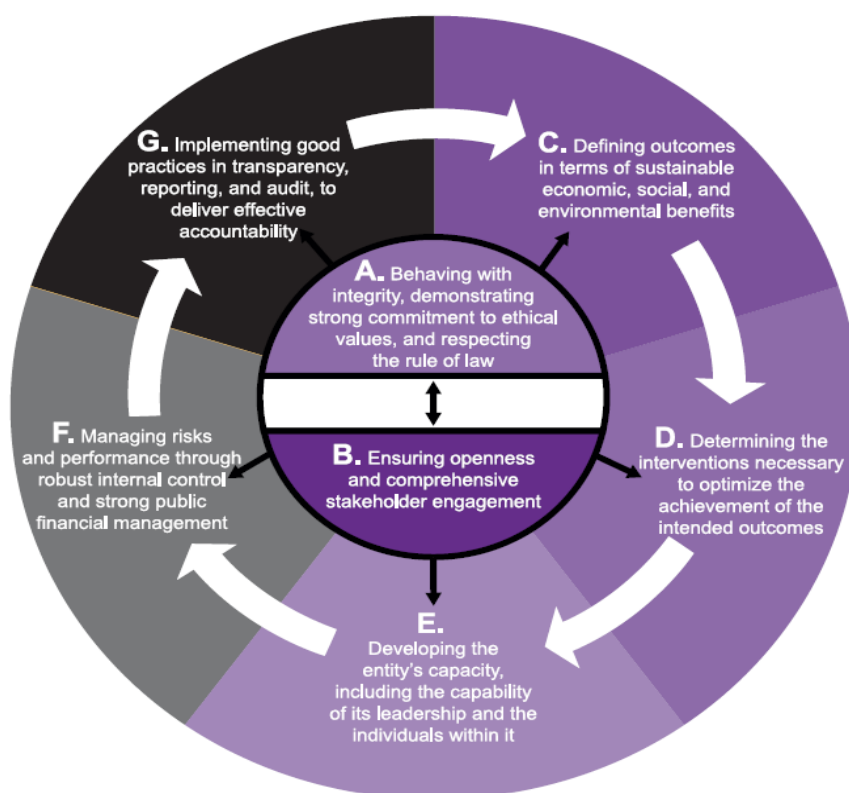
5. How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that informs this review are:

- The work of the Licensing, Audit and General Purposes Committee Members and Senior Officers of the Council who have responsibility for good governance.
- A statement of assurance is obtained from Heads of Service to confirm the governance arrangements in place within their service.
- The Audit Manager’s update reports on the internal audit activity, which provides an independent assurance that key risks are being adequately controlled and provides an opinion on the effectiveness of these arrangements.
- Any comments made by External Audit or other external reviews.
- Internal Corporate Governance Group provides assurance over the governance arrangements within the Council.

6. What are the key elements of RBC’s Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles, detailed below, which form the basis of the Council’s code of Corporate Governance.



The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

PRINCIPLE A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub principles	Demonstrated by
Behaving with integrity	<ul style="list-style-type: none"> • A code of conduct is in place for both Councillors and staff, both are contained within the Council's constitution. The codes outline the ethical standards and behaviours to be adopted and observed by elected Members and officers to ensure that Council business is conducted with fairness and integrity. • The Council also has in place various policies, procedures and guidance including Anti-fraud, Acceptable Use of IT, Declarations of Interest, and Gifts and Hospitality, which are regularly reviewed. • Specific legal and regulatory requirements and/or Standards and Codes of Practice are maintained by staff for Membership of relevant professional bodies, including continuing professional development. • Where necessary the Council collaborates with other professionals for advice and guidance. For example, the Council has recently enlisted the assistance of Freeths for legal advice in establishing a Housing Company. • A register of Member interests is published on the Council's website to ensure that any conflicts of interests are open and transparent.
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • The Council has established a Governance Group, which includes the Monitoring Officer, Deputy Monitoring Officers, the Chief Financial Officer and the Audit Manager, to ensure that the Council works within its rules and that the necessary governance provisions are followed, and associated guidance, advice and training is provided. • The Council has adopted a Behaviours Framework which sets out the attitudes and behaviours expected from staff. The framework sets out seven behaviours; Customer First, excellence in service delivery, productive and efficient, commercial, modernisation, leadership and invest in people.
Respecting the rule of law	<ul style="list-style-type: none"> • The Constitution sets out responsibilities within the Council. This is maintained by the Head of Democracy, Strategy and Partnerships to ensure that the Council's legal requirements are met, and the provisions are up to date. • The Council has appointed the following officers as required: <ul style="list-style-type: none"> - The Head of Paid Service (Chief Executive) – Overall accountability for the governance arrangements operating within the Council - The Monitoring Officer – Ensures decisions taken are within the law and the Council complies with the provisions of its Constitution. - The Chief Financial Officer – Principal finance adviser to the Council and is responsible for the proper administration of the Council's financial affairs and internal control environment. • The Council's in-house legal service identifies and advises the Council on key elements of the law and their application. • The Council ensures compliance with the mandatory elements of the Local Government Transparency Code.

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

Sub principles	Demonstrated by
<p>Openness</p>	<ul style="list-style-type: none"> • The Council's policies and governance framework are published on the Council's website – this includes: <ul style="list-style-type: none"> – The Constitution – Agenda and reports for all meetings within the Council's decision-making framework – Cabinet work programme – Annual budget – Pay Policy and Gender Pay Gap Statements – Record of Executive Decisions – Information required under the Transparency Code • The Council regularly carry out consultations on major policy initiatives which is conducted in an open way with all consultations available on the Council's website. • The Council has an up to date Freedom of Information Act 2000 publication scheme in place on its website with links to information and guidance for stakeholders. • The Council's plan is currently being updated into a 10 year 'vision' with a 3-year rolling plan with objectives to assist with the achievement of the vision. The plan is shown on the council's website along with the monitoring of the actions towards the plan. • During 2018/19 the Council published four 'arena' magazines, to inform the community of the work and services carried out by the Council.
<p>Engaging comprehensively with institutional stakeholders</p>	<ul style="list-style-type: none"> • The Rushmoor Strategic Partnership has been reviewed and a Rushmoor Partners Network established, which in future will focus on projects and consider multi-agency issues. • A statement of community involvement is published on the Council's website. Work is currently underway to update this statement with a draft currently in circulation. • Formal and informal consultation is carried out with Members (e.g. Budget Strategy Working Group) • The Council has recently adopted the Local Plan 2014-2032, which involved participation from numerous stakeholders. Details are published on the Council's website. Consultation was undertaken, and a proactive role was taken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. • The Council supports the Prospect Estate Big Local (PEBL)
<p>Engaging with individual citizens and service users effectively</p>	<ul style="list-style-type: none"> • The Council has invested in a range of traditional, digital and social media channels to enable regular contact, engagement and consultation with its key stakeholder groups, including customer feedback surveys, workshops, consultation items on the Council's website and regular citizen consultation on both Borough-wide and place specific issues. • Examples of significant consultation exercises carried out during 2018/19 included: <ul style="list-style-type: none"> – Waste and recycling performance – Council Tax Support Scheme, which resulted in no changes being implemented as a result of feedback. – The Council has recently consulted with key partners on its emerging Vision for 2030 and key priorities underpinning that vision. • A scheme is in place within the Council's Constitution to have public participation at Member meetings. Therefore, meetings of the Council and its Committees are open to members of the public to attend, with agendas and minutes being publicly available on the Council's website.

PRINCIPLE C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub principles	Demonstrated by
Defining outcomes	<ul style="list-style-type: none"> • The Council's plan is currently being updated into a 10-year 'vision' with a 3-year rolling plan with objectives to assist with the achievement of the vision. The plan is shown on the council's website along with the monitoring of the actions towards the plan. • Following comprehensive resident and stakeholder consultation, the Council developed its priorities and measures of success with Members in a range of ways including discussions with individual portfolio holders, the Cabinet and the Policy and Project Advisory Board. • Service business plans have been developed and cover: <ul style="list-style-type: none"> - Linking actions to priorities - Identification of outcomes - Performance indicators - Risks and expected service changes
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • The Council's reports to Cabinet require the consideration of business, strategic, economic, legal, financial and equalities impact of the decisions being made. All reports requiring executive decisions (except those exempt) are accessible via the Council's website. https://www.rushmoor.gov.uk/article/1701/Records-of-executive-decisions • A PESTLE analysis was carried out in order to contribute to the 10-year Council vision and rolling 3-year plan. This looks at how external moves will impact on the Council's plans and objectives. The Council's Strategy and Performance team monitors place and organisational data to support the work. • The Council has recently adopted and implemented the Local Plan 2014-2032. Details are published on the Council's website. Consultation was undertaken, and a proactive role was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local Plan.

PRINCIPLE D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub principles	Demonstrated by
Determining interventions	<ul style="list-style-type: none"> • Arrangements are in place to ensure all options are considered before decisions are taken and service changes implemented. External / independent expertise is often used if the decision is of a complex technical nature. An example of this being the use of external experts when making a decision on establishing a housing company. • The Corporate Governance Group has been established to consider legal/constitutional issues associated with decision making.
Planning interventions	<ul style="list-style-type: none"> • At service level, priorities and objectives are encouraged to be SMART and these are underpinned by plans and, for major projects, there is significant emphasis on effective project management. The Council is investing in additional project management resources to ensure this.
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Arrangements are in place to monitor operational and financial plans, priorities, KPI's, quality and targets and to report on progress, e.g. quarterly monitoring, budget monitoring. • The Council has several key partnerships with other local authorities and stakeholders in order to optimise the achievement of the Council's corporate plan. For example, the Community Safety Partnership (Safer North Hampshire). • The Council has in place more significant arrangements for project development, both internally and through the Member decision making structure. This has been achieved through the revised Member structure to include the following: <ul style="list-style-type: none"> - Licensing, Audit and General Purposes Committee, with specific roles to ensure effective governance - The Policy and Project Advisory Board which provides early consideration of projects prior to submission to the Cabinet. For example, Establishment of the Housing Company, re-letting of the leisure contract and the Council's 2020 transformation programme. <p>The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects. For example, the review of Council Tax Support Scheme, performance of major contracts such as the waste and recycling contract, and decisions to acquire property for regeneration purposes which resulted in the Committee calling in one of the major regeneration purchases during 2018/19.</p>

PRINCIPLE E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

Sub principles	Demonstrated by
Developing the entity's capacity	<ul style="list-style-type: none"> • The Council participated in an independent peer review during 2017/18. Recommendations from this review have been accepted and work is underway to implement the recommendations made. A follow up on the recommendations made is being prepared during 2019/20. • The Council, where possible, collaborates with other authorities to share information and best practice, e.g. Hampshire & Isle of Wight Chief Executive group and subsequent groups. • Service reviews are being carried out by the newly constituted corporate leadership team, to ensure that services are best placed to meet the overall objectives of the Council.
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • Arrangements are in place to ensure staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and are able to update their knowledge on a continuing basis e.g. CPD through attendance at seminars/conferences, training courses etc. • Development reviews are carried out annually. Within these reviews, training needs are identified and communicated to HR in order to ensure individuals are provided with the training they require for their role and identify any Council wide training which may be required. • The Council is currently planning to engage in 'learning at work week', which will be carried out in early 2019/20. • The Council has adopted a Behaviours Framework, which sets out the attitudes and behaviours expected from staff. The framework sets out seven behaviours; Customer First, excellence in service delivery, productive and efficient, commercial, modernisation, leadership and invest in people. • The Council is providing leadership programmes and apprenticeship leadership programmes to support the continued professional development of staff. • The Council has recently introduced mental health awareness programmes for managers to recognise symptoms of mental illness at work and provide support to staff members. • The Council's constitution defines the statutory and distinctive roles of the Leader and other Councillors and sets out to who decision making powers are delegated to. • The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. They are currently reviewing the induction programme for new councillors. They also have greater influence on governance issues. • Since the recent restructure within the Council at the Senior Management level the Directors have provided a mentoring role to the newly appointed Heads of Service. • Within the current year, industry specialists, Hills, Arlingclose and Ernst and Young have briefed elected Members in order to provide them with training and support with decisions they may need to make within their role.

PRINCIPLE F

Managing risks and performance through robust internal control and strong public financial management

Sub principles	Demonstrated by
Managing risk	<ul style="list-style-type: none"> • Internal audit provides a risk-based audit plan and reports on the effectiveness of risk management to the Licensing, Audit & General Purposes Committee. • Risks are considered within activities and decision-making reports taken to Cabinet. • Risk management is identified through the business planning process.
Managing performance	<ul style="list-style-type: none"> • Effective performance, financial and risk management arrangements are an integral part of all business activities, examples include: <ul style="list-style-type: none"> - Option appraisals/ risk assessment - Day to day business / performance / service business planning arrangements/ quarterly reporting - Projects and programme management – Internal documentation will be reviewed and updated in 2019/20 to improve the effectiveness of project and programme management. - Contractual and third-party arrangements (including shared risks) - Business continuity plans are in place, tested and communicated to staff as necessary • The Council's plan is currently being updated into a 10 year 'vision' with a 3-year rolling plan for achieving the overall vision. The plan is shown on the council's website along with the monitoring of the actions towards the plan. • The Council has in place an Overview and Scrutiny Committee to encourage debate on policies, objectives and outcomes before, during and after decisions are made. They also review the quarterly monitoring of the Council plan.
Robust internal control	<ul style="list-style-type: none"> • Internal Audit provide an annual opinion on the effectiveness of the Councils' internal control environment. This is based on the outcome from audit reviews carried out within the year. Details of this are reported to the Licensing, Audit & General Purposes Committee for review. • The Council has a Corporate Investigations Team which investigate potential fraud, corruption and maladministration and provide effective counter fraud arrangements within the Council.
Managing data	<ul style="list-style-type: none"> • Effective arrangements are in place for the safe collection, storage, use and sharing of data with other bodies, including processes to safeguard personal data in line with GDPR requirements. • Extensive training has been provided to all officers and Members in 2018/19 around GDPR and the Data Protection Officer was appointed in line with the requirements. • Effective arrangements are in place for the disposal and storage of legacy IT equipment: All hard disk-based systems are erased to HMG Infosec Standard 5 prior to disposal using accredited partners. IT equipment is stored in a locked store room when not in use/awaiting disposal. • IT Security: IT follows End User Device (EUD) guidance issued by National Cyber Security Centre when implementing security solutions and endpoint operating systems. Council IT infrastructure is audited annually, and results passed to NCSC for review and further guidance on actions to take to maintain compliance (including annual Public Services Network assessment). A bid is currently being made to NCSC for funding to support user training relating to cyber security.
Strong public financial management	<ul style="list-style-type: none"> • There are effective mechanisms in place for financial planning, budgetary control and reporting, including the management of financial risk • External Audit review and report on the Council's financial statements providing an opinion on the accounts.

PRINCIPLE G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub principles	Demonstrated by
<p>Implementing good practices in transparency</p>	<ul style="list-style-type: none"> • Agendas and minutes of Committee meetings are publicly available on the Council's website. • The Council ensures compliance with the mandatory elements of the Local Government Transparency Code • On the Council's website there is a Freedom of Information Act page to enable members of the public to have access to all recorded information held by the Council.
<p>Implementing good practices in reporting</p>	<ul style="list-style-type: none"> • The Annual Statement of Accounts is published on the Council's website to give clear information on the income and expenditure of the Council. • The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements in the year and any planned changes in the coming year. • The Licensing, Audit and General Purposes Committee review and approve the Annual Statement of Accounts and the Annual Governance Statement. • Performance is reported quarterly on a range of indicators, comparing some items with other Local Authorities and public sector bodies.
<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> • The terms of reference and working arrangements of the Licensing, Audit and General Purposes Committee have been revised to ensure greater focus on ensuring transparency and effective audit of processes. • There are arrangements in place for ensuring all agreed actions from peer reviews, internal audit, external audit, or other inspectorate work are implemented. Recommended actions from the 2017/18 Peer Review are monitored by the Executive Leadership Team • Risk based internal auditing provides ongoing assurance that the key risks are being managed. • The Council's constitution is updated as appropriate. There is a plan for a fundamental review of the entire constitution to be carried out within 2019/20.

7. How has the Council addressed the governance improvement actions from 2017/18?

The Annual Governance Statement 2017/18 contained the following key improvement actions. Details of the issues and how they have been addressed during the year are detailed below. Please note that where actions are ongoing these have been carried forward into the 2018/19 Action plan.

Governance Issue	Action	Current status
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice	Develop and adopt: <ul style="list-style-type: none"> • Capital Strategy • Asset Management Plan; and • Investment properties performance criteria 	Work is underway on the investment properties performance criteria and Asset Management strategy to be adopted within 2019. During 2018/19 the Council's Policy, Performance and Advisory Board (PPAB) received a report on the Asset Management plan and the future priorities. The Capital Strategy was formally adopted by the Council in February 2019 and will be reviewed on an annual basis.
EU General Data Protection Regulation	Ensure that the necessary changes for the GDPR are completed and implemented from the 25 th May 2018.	Extensive GDPR training has been carried out with all employees. Work continues to ensure ongoing compliance with the changes. The Data Protection Officer was appointed within 2018/19.
Restructure of the Council's Senior Management Team	Monitor the risks created by the review and ensure that the Council has appropriate resilience during a time of change.	The restructure of the Senior Management Team was completed by the end of 2018. During the period of review the Chief Executive and Executive Directors met and reviewed service continuity on a weekly basis and led the recruitment and change process.
Introduction of new governance arrangements	Ensure that the working arrangements are transparent and understood and the necessary support and training is provided for Council Members.	During 2018/19 a new Member framework was established introducing the Overview and Scrutiny Committee and the Policy and Project Advisory Board. These new bodies were supported by Senior Members of the leadership team and given the necessary resources to carry out their work programme.


8. Governance issues identified for 2018/19

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2019/20, which includes the carried forward actions from 2017/18. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Licensing, Audit & General Purposes Committee.

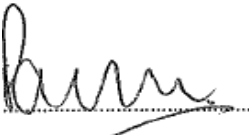
Governance Issue	Action	Target date	Lead Officer
EU General Data Protection Regulation (<i>b/f from previous year</i>)	Ensure that the necessary resulting changes for the GDPR are finalised and embedded within a broader information governance framework following the review of the effectiveness of the current arrangements the Council has implemented.	October 2019	Corporate Legal Services Manager
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (<i>b/f from previous year</i>)	Capital Strategy was approved by Council in February 2019 and will be reviewed on an annual basis. Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy Development of formalised reporting criteria (financial and non-financial measures) in relation to the Council's Investment Property portfolio	Ongoing October 2019 September 2019	Executive Head of Financial Services and Executive Head of Regeneration and Property
Risk Management (<i>b/f from previous year</i>)	Formal adoption of the risk management process and work carried out to embed risk management within all Council activities. Development and adoption of an information risk policy.	September 2019	Executive Head of Financial Services
Workforce/ people strategy	Develop and adopt a longer-term workforce/ people strategy	December 2019	HR Manager
Relationship Management and economic engagement plan	Develop relationship management approach and processes and economic engagement plan.	September 2019	Head of Economy, Planning and Strategic Housing
Procurement Strategy	Revision and adoption of the procurement strategy	July 2019	Principal Procurement Officer
Financial Regulations	Revision and adoption of the financial regulations	October 2019	Executive Head of Financial Services
Review of the entire constitution	The entire constitution will be reviewed and updated to ensure that it remains relevant.	October 2019	Head of Democracy, Strategy and Partnerships
Housing Company Governance	The governance arrangements in place around the Housing Company needs to be formally agreed.	August 2019	Head of Economy, Planning and Strategic Housing

9. Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted on pages 11 above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed.....

David Clifford
Leader of the Council
Date: 11 June 2019

Signed.....

Paul Shackley
Chief Executive
Date: 11 June 2019

Glossary of Terms

Assets Held For Sale

An asset is classified as held for sale if its carrying amount will be recovered mainly through selling the asset rather than through usage.

Billing Authority

A local authority responsible for collecting the council tax and non-domestic rates in areas where there is a two-tier system of county and district councils.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

The proceeds from the disposal of land or other assets.

Collection Fund

A Statutory Fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs 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 services. There is, therefore, no logical basis for apportioning these costs to services.

Current Assets

Assets which may change in value on a day to day basis

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Heritage Assets

Assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

Intangible Assets

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights e.g. software licenses.

Inventories

Materials or supplies unused and held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investment Properties

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

Joint Ventures

An entity established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic, financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing the control.

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year.

Long-Term Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Non-Distributed Cost

These are overheads for which no user now benefits and should not be apportioned to services.

Operating Leases

A lease other than a finance lease.

Provisions

Amounts set aside for expenditure in a future financial period as a result of an obligation arising from a past event. The obligation must be expected to result in a payment that can be reasonably estimated.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Reserves

These are amounts set aside for specific purposes where there is no certainty about the level and timing of expenditure.

Revenue Expenditure

The operating costs incurred by the Council during the financial year in providing its day to day services.

Revenue Support Grant

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the Council tax would be the same across the country.

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.

Table 2 – Indicative Reserve and Balances levels

Reserves and Balances	Balance 31/03/2020 (£'000)		2020/21 Transfers (£'000)		2020/21 Transfers From (£'000)		Balance 31/03/2021 (£'000)		2021/22 Transfers (£'000)		Balance 31/03/2022 (£'000)		2022/23 Transfers From (£'000)		Balance 31/03/2023 (£'000)	
			To	From	To	From			To	From			To	From		
General Fund Balance	(2,000)						(2,000)					(2,000)				(2,000)
Earmarked Reserves																
Stability & Resilience Reserve	(6,675)		0	1,384		0	(5,291)		0	2,000		(3,291)		2,000		(1,871)
Service Improvement Fund	(129)		0	0		0	(129)		0	129		(0)		0		(0)
ICE Reserve*	(297)		0	297		0	0		0	0		0		0		0
Commercial Reserve	(2,000)		(350)	750		0	(1,600)		0	500		(1,100)		100		(1,000)
Climate Emergency*	0		(250)	250		0	0		0	0		0		0		0
Deprivation Strategy Support*	0		(100)	100		0	0		0	0		0		0		0
Regeneration Reserve	(450)		0	170		0	(280)		0	280		0		0		0
Regeneration/Commercial Due Diligence	(250)		0	150		0	(100)		0	100		0		0		0
Workforce Strategy	(200)		0	0		0	(200)		0	200		0		0		0
Treasury Reserve	0		(580)	290		0	(290)		0	290		0		0		0
Pension Fund Equalisation (Para 6.16-6.17)	0		(669)	0		(818)	(669)		(818)	0		(1,487)		0		(2,447)
s106/SANG/Commutated Sums	(4,442)		0	109		0	(4,333)		0	0		(4,333)		0		(4,333)
All Other Earmarked Reserves**	(3,257)		(169)	1,101		0	(2,324)		0	150		(2,174)		0		(2,174)
Subtotal Earmarked Reserves	(17,700)		(2,118)	4,602		(818)	(15,216)		(818)	3,649		(12,385)		2,100		(11,825)
TOTAL Reserves and Balances	(19,700)		(2,118)	4,602		(818)	(17,216)		(818)	3,649		(14,385)		2,100		(13,825)

Assumptions made:

- General Fund Balance – maintained at risk-based minimum level of £2m
- General Fund Revenue budget would require £1.384m of support in 2020/21 and £2m of support in 2021/22 and 2022/23 funded from the Stability and Resilience Budget
- Commercial Property Portfolio would require £1m of support over the period 2020/21 to 2022/23
- Earmarked reserves support specific Council priorities are fully utilised (Service Improvement Fund, ICE Reserve, Climate Emergency, Deprivation Support, Regeneration Reserve, Regeneration Due Diligence, Workforce Strategy)
- Pension Fund Equalisation Reserve maintained as per February 2020 MTFS
- S106/SANG/Commutated Sums reserve – no assumption about income and expenditure
- All other earmarked reserves – maintained at current level

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