STATEMENT OF ACCOUNTS

AND ANNUAL CORPORATE GOVERNANCE STATEMENT

2013 - 2014

RUSHMOOR
BOROUGH COUNCIL

Explanatory Foreword

Message from the Chief Financial Officer – Amanda Fahey

During 2013/14, 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.

The Council is in a sound financial position and has a change programme linked to the sustainability of the organisation with plans to address the challenges being faced in 2014/15 and beyond.

The explanatory foreword that accompanies the Statement of Accounts is designed to provide an overall explanation of the Council's financial position, during 2013/14 and looking ahead, including information about the operation of the Council and the major influences affecting its accounts.

The aim of the foreword is to assist readers in their understanding and interpretation of the accounting statements, in order to provide confidence that public money has been properly accounted for and that the financial standing of the Council is secure.

The Explanatory Foreword contains the following key sections:

1. An introduction to Rushmoor
2. Key facts about the Council
3. A summary of the 2013/14 financial performance of the Council
4. Explanation of the Financial Statements

An introduction to Rushmoor

The Borough of Rushmoor, with an estimated population of around 96,800, 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, the home of the British Army, with approximately 8,000 service personnel and their dependents within the Garrison and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport, considered to be the premier business airport in Europe. 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 currently occupies the land between Aldershot and Farnborough and to the west of those towns, although work will start shortly on Project Wellesley, an area of former Ministry of Defence land north of Aldershot which will see an additional 3,850 properties over the next fifteen years. Previously, most of the new and extensive residential development has taken place in the northern part of Farnborough, beyond the main railway line from London to the south and west.

Key facts about Rushmoor Borough Council

Rushmoor Borough Council is a complex organisation providing a wide variety of services to the public, from regulatory services including licensing, planning and building control, to universal services such as waste collection and recycling and welfare services such as housing needs and the administration of housing benefits. Behind these frontline services, are all of the support functions that enable the services to happen, such as finance, IT and legal services as well as our customer services staff that look after the customers visiting and contacting the Council. These are just a few services among the many provided by a Council employing around 300 members of staff.

The Council's policies are directed by its political leadership and implemented by the Director's Management Board, Heads of Service and other officers of the Council.

- **The Political Structure of the Council in the 2013/14 Municipal Year**

  Rushmoor has 13 wards and the Council consists of 39 elected Members. Following the local elections on 3rd May 2012, the political make-up of the Council was:

Conservative Party	25 Councillors
Labour Party	11 Councillors
UKIP	3 Councillors

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.

- **The Management Structure of the Council**

  Supporting the work of elected Members is the organisational structure of the Council headed by the Chief Executive as the Head of Paid Service. The Directors' Management Board (DMB), consists of the Director of Resources and the Director of Community and Environment; its role is to consider and co-ordinate the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

  At the end of May 2014, the Director of Resources, who was also the Council's Chief Financial Officer, retired and was replaced by an internal candidate on an interim basis. The Chief Financial Officer role was transferred on a permanent basis to the Head of Financial Services. As Chief Financial Officer, I am able to attend meetings of DMB, as is the Solicitor to the Council as Monitoring Officer. This ensures that these key statutory roles have on-going access to the most senior level of the Council.

  The Chief Executive and Directors are each responsible for a range of services led by Heads of Service (other than Personnel and Audit who report directly to the Chief Executive and Director of Resources respectively rather than through a Head of Service). The three directorates are set out below:

Chief Executive	Resources	Community and Environment
Democratic Services Legal Services Strategy and Communications Personnel Services	Audit Customer Services Financial Services IT Services	Community Environmental Health and Housing Planning Services

- **The Corporate Plan**

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 Corporate Plan is divided into five priority themes:

Leadership	**Prosperity**	**Place**	**People and Communities**	**Good Value Services**

These themes support our overall purpose to work with others to improve the quality of people's lives.

- **Key issues that influenced the Council and its financial position in 2013/14**

The PESTLE analysis shown below highlights some of the key issues influencing the Council in 2013/14.

Political

- Localism and decentralisation: Changes to the roles and responsibilities of local government in 2013/14 have included the introduction of a localised Council Tax Support Scheme replacing the national system of council tax benefits and the Business Rates Retention Scheme, which allows Councils to retain a proportion of rates generated in their area.

- Impact of central government austerity measures leading to reductions in central government funding for local government.

- Welfare Reform Act: The Council has been putting measures in place to respond to the Welfare Reform Act while continuing to support its most vulnerable residents.

Economic

- Regeneration: The Council continued with its town centre regeneration plans for Aldershot and Farnborough.

- Economy: The impact of the economy has been felt via the austerity measures referred to above in addition to pressure on income streams as residents income is squeezed and low interest rates on the Council's investments.

- Pressure on partners: local voluntary sector organisations have been under increasing demand pressure from residents.

Social

- Demographic changes: Rushmoor faces both an ageing population and a pressure on school places.

- Community and Social Cohesion: Remains a high priority for Rushmoor, with delivery of its Cohesion Strategy and Neighbourhood renewal plans high on the agenda.

- Rushmoor took a lead role locally on the Supporting Families Initiative.

Technological

- Rushmoor has been responding to a number of technological challenges such as developing new ways of working including remote or flexible working for staff, the accessibility of services for customers and the impact of social media. In 2013/14, it began developing its Channel Shift programme working on the most efficient ways to interact with our customers.

Legal

- Local Audit and accountability Act: including measures to replace the Audit Commission with a new local audit framework and extensions to the Council Tax Referendum provisions.

- Welfare Reform Act

Environmental

- The shortage of Suitable Alternative Natural Green Space (SANGS) has begun to impact on housing supply.

- The Wellesley development in Aldershot commenced

- Planning and Health and Safety regulations were relaxed.

- The Council's response to extreme weather conditions was tested.

This analysis is updated on an on-going basis as a tool to review the major factors influencing the Council. Factors influencing 2014/15 and beyond include the on-going reductions in central government grant, the effects of demographic change, including local skills and educational attainment, welfare reform, reduction in car parking facilities in our town centres and subsequent effect on parking income.

- **The Medium Term Financial Strategy**

The Council has a rigorous budget process, setting itself a budget that incorporates the Council's priorities and objectives over the medium term and producing a Financial Strategy, a Medium Term Financial Forecast, detailed budget reports which are approved by Full Council each year and the annual budget book. The Financial Strategy sets out the framework for the production of the Medium Term Financial Forecast and the annual budget. It is reviewed and updated in response to internal and external factors such as changing corporate priorities, prevailing economic conditions, government policy and changes to funding mechanisms. The Strategy underpins the Corporate Plan and provides the basis for delivering a stable and sustainable financial position to enable the Council to achieve its strategic objectives.

Given the uncertain (although improving) economic climate, major government policy changes and changes to the funding mechanisms for local government, the financial position of the Council is potentially more volatile and subject to greater risk than in the past. The austerity measures introduced by central government to tackle the national budget deficit have impacted heavily on local government and are likely to continue for some time. The economic climate also affects the levels of income from services such as planning, parking, land charges and building control, which are factored into the medium term forecast. Other areas affected would be interest receipts given the low level of current interest rates. This has been mitigated in part in 2013/14 by a change in policy to diversify our investment portfolio.

One of the key elements of the Financial Strategy has been the Council's approach to reserves. The strategy allows reserves to be set aside to mitigate against specific, known risks and against unexpected fluctuations in the Council's income streams. For example, in 2012/13, a new Stability and Resilience Reserve was created to enable the Council to weather sudden downturns in its income, which might arise through the operation of the new Business Rates Retention Scheme or due to general economic pressures on income. Reserves are also set aside to support major projects within the Corporate Plan, which support delivery of the Council's strategic objectives as well as invest-to-save schemes. The level of balances for the Council's general revenue fund has been set at a range of £1million - £2 million. Together the balances and reserves provide an appropriate buffer against the risks facing local government generally and Rushmoor locally.

The Financial Strategy also sits as part of the Council's 8-point plan towards sustainability as set out below:

- Reduce work – by looking at priorities and reviewing what we do
- Do things smarter - by looking at how we do things to reduce costs
- Increasing income/invest to save
- Reducing our core capital programme
- Reviewing our approach to financing and our Medium Term Financial Strategy
- Reviewing our management structure and costs
- Rethinking our approach to / renegotiating contracts
- Considering the opportunity to increase Council Tax

This plan is being reviewed in 2014/15 to ensure its continued relevance, to monitor progress against the plan and to add depth by incorporating some key projects, targets and accountability for each work-stream.

- **The Capital Programme 2013/14 to 2016/17**

The Capital Programme was approved at the Council meeting of 21st February 2013 and reflected a medium term view of capital expenditure and funding covering the period 2013/14 to 2016/17. As 2013/14 progressed, the estimates for the year were revised in line with new assumptions and information as it became available and for new projects approved during the year.

The Capital Programme for 2013/14 reflected the Council's priorities and its 8-point plan including:

- Invest to save schemes such as further planned investment in the Council's offices to enable the co-location of services from Hampshire County Council and Hampshire Police.

- Investment in local amenities such as football pitches and playgrounds, mainly funded by developers' contributions

- Continued investment in our town centres with support to the development of the cinema complex in Kingsmead, Farnborough and the redevelopment of Queensmead, Farnborough. (Works planned for 2014/15 and beyond, include major investment in Aldershot town centre and the links to the new Wellesley development – a £4.5m project including £3m of external funding*.)

The table below shows the original approved capital programme for 2013/14 and the indicative programme for 2014/15 to 2016/17 and highlights a balanced position over the life of the programme with no requirement for external borrowing.

Capital Expenditure	**Estimate 2013/14 £000**	**Estimate 2014/15 £000**	**Estimate 2015/16 £000**	**Estimate 2016/17 £000**
Corporate Services	763	485	265	160
Leisure and Youth	790	380	50	50
Environment	1,783	4,530*	110	110
Health and Housing	920	920	920	920
Total Expenditure	**4,256**	**6,315**	**1,345**	**1,240**

Funded by:				
Revenue Contributions	800	900	1,000	1,100
Grants/Contributions from other bodies	457	3,456*	396	396
Developers' Contributions	546	100	0	0
Capital Receipts	2,453	1,859	(51)	(256)
Total Funding	**4,256**	**6,315**	**1,345**	**1,240**

A summary of the 2013/14 financial performance of the Council

- **Revenue Outturn Position**

The Council's summary revenue outturn position is shown overleaf. The initial budget for 2013/14, approved by Council on 21st February 2013, forecast net revenue expenditure of £10.6 million funded by £5.3 million from Council Tax and £5.3 million from Central Government in the form of Revenue Support Grant and income under the revised system for distributing Business Rates. This allowed for a 0.0% increase in Council Tax, the inclusion of a Council Tax Freeze Grant of £0.059 million from Central Government and committed or inescapable additional items of £0.086 million. The budget also included expected savings, through cost reduction or income generation, of £0.5 million (rising to £1.75 million over the medium term). This resulted in an estimated revenue balance of £1.6 million, which was above the mid-point of the approved range for balances of £1 million to £2 million.

During 2013/14, a significant range of savings and improved income streams was achieved despite factors such as the prevailing economic conditions and reduced interest receipts due to continuing low interest rates. These savings were incorporated into the 2013/14 Revised Budget, approved by the Council on 20th February 2014 and increased the expected revenue balance to £2.1 million.

The actual outturn for 2013/14 improved again on this position with further savings and efficiencies being achieved, due to the continued restraint in spending exercised by Heads of Service and additional income in the latter part of the year. One particular area to note was the increase in investment returns resulting in an additional £47,000 above the revised budget and some £107,000 above the original budget. This was largely due to a change in the Council's investment strategy part-way through the year, which led to a move to diversify the Council's investments and to return to some longer-term investing. This resulted in some key deposits in Pooled Funds (Collective Investment Vehicles) which invest in a pool of assets thus spreading the Council's risk while providing improved returns over money market funds and bank deposits. The Council approved the changes to the strategy during July 2013.

The level of earmarked reserves was reviewed and some monies held against known risks were released back to the general fund as the risks were no longer felt likely to materialise. This further improved the revenue position and allowed the Council to set aside additional funds in its Stability and Resilience Reserve, which is held against future fluctuations in the Council's finances. This allows the Council time to implement the key projects in the Corporate plan and 8-point plan without having to react to the sometimes volatile nature of local government income and funding. Balances will remain at £2.1 million as per the revised budget.

Revenue Outturn Summary	Revised 2013/14 £000	Outturn 2013/14 £000	Variance £000
Net Service Expenditure	12,396	11,798	(598)
Corporate Income and Expenditure *	(329)	(335)	(6)
Contributions to/(from) Reserve accounts **	(100)	586	686
Central Government Funding ***	(6,423)	(6,505)	(82)
Contribution to/(from) balances	(243)	(243)	-
Council Tax Requirement	**5,301**	**5,301**	-
Revenue Balances			
1 April 2013	2,365	2,356	
General Fund Transfer	(243)	(243)	
31 March 2014	**2,122**	**2,122**	

* includes interest receipts of £387,000 against a revised budget of £340,000
** includes £430,000 transfer to Stability and Resilience Reserve
*** includes Revenue Support Grant £3.1m, Retained Business Rates £2.1m and other grants including New Homes Bonus of £1.2m

The table above does not correspond directly to any of the core statements presented in the Statement of Accounts 2013/14. This is because it contains a combination of figures from both the Comprehensive Income & Expenditure Statement and the Movement in Reserves, while omitting other figures that appear in those statements. The summary presented above is based on the format that is used to present the revenue budget to Members and its aim is to show the effect of the year's transactions on the General Fund Balance. Accounting transactions for items such as Pension Accounting, Capital charges and Employees Benefit adjustments for example, which are all adjusted for elsewhere in the core statements, are not included here, as they have no direct impact on the level of general fund reserves.

- **Capital Outturn Position**

The Council spent £4.5 million on its capital programme in 2013/14, which is shown in the table overleaf. The funding for the programme is also set out, showing that just over half of the programme was funded from internal resources while the remainder was funded from grants and contributions, with no requirement for external borrowing.

Capital Outturn Summary	Revised 2013/14 £000	Outturn 2013/14 £000	Variance £000
Capital Expenditure:			
Property, Plant and Equipment	4,796	3,554	(1,242)
Intangible Assets	200	193	(7)
Grants to Registered Social Landlords	200	48	(152)
Improvement Grants	720	706	(14)
Total Capital Expenditure	**5,916**	**4,501**	**(1,415)**
Funded by:			
Capital Receipts	3,341	2,211	(1,130)
Government Grants and other contributions	1,925	1,640	(285)
Direct revenue contributions	650	650	0
Total Funding	**5,916**	**4,501**	**(1,415)**

As can be seen from above there was a variation between forecast and final capital outturn. The majority of this expenditure, around £1.5 million, will be reprofiled into 2014/15 together with its financing. This slippage has occurred for reasons such as poor weather preventing work from being undertaken as scheduled. The only major overspend in the capital programme was on the refurbishment of Queensmead, Farnborough where additional expenditure was incurred due to ground conditions, provision of new roadway, taxi rank and rising bollards.

Explanation of the Financial Statements

Rushmoor Borough Council's Statement of Accounts for the year ended 31st March 2014 is set out on the following pages.

The Statement of Accounts consists of the following core financial statements and accompanying notes:

- **The Movement in Reserves Statement** summarises the changes in balances on the Council's reserves in the year. Reserves are classified as either usable or unusable. Usable reserves include the unallocated General Fund Balance, Earmarked Revenue Reserves and the Capital Receipts Reserve. These are the reserves that the Council can apply to future expenditure subject to statutory conditions (e.g. the Capital Receipts Reserve can only be used to finance capital expenditure). Unusable reserves such as the Capital Adjustment Account and Revaluation Reserve generally reflect the timing differences between the purchase and the consumption of the economic benefits of assets.

- **The Comprehensive Income and Expenditure Statement** combines the former Income and Expenditure Account and the Statement of Total Recognised Gains and Losses. This statement shows all income and expenditure incurred by the Council throughout the year; including day-to-day transactions from running the organisation as well as gains / losses on assets and pension liabilities. The total comprehensive income and expenditure shown represents the total movement in the Council's reserves during the year.

- **The Balance Sheet** shows the financial position of the Council as at 31st March 2014. It discloses the assets and liabilities for all Council services.

- **The Cash Flow Statement** summarises the Council's cash transactions for the year.

Also included in the Statement of Accounts is the following supplementary financial statement and accompanying notes:

- **The Collection Fund Statement** which is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with payments to Precepting Authorities, Central Government and its own General Fund.

The Statement of Accounts has been audited and the independent Auditor's Report, including the Audit Opinion, is included in this document.

The Council is required to ensure that its financial management is adequate and effective and that there is a sound system of internal controls including arrangement for the management of risk. The Annual Governance Statement, approved following the annual review of this system of internal control, has been included in this document, in addition to the Statement of Accounts.

Accounting Policies
The Council's accounting policies are laid out in Note 1 to the Core Financial Statements. A number of these policies were revised in 2010/11, and again in 2011/12, following the introduction of International Financial Reporting Standards, which aimed to deliver the benefits of consistency and comparability between financial reports in the global economy and to follow private sector best practice. Elected Members approved changes to the application of two accounting for 2013/14 - International Accounting Standard (IAS) 19 – Employee Benefits and IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. This included changes in the assumptions used for measuring the Pension Fund liability and the inclusion in the accounts of a provision for Business Rate appeals, following the changes to the way Business Rates are administered and distributed, from 1st April 2013.

<u>Pensions Liability</u>
The Council participates in the Local Government Pension Scheme (a defined benefit scheme) administered by Hampshire County Council. The pension liability shown in the Balance Sheet represents the Council's share of the Hampshire Fund's overall liability calculated by the fund actuary in accordance with IAS19. IAS19 is a complex accounting standard based on a simple principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Whilst the Council's liability at 31st March 2014 is significant at £39.83 million, arrangements for funding the deficit are in place and reflected in the Council's medium term financial planning. Further detail on the pension liability and its significance for the Council is included in the Statement of Accounting Policies (Note 1) and Defined Benefit Pension Schemes (in the Notes to the Core Financial Statements).

<u>Provision for appeals against business rate valuations</u>
Under the Business Rates Retention Scheme introduced from April 2013, Billing Authorities like Rushmoor are responsible for collecting all of the business rates for the area and apportioning them between preceptors i.e. Rushmoor Borough Council, Hampshire County Council and Fire Authority and Central Government in predetermined shares. They may also benefit from a share in any growth to business rates, measured against a benchmark defined by central government at the outset of the scheme.

Billing Authorities are also responsible for repaying ratepayers who successfully appeal their rates valuation with the Valuation Office. As this money must come from the total pot of business rates collected, known as the Collection Fund, the Council must now make an estimate of the amount of appeals likely to be settled as this money will be held back from the relevant shares of each preceptor.

The Council has calculated an allowance of £10.7 million to account for any known and future appeals likely to affect 2013/14 and prior years' business rates collection. Appeals can be backdated to the date of valuation or the change that gave rise to the appeal so may cover several years. The size of the provision made in year 1 of the system is naturally much larger than expected in future years, due to having to cover all of the outstanding appeals and their prior year effects at the onset of the scheme. Future years will adjust the backdated part of the provision as appeals are settled but only add appeals likely to affect that single year. For example, the backdated element of the above provision is £7.7 million while the element for 2013/14 alone is just £3 million.

There have been no other major changes in statutory functions during the year, other than the introduction of a Localised Council Tax Support Scheme to replace the previous system of Council Tax Benefits. Rushmoor introduced an 8% minimum contribution for working age customers, otherwise broadly retaining the previous national scheme apart from some changes to income calculations. The Council also used new statutory powers to alter charges for empty properties.

Significant items of income or expenditure

While there have been no material assets acquired by the Council during 2013/14, or any significant new liabilities incurred, there are some large items of income and expenditure to be brought to the attention of the reader of the accounts.

Impairment of Assets

The Council has again sought the advice of its Valuer as well as employing an external company of Chartered Surveyors for the valuation of individual capital assets and groups of capital assets. As part of this review, impairment losses of £0.9 million were identified. Of this figure, £0.1 million was offset against previous revaluation gains for the individual assets and £0.8 million was charged directly to the relevant service revenue accounts. This principally arises from a change in valuation assumptions relating to the Council's offices. The impairment does not affect the revenue position of the Council as the loss affects the 'book value' of the building only. The co-location of other partners into the building however, has realised significant additional annual income in the form of rents as well as synergies for customers.

Business Rates Retention Scheme

Significant new items of income and expenditure have been brought into the accounts following the introduction of the Business Rates Retention Scheme. In past years, the Council simply received an allocation from central government of the total business rates collected in England, similar to the way it receives Revenue Support Grant. Under the new scheme, while the net effect of business rates retention for Rushmoor is approximately £2.1 million, this is split into a number of large items of both income and expenditure. Our share of income collected is around £16.8 million, against which we pay a tariff to central government of £14.6 million. We also initially expected a small amount of growth in business rates, of which we would have paid central government 50% (£0.055 million). As with the Council Tax Collection Fund, any difference in actual collection from these budgeted figures produces a surplus or deficit, which is declared in the following financial year. If this deficit should take the Council's rates income below a safety net threshold, then the government makes a safety net payment to the Council to protect its overall financial position. For the first year of operation of the scheme, the Council expects to be paid a safety net payment of £3.4 million to offset in part a deficit of £3.9 million.

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

Amanda Fahey BA (HONS) FCCA
Chief Financial Officer/Head of Financial Services

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, 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.

Martin J Tennant

Councillor Martin J. Tennant

Chairman of the Licensing and General Purposes Committee

Date: 22nd September 2014

The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Rushmoor Borough Council and of its expenditure and income for the year ended 31st March 2014.

Amanda Fahey

Head of Financial Services (Chief Financial Officer)

Date: 22nd September 2014

Movement in Reserves Statement

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

* Restated 2012/13	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance 1st April 2012	1,586	3,189	27,081	0	**31,856**	18,099	**49,955**
Movement in reserves during 2012/13							
* Surplus or (deficit) on the provision of services	(982)	0	0	0	**(982)**	0	**(982)**
* Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(2,543)	**(2,543)**
*** Total Comprehensive Income and Expenditure**	(982)	0	0	0	**(982)**	(2,543)	**(3,525)**
*Adjustments between accounting basis and funding basis under regulations (Note 7)	4,506	0	(4,601)	25	**(70)**	70	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,524	0	(4,601)	25	**(1,052)**	(2,473)	**(3,525)**
Transfers to/from Earmarked Reserves (Note 8)	(2,745)	2,805	0	0	**60**	(60)	**0**
Increase/(Decrease) in 2012/13	779	2,805	(4,601)	25	**(992)**	(2,533)	**(3,525)**
Balance at 31st March 2013 carried forward	2,365	5,994	22,480	25	**30,864**	15,566	**46,430**
Movement in Reserves during 2013/14							
Surplus or (deficit) on the provision of services	206	0	0	0	**206**	0	**206**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	14,484	**14,484**
Total Comprehensive Income and Expenditure	206	0	0	0	**206**	14,484	**14,690**
Adjustments between accounting basis and funding basis under regulations (Note 7)	3,073	0	(1,931)	37	**1,179**	(1,179)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,279	0	(1,931)	37	**1,385**	13,305	**14,690**
Transfers (to)/from Earmarked Reserves (Note 8)	(3,522)	3,522	0	0	**0**	0	**0**
Increase/(Decrease) in 2013/14	(243)	3,522	(1,931)	37	**1,385**	13,305	**14,690**
Balance at 31st March 2014 carried forward	**2,122**	**9,516**	**20,549**	**62**	**32,249**	**28,871**	**61,120**

Comprehensive Income and Expenditure Statement

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

Restated 2012/13				2013/14		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,054	(5,904)	2,150	Central Services to the Public	2,683	(738)	1,945
6,532	(1,367)	5,165	Cultural and Related Services	6,104	(1,887)	4,217
7,892	(2,588)	5,304	Environmental and Regulatory Services	7,814	(2,630)	5,184
3,584	(1,145)	2,439	Planning Services	3,735	(831)	2,904
3,104	(3,989)	(885)	Highways and Transport Services	3,058	(3,762)	(704)
38,537	(36,811)	1,726	Other Housing Services	39,873	(37,931)	1,942
90	(72)	18	Adult Social Care	14	(1)	13
1,585	(6)	1,579	Corporate & Democratic Core	1,477	(15)	1,462
28	0	28	Non Distributed Cost	29	0	29
69,406	**(51,882)**	**17,524**	**Cost of Services**	**64,787**	**(47,795)**	**16,992**
67	(61)	6	Other operating expenditure (Note 9)	265	(299)	(34)
3,045	(6,666)	(3,621)	Financing and investment income and expenditure (Note 10)	3,613	(8,366)	(4,753)
0	(12,927)	(12,927)	Taxation and non-specific grant income and expenditure (Note 11)	18,536	(30,947)	(12,411)
72,518	**(71,536)**	**982**	**(Surplus) or Deficit on Provision of Services**	**87,201**	**(87,407)**	**(206)**
		(1,137)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 25)			94
		0	(Surplus) or deficit on revaluation of available for sale financial assets			(8)
		3,680	Remeasurement of the net defined benefit liability/(asset)			(14,570)
		2,543	**Other Comprehensive Income and Expenditure**			**(14,484)**
		3,525	**Total Comprehensive Income and Expenditure**			**(14,690)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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 2013 £000		Notes	31 March 2014 £000
47,144	Property, Plant and Equipment	12	45,922
258	Heritage Assets	13	258
20,455	Investment Property	14	26,187
572	Intangible Assets	16	561
4	Long Term Investments	17	15,011
77	Long Term Debtors	17	102
68,510	**Long Term Assets**		**88,041**
21,539	Short Term Investments	17	14,569
13	Inventories	18	3
5,398	Short Term Debtors	19	7,353
12,421	Cash and Cash Equivalents	20	5,111
39,371	**Current Assets**		**27,036**
0	Cash and Cash Equivalents	20	1,062
6,461	Short Term Creditors	21	6,764
41	Short Term Provisions	22	0
6,502	**Current Liabilities**		**7,826**
382	Long Term Provisions	22	4,687
52,692	Other Long Term Liabilities	23	40,108
1,875	Capital Grants Receipts in Advance	36	1,336
54,949	**Long Term Liabilities**		**46,131**
46,430	**Net Assets**		**61,120**
30,864	Usable Reserves	24	32,249
15,566	Unusable Reserves	25	28,871
46,430	**Total Reserves**		**61,120**

Restated 12/13 balances due to prior period pension adjustments

During 2012/13 there was a change relating to accounting and disclosure requirements for pension costs which has required restatement to certain 2012/13 balances. There is no impact upon the Council's pension liability. The changes are summarised as follows:

	£000s
Net Service Cost	70
Net Interest charge	(2,600)
Return on Plan Asset	(2,190)
Changes in actuarial assumptions	4,720
Total	**0**

Cash Flow Statement

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

restated 2012/13 £000		2013/14 £000
(982)	Net surplus or (deficit) on the provision of services	206
4,940	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26)	3,154
(207)	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 27)	(320)
3,751	Net cash flows from Operating Activities	3,040
(189)	Investing Activities (Note 29)	(12,344)
(3,284)	Financing Activities (Note 30)	932
278	Net increase or decrease in cash and cash equivalents	(8,372)
12,143	Cash and cash equivalents at the beginning of the reporting period	12,421
12,421	**Cash and cash equivalents at the end of the reporting period**	**4,049**

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

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require that it is prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Council Accounting in the United Kingdom 2013/14* and the *Service Reporting Code of Practice 2013/14*, 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.

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. 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. An accrual is made for the cost of holiday earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the 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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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. This is based upon assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bonds derived from the Aon Hewitt UK Corporate AA Curve – Swaps Extrapolation, which in turn is derived from the iBoxx Corporate Bond Index).

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

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

The change in the net pensions liability is analysed into 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.

viii. 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.

ix. 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.

As the Council is debt-free, there is no requirement for borrowing other than in the short- term for cash flow purposes. During 2013/14, no short-term borrowing took place and therefore the only 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 into two types:

(i) loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

(ii) available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

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

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

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

The Council holds a number of short-term investments and long-term deposits with Banks and Other Local Authorities, which are classified as loans and receivables, along with cash and cash equivalents, loans to organisations and trade debtors occurring in the normal course of business. Trade and other receivables with duration of less than 12 months are recognised at their nominal value.

Available for Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the surplus or deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available For Sale Reserve.

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

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

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

The Council took out a number of investments in Pooled Funds or Collective Investment Vehicles during 2013/14, which are classified as Available for Sale Assets.

Fair Value through Profit and Loss

The Council will on occasion use forward contracts to purchase investment assets. Such forward contracts are 'derivatives' between the trade date and the settlement date and therefore shall be classified as at fair value through profit and loss. On the trade date the fair value of the derivative will be nil but if the fair value of the 'underlying' (i.e. the financial asset) increases the derivative will have a positive value and if it decreases it will have a negative value. The derivative is settled on the settlement date by the delivery of the financial asset and payment of the consideration. The financial asset is recognised at fair value on the settlement date. The difference between the fair value on the settlement date and consideration paid under the forward contract (i.e. the gain or loss on the forward contract derivative) is taken to the Surplus or Deficit on the Provision of Services. If a forward contract is open at the year-end, the gain or loss on the forward contract is taken to the Surplus or Deficit on the Provision of Services. If the forward contract has a positive value, it is shown as a financial asset in the Balance Sheet. If it has a negative value, it is shown as a financial liability in the Balance Sheet.

The remainder of the Council's forward contracts matured during 2012/13.

x. Foreign Currency Translation

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

xi. 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. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xii. 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 have cultural and historic associations that make their preservation for future generations important.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment and are therefore subject to the de-minimus capitalisation threshold of £10,000. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below.

The Council's collections of heritage assets are accounted for as follows:-

- **Civic Regalia**

Items of civic regalia consist of the Borough of Rushmoor mace, the Mayoral chains of office, badges of office for the Mayor, Mayoress, Deputy Mayor and Deputy Mayoress along with various pendants, ceramic items, ceremonial clothing, works of art and models. The items are subject to regular valuation for insurance purposes and the last valuation took place in March 2012. The valuation was carried out by Catherine Hockley BA (Hons) R J Dip – from Andrew Smith & Son, Fine Art Auctioneers & Valuers.

Items are reported in the Balance Sheet at insurance valuation which is based on market values. The items are deemed to have indefinite useful lives and consequently the Council does not consider it appropriate to charge depreciation.

- **Memorials and Statues**

These consist of a memorial, the Heroes' Shrine in Manor Park, Aldershot and a sculpture of a charging horse in Princes Gardens, Aldershot.

No information is available on cost or value in respect of these items. As the values of these assets are not likely to be material, and it is not practical to obtain a valuation at a cost commensurate with the benefits to users, it is considered that these assets are not recognised in the Council's Balance Sheet but are disclosed as a note to the accounts.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xix. in this summary of significant accounting policies.
Acquisitions and donations are rare. Where they do, acquisitions are recognised at cost and donations are recognised at valuation ascertained in accordance with the Council's policy on valuation of heritage assets.

The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes in the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xiii. 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.

xiv. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xv. 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 2013/14 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.

xvi. 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.

xvii. 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.

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve.

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

Operating Leases

Where the 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.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SERCOP).

Support services represent the cost of individual services provided within the Council to the organisation as a whole, such as Information Technology, Financial Services and Personnel. They are charged out to direct services by way of Service Level Agreements (SLAs) that are negotiated between departments that are responsible for delivering and using support services.

All costs of management and administration are allocated to Direct Services, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-operational properties.

These two cost categories are defined in the *Service Reporting Code of Practice 2013/14* and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xix. 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the 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).

Deprecation 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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

2. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) requires the Council to identify any accounting standards that have been issued but have yet to be adopted. The Code has introduced several changes in accounting policies which will be required from 1st April 2014.There would be no material changes if these had been adopted for the financial year 2013/14. A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not have any subsidiaries or associates and has not produced consolidated accounts for this financial year.
- **IFRS 11 Joint Arrangements** – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements but does have two jointly controlled operations with other Local Authorities, as disclosed in Note 15. There will be no material changes as a result of the adoption of this standard.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has no arrangements with other entities under IFRS12.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
- **IAS 32 Financial Instruments Presentation** – The Code references to amended application guidance when offsetting a financial asset and a financial liability. Assets and liabilities have been separately identified in the accounts and therefore no further disclosure is required.
- **IAS 1 Presentation of the Financial Statements** – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the 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:

- 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 Explanatory Foreword, 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. If the asset is used solely to earn rentals and/or for capital appreciation then it is classified as an Investment Property.
- 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. These judgements are based upon the pattern of appeals from the 2005 and 2010 rating lists.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The financial statements contain some estimated figures that are based on assumptions made by the County 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 31 March 2014 for which there is a risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	At 31st March 2014, the carrying amount of the Council's Property, Plant and Equipment was £45.9 million. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The levels of repair and maintenance will have a direct impact on the estimates of useful lives assigned to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.1 million for every year that useful lives had to be reduced.
Pensions Liability	At 31st March 2014, the net Pensions Liability was £39.8 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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	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 41). For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.61 million. However, the assumptions interact in complex ways. During 2013/14, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £11.5 million due to changes in financial and demographic assumptions combined with estimates being corrected as a result of experience.
Arrears	At 31st March 2014, the Council had a debtor balance of £8.84 million. A review of significant balances suggested that an impairment of doubtful debts of 17% (£1.49 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.49 million to be set aside as an allowance.
Business Rate Appeals	Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, the Council assumed liability for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision has been recognised for the best estimate of the amount that may be refunded in relation to 2013/14 and prior years.	The Council has calculated a total allowance of £10.7 million to account for the effect of known and anticipated future appeals on rates income for 2013/14 and prior years, shared in relevant proportions between the Council, other preceptors and Central government. The potential share of this cost (40%) that would fall upon Rushmoor is £4.3 million. The multiple assumptions used in forming the estimate, interact in complex ways. However, a 1% increase in the withdrawal rate for appeals, would reduce the provision by £0.24 million and a 1% increase in the relief rate would reduce the provision by £0.12 million. A 1% increase in the success rate of future appeals would increase the provision by £0.43 million and a 1-year increase in the number of years to be refunded for future appeals would increase the provision by £2.7 million.

5. Material Items of Income and Expense

Significant new items of income and expenditure have been brought into the accounts following the introduction of the Business Rates Retention Scheme. Previously the Council received its allocation via central government grant. Under the new scheme, the Council receives a share of the business rates it collects (£16.8 million), and pays a tariff to central government (£14.6 million). Any difference in actual collection from these budgeted figures produces a surplus or deficit, which is declared in the following financial year. If this deficit should take the Council's rates income below a safety net threshold, then it receives a safety net payment from central government. For 2013/14, the Council expects to be paid a safety net payment of £3.4 million towards a deficit of £3.9 million.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Financial Services on the 22nd September 2014. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council has identified one non-adjusting event which arose after the Balance Sheet date. Two leases for car parks in Farnborough town centre have now expired. The first lease was terminated on the 30th June 2014 and this will result in an estimated full year net loss of income of £416,000. The date of termination of the second lease is subject to negotiation and will result in an estimated full year net loss of income of £517,000.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

	Usable Reserves			Unusable Reserves
2012/13 Restated *	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non current assets (Property, Plant and Equipment)	2,224			(2,224)
Revaluation losses on Property, Plant and Equipment	2,047			(2,047)
Charges for Depreciation & Impairment of other non current assets	328			(328)
Movements in the market value of Investment Property	(1,532)			1,532
Amortisation of Intangible Assets	253			(253)
Capital grants and contributions applied	(731)			731
Revenue expenditure funded from capital under statute	1,071			(1,071)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(281)			281
Capital expenditure charged against the General Fund	(700)			700
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(25)		25	
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,602)		4,602
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)		

Transfer from Deferred Capital Receipts Reserve upon receipt of cash		3		(3)
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 41)	3,620			(3,620)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,723)			1,723
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(34)			34
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis are different from remuneration chargeable in the year in accordance with statutory requirements	(13)			13
Total Adjustments	**4,506**	**(4,601)**	**25**	**70**

	Usable Reserves			**Unusable Reserves**
2013/14	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**
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 of non current assets (Property, Plant and Equipment)	1,963			(1,963)
Revaluation losses on Property, Plant and Equipment	759			(759)
Movements in the market value of Investment Property	(5,261)			5,261
Amortisation of Intangible Assets	204			(204)
Capital grants and contributions applied	(1,259)			1,259
Revenue expenditure funded from capital under statute	1,729			(1,729)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	133			(133)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(288)			288
Capital expenditure charged against the General Fund	(650)			650

Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(37)		37	
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	(278)	278		
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,211)		2,211
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		2		(2)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	4,110			(4,110)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,851)			1,851
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited 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	3,780			(3,780)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis are different from remuneration chargeable in the year in accordance with statutory requirements	19			(19)
Total Adjustments	**3,073**	**(1,931)**	**37**	**(1,179)**

8. Transfers to/(from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
<u>Earmarked General Fund Reserves</u>							
Business Rates Retention Reserve	0	0	0	0	0	3,586	3,586
Stability and Resilience Reserve	0	0	1,956	1,956	0	431	2,387
Service Improvement Fund	536	0	857	1,393	(282)	0	1,111
Amenity Areas s106	499	(22)	0	477	(24)	2	455
Southwood 2 (Woodlands in Perpetuity)	105	0	101	206	0	178	384
Insurance Reserve *	250	0	230	480	(200)	0	280
Carry Forward aounts from 2013/14	0	0	0	0	0	171	171
Gurkha Integration Grant 1	500	(169)	0	331	(46)	(120)	165
ODPM Planning Grant	225	(35)	0	190	(48)	0	142

Gurkha Integration Grant 2	0	0	241	241	(128)	0	113
Migration Impact	61	(44)	0	17	(41)	120	96
Developing Our Communities	126	(40)	0	86	0	8	94
Guillemont Tree Maintenance s106	97	(4)	0	93	(5)	0	88
Farnborough Aerodrome s106	58	0	1	59	0	11	70
Land Charges	0	0	175	175	(110)	0	65
Rowhill SANG	0	0	0	0	0	58	58
Migration Fund	35	0	0	35	0	0	35
Connecting Communities	30	0	0	30	0	0	30
DCLG Personal Searches	33	0	0	33	(7)	0	26
Business Support Scheme	0	0	0	0	0	20	20
Olympian For Life	19	0	0	19	(2)	0	17
Prevention Fund Grant	30	0	0	30	(15)	0	15
Gurkha Integration Grant 3	0	0	46	46	(32)	0	14
Manor Park Enhancement s106	13	0	0	13	0	0	13
Guillemonts Fields s106 Maintenance	0	0	0	0	0	13	13
Welfare Assistance	0	0	0	0	0	10	10
Mortgage Rescue Grant	24	(8)	0	16	(7)	0	9
Risk Management Fund	8	0	0	8	0	0	8
Out of School Childcare	7	0	0	7	0	0	7
Disabled Go	0	0	10	10	(4)	0	6
New Burdens Grant	0	0	0	0	0	5	5
Healthy Living Centre	7	(2)	0	5	0	0	5
Bus Shelter Maintenance	9	(2)	0	7	(3)	0	4
Homeless Initiatives	5	0	0	5	(1)	0	4
Troubled Families	0	0	4	4	0	0	4
Marrowbrook Commuted Sum s106	4	0	0	4	(1)	0	3
Southwood Jet Aircraft	2	0	0	2	0	0	2
Community Projects Fund	1	0	0	1	0	0	1
Town Team Partners Grant	0	0	10	10	(10)	0	0
Have Your Say	0	0	3	3	(3)	0	0
Physical Activity & Wellbeing	0	0	2	2	(2)	0	0
PTP Mental Health Grant	3	(3)	0	0	0	0	0
BOA Consultation Funding	7	(7)	0	0	0	0	0
Rushmoor Sports Forum	2	(2)	0	0	0	0	0
NNDR Revaluation Reserve	326	(326)	0	0	0	0	0
Partial Exemption Reserve	166	(166)	0	0	0	0	0
Get Active	1	(1)	0	0	0	0	0
Total Earmarked General Fund Reserves	**3,189**	**(831)**	**3,636**	**5,994**	**(971)**	**4,493**	**9,516**
Unusable Reserves							
Treasury Management Reserve	**60**	**(60)**	**0**	**0**	**0**	**0**	**0**
Total Movement		**(891)**	**3,636**		**(971)**	**4,493**	

* The Insurance Reserve includes an amount of £280,000 relating to potential further claw-back from Municipal Mutual Insurance, above the initial levy paid in note 22, and up to the full amount of current settled claims as referred to in note 42.

9. Other Operating Expenditure

2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
2	0	2	Payments to the Government Housing Capital Receipts Pool	0	0	0
0	(55)	(55)	HMRC VAT Refund	0	0	0
0	(6)	(6)	Photovoltaic Cells Feed In Tariff	0	(22)	(22)
0	0	0	(Gains)/losses on the disposal of non current assets	133	(277)	(144)
41	0	41	MMI Levy Provision (see note 22)	0	0	0
24	0	24	Allowance for Doubtful Debts	132	0	132
67	**(61)**	**6**	**Total**	**265**	**(299)**	**(34)**

10. Financing and Investment Income and Expenditure

2012/13 Gross Expenditure £000	Restated 2012/13 Gross Income £000	2012/13 Net Expenditure £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
27	0	27	Interest payable and similar charges	14	0	14
2,130	0	2,130	Net interest on the net defined benefit liability (asset)	2,190	0	2,190
0	(564)	(564)	Interest receivable and similar income	0	(388)	(388)
497	(1,911)	(1,414)	(Surplus)/Deficit on Trading Activities	595	(1,900)	(1,305)
60	0	60	Amortisation of unrealised (gains)/losses on financial investments	0	0	0
3	(1,535)	(1,532)	Changes in the fair value of Investment Property	814	(6,075)	(5,261)
328	0	328	Impairment of investments	0	0	0
0	(28)	(28)	Exchange Rate Movements	0	(3)	(3)
0	(2,628)	(2,628)	Other Investment Income from Joint Venture	0	0	0
3,045	**(6,666)**	**(3,621)**	**Total**	**3,613**	**(8,366)**	**(4,753)**

11. Taxation and Non-specific Grant Income and Expenditure

2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
0	(5,861)	(5,861)	Council Tax income	0	(5,301)	(5,301)
0	(73)	(73)	Collection Fund Surplus - Council Tax	0	(146)	(146)
0	0	0	Collection Fund Deficit - NNDR	3,872	0	3,872
0	(4,802)	(4,802)	Non Domestic Rates Income and Expenditure	14,609	(16,799)	(2,190)
0	0	0	Non Domestic Rates Safety net/Levy Payment	55	(3,359)	(3,304)
0	(93)	(93)	Revenue Support Grant	0	(3,126)	(3,126)
0	(1,549)	(1,549)	Non-ringfenced Government Grants	0	(1,472)	(1,472)
0	(549)	(549)	Capital Grants and Contributions	0	(744)	(744)
0	**(12,927)**	**(12,927)**	**Total**	**18,536**	**(30,947)**	**(12,411)**

12. Property, Plant and Equipment

Cost or Valuation	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Total Property, Land and Equipment £000
At 1st April 2012	56,135	7,046	2,094	0	65,275
Additions	959	297	253	0	1,509
Revaluation increases recognised in the Revaluation Reserve	1,741	0	0	0	1,741
Revaluation decreases recognised in the Revaluation Reserve	(604)	0	0	0	(604)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(2,004)	0	(43)	0	(2,047)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	184	0	0	0	184
Derecognition - Disposals	0	0	0	0	0
As at 31st March 2013	**56,411**	**7,343**	**2,304**	**0**	**66,058**
Accumulated Depreciation and Impairment					
At 1st April 2012	(12,590)	(3,917)	0	0	(16,507)
Depreciation charge	(1,344)	(661)	0	0	(2,005)
Depreciation charge written out to Revaluation Reserve	(402)	0	0	0	(402)
As at 31st March 2013	**(14,336)**	**(4,578)**	**0**	**0**	**(18,914)**

Cost or Valuation	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Total Property, Land and Equipment £000
At 1st April 2013	56,411	7,343	2,304	0	66,058
Transfers	(392)	0	0	395	3
Additions	856	479	301	2	1,638
Revaluation increases recognised in the Revaluation Reserve	0	0	17	32	49
Revaluation decreases recognised in the Revaluation Reserve	(1)	0	0	(55)	(56)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(675)	0	(54)	(30)	(759)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	16	0	0	0	16
Derecognition - Disposals	(1,147)	0	(17)	0	(1,164)
As at 31st March 2014	**55,068**	**7,822**	**2,551**	**344**	**65,785**
Accumulated Depreciation and Impairment					
At 1st April 2013	(14,336)	(4,578)	0	0	(18,914)
Depreciation charge	(1,262)	(614)	0	0	(1,876)
Depreciation charge written out to Revaluation Reserve	(104)	0	0	0	(104)
Derecognition - Disposals	1,031	0	0	0	1,031
As at 31st March 2014	**(14,671)**	**(5,192)**	**0**	**0**	**(19,863)**
Net Book Value					
At 31st March 2014	**40,397**	**2,630**	**2,551**	**344**	**45,922**
At 31st March 2013	**42,075**	**2,765**	**2,304**	**0**	**47,144**

Depreciation

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

- Other Land and Buildings — 1 to 56 years
- Vehicles, Plant and Equipment — 4 to 15 years

Capital Commitments

The Council had no major capital commitments as at 31st March 2014

Effects of Changes in Estimates

In 2013/14, 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 fair value is revalued at least every five years. The 2013/14 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. All other valuations were carried out by the Council's internal Valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on fair value.

	Other Land and Buildings	Vehicles, Plant and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	42,076	4,164	630	46,870
Valued at fair value as at :				
31 March 2014	(1,431)	(135)	344	(1,222)
31 March 2013	(1,260)	(364)	0	(1,624)
31 March 2012	158	(477)	(2,030)	(2,349)
31 March 2011	(2,060)	(383)	707	(1,736)
31 March 2010	5,465	(175)	693	5,983
Total Cost or Valuation	**42,948**	**2,630**	**344**	**45,922**

13. Heritage Assets

Reconciliation of the carrying amount of Heritage Assets held by the Council.

2012/13	Civic Regalia
Cost or Valuation	**£000**
1st April 2012	258
Additions	0
Disposals	0
Revaluations	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve.	0
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services.	0
31st March 2013	**258**

2013/14	Civic Regalia
Cost or Valuation	**£000**
1st April 2013	258
Additions	0
Disposals	0
Revaluations	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve.	0
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services.	0
31st March 2014	**258**
Net Book Value	
At 31st March 2014	**258**
At 31st March 2013	**258**

- **Civic Regalia**

Rushmoor's civic regalia reflect the heritage of the area both before and after the creation of the Borough in 1974. The regalia reflects the history of the area through the Coat of Arms, drawing on the Council's links with Hampshire County Council, the Aldershot Military Garrison and Farnborough airfield. The Coat of Arms also reflects the amalgamation of Farnborough and Aldershot to form the Borough of Rushmoor.

Items consist of the Borough of Rushmoor mace, the mayoral chains of office, badges of office for the Mayor, Mayoress, Deputy Mayor and Deputy Mayoress along with various pendants, ceramic items, ceremonial clothing, works of art and models. These items are reported in the Balance Sheet at their insurance valuation which is based on market values.

A schedule is kept for insurance purposes and the regalia is inspected and maintained on a regular basis. All items are held securely on Council premises and access to the items is by authorised persons only. The mace is kept in an alarmed cabinet and the chains of office are contained within a locked purpose built box in a safe. When the chains are worn by the Mayor, or the Mace leaves the building, two persons are expected to be present (one of these will usually be the Macebearer).

Items to the value of £104,000 are not recognised in the Council's Balance Sheet as, individually, they are below the Council's de-minimus capitalisation threshold of £10,000.

- **Memorials and Statues**

These consist of a memorial, the Heroes' Shrine in Manor Park, Aldershot and a sculpture of a charging horse in Princes Gardens, Aldershot.

No information is available on cost or value in respect of these items. As the values of these assets are not likely to be material, and it is not practical to obtain a valuation at a cost commensurate with the benefits to users, these assets are not recognised in the Council's Balance Sheet.

Heritage Assets - Additions or Disposals

There were no additions or disposals of heritage assets during 2013/14.

Intangible Heritage Assets

The Council does not have any items that meet the classification of 'intangible heritage assets'.

Heritage Assets – Five Year Summary of Transactions

Summary of Transactions Recognised in the Balance Sheet

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Cost of Acquisitions of Heritage Assets:				
Civic Regalia	194	221	221	221
Total cost of Purchases	**194**	**221**	**221**	**221**
Value of Heritage Assets Acquired by Donation:				
Civic Regalia	35	37	37	37
Total Donations	**35**	**37**	**37**	**37**

Summary of Transactions Not Recognised in the Balance Sheet

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Cost of Acquisitions of Heritage Assets:				
Civic Regalia	22	39	39	39
Total cost of Purchases	**22**	**39**	**39**	**39**
Value of Heritage Assets Acquired by Donation:				
Civic Regalia	58	65	65	65
Total Donations	**58**	**65**	**65**	**65**

Information in respect of financial years prior to 1st April 2010 is not disclosed as it is not practicable to do so.

14. Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2012/13 £000		2013/14 £000
(1,911)	Rental income from investment property	(1,900)
497	Direct operating expenses arising from investment property	595
(1,414)	Net (gain)/loss	**(1,305)**

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 2014.

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

2012/13 £000		2013/14 £000
15,592	Balance at start of year	20,455
0	Transfers	(3)
3,331	Additions - Purchases	561
0	Disposals	0
1,532	Net gains/(losses) from fair value adjustments taken to the Comprehensive I & E Account	5,261
0	Net gains/(losses) from fair value adjustments taken to the Revaluation Reserve	(87)
20,455	Balance at end of year	**26,187**

Investment property is measured initially at cost and subsequently at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Valuations are carried out in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, known as the "Red Book".

15. 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 Environmental and Regulatory 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 2013 to 31st March 2014.

	Rushmoor Borough Council	Hart District Council	Basingstoke and Deane Borough Council	Total
	2013/14	2013/14	2013/14	2013/14
	£000	£000	£000	£000
Employee Related Expenditure	162	173	120	455
Premises Related Expenditure	3	0	0	3
Transport Related Expenditure	3	8	2	13
Supplies & Services	10	7	2	19
Support Services	61	0	0	61
Capital Charges	33	0	0	33
	272	**188**	**124**	**584**
Project Expenditure	17	34	7	58
Net Expenditure	289	222	131	642
Hosting Charge	**(10)**	**5**	**5**	**0**

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 split between the Environmental and Regulatory Services line and the Highways and Transport 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 May 2013 to 31st March 2014.

	Rushmoor Borough Council	Hart District Council	Total
	2013/14	2013/14	2013/14
	£000	£000	£000
Employee Related Expenditure	113	80	193
Premises Related Expenditure	4	3	7
Supplies & Services	69	20	89
Support Services	104	0	104
Capital Charges	48	0	48
	338	**103**	**441**
Hosting Charge	**(12)**	**12**	**0**

The purpose of both 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.

16. 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 £204k charged to revenue in 2013/14 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:

	2012/13 Other Assets £000	2013/14 Other Assets £000
Balance at start of year:		
- Gross carrying amounts	2,706	2,827
- Accumulated amortisation	(2,002)	(2,255)
Net carrying amount at start of year	704	572
Additions:		
- Purchases	121	193
De-recognition - disposals	0	0
Amortisation for the period	(253)	(204)
Net carrying amount at end of year	**572**	**561**
Comprising:		
- Gross carrying amounts	2,827	3,020
- Accumulated amortisation	(2,255)	(2,459)
	572	**561**

17. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000
Investments				
Loans and Receivables				
Fixed Rate Investments			21,539	14,524
Government Stocks	4	4		
Available for Sale Financial Assets				
Pooled Funds/Collective Investment Vehicles	0	15,007	0	45
Total investments	**4**	**15,011**	**21,539**	**14,569**
Cash and Cash Equivalents				

Loans and Receivables				
Cash and Cash at Bank			461	21
Cash held in short-term deposits			11,960	5,090
Total cash and cash equivalents	**0**	**0**	**12,421**	**5,111**
Debtors				
Loans and Receivables				
Debtors due within 1 year*			4,366	2,620
Long Term Debtors	77	102		
Total debtors	**77**	**102**	**4,366**	**2,620**
Borrowings				
Financial liabilities at amortised cost				
Bank Overdraft			0	1,062
Total borrowings			**0**	**1,062**
Other Long Term Liabilities				
Finance lease liabilities	553	280		
Total other long term liabilities	**553**	**280**		
Creditors				
Financial liabilities carried at contract amount**			2,619	2,382
Total creditors**	**0**	**0**	**2,619**	**2,382**

*Debtors due within 1 year excludes £4.174 million in respect of Council Tax debtors, HMRC and National Non-Domestic Rates, from the total of £7.353 million reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £0.559 million is also excluded in respect of Payments in Advance.

**Similarly, short term creditors excludes £3.5 million from the total of £6.764 million reported on the Balance Sheet, in respect of Council Tax creditors, HMRC and National Non-Domestic Rates. £0.882 million is also excluded in respect of Income in Advance.

2012/13	**Financial Liabilities:**	**Financial Assets:**		
	Measured at amortised cost £000	**Loans and receivables £000**	**At Fair Value through Profit and Loss £000**	**Total £000**
Interest expense	(27)	-	-	**(27)**
Amortisation of unrealised gains on Forward Rate agreements			(60)	**(60)**
Impairment of financial asset		(328)		**(328)**
Total expense in Surplus or Deficit on the Provision of Services	**(27)**	**(328)**	**(60)**	**(415)**
Interest income	-	564	-	**564**
Exchange rate gain	-	28	-	**28**
Total income in Surplus or Deficit on the Provision of Services	**0**	**592**	**0**	**592**
Net gain/(loss) for the year	**(27)**	**264**	**(60)**	**177**

2013/14	Financial Liabilities: Measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest expense	(14)	-	-	(14)
Total expense in Surplus or Deficit on the Provision of Services	**(14)**	**0**	**0**	**(14)**
Interest income	-	268	120	388
Exchange rate gain	-	3	-	3
Total income in Surplus or Deficit on the Provision of Services	**0**	**271**	**120**	**391**
Net gain/(loss) for the year	**(14)**	**271**	**120**	**377**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans and receivables, estimated interest rates at 31st March for comparable instruments where this is material
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£000	£000	£000	£000
Financial liabilities at amortised cost	2,619	2,619	3,444	3,444
Finance lease liabilities	553	553	280	280
	3,172	3,172	3,724	3,724

	31 March 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	£000	£000	£000	£000
Loans and receivables	38,330	38,330	22,259	22,259
Available for sale financial assets	0	0	15,052	15,052
Long-term debtors	77	77	102	102
	38,407	38,407	37,413	37,413

The fair values calculated are as follows:

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. The fair value of loans and receivables as at 31st March 2013 equates to their carrying amount, as all will mature within the next 12 months.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

18. Inventories

2012/13 £000		2013/14 £000
21	Balance outstanding at start of year	13
(8)	Recognised as an expense in the year	(10)
13	**Balance outstanding at end of year**	**3**

19. Debtors

Debtors shown are net of allowances for doubtful debts.

31st March 2013 £000		31st March 2014 £000
2,122	Central government bodies (excluding Business Rates)	3,760
643	Other local authorities (excluding Precepts)	754
123	Council tax	129
0	NNDR	425
2,033	Other entities and individuals	1,726
477	Payments in advance	559
5,398	**Total Debtors**	**7,353**

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31st March 2013 £000		31st March 2014 £000
17	Cash held by the Council	21
11,960	Short term cash deposits	5,090
444	Bank current accounts	(1,062)
12,421	**Total cash and cash equivalents**	**4,049**

21. Creditors

31st March 2013 £000		31st March 2014 £000
1,782	Central government bodies	1,334
1,455	Other local authorities	2,299
21	Council tax	11
0	Non Domestic Rates	464
2,174	Other entities and individuals	1,774
1,029	Income in advance	882
6,461	**Total Creditors**	**6,764**

22. Provisions

Short-Term Provisions

	Short-Term Provisions £000
Balance at 1st April 2012	0
Additional provisions made in 2012/13	41
Balance at 31st March 2013	**41**
Additional provisions made in 2013/14	0
Amounts used in 2013/14	(41)
Balance at 31st March 2014	**0**

The Council had one short-term provision as at the 31st March 2013 in respect of the initial levy required under the Scheme of Arrangement for Municipal Mutual Insurance, this provision was used during 2013/14. Further detail is set out at note 42.

Long-Term Provisions

	Long-Term Provisions £000
Balance at 1st April 2012	312
Additional provisions made in 2012/13	70
Balance at 31st March 2013	**382**
Additional provisions made in 2013/14	4,315
Amounts used in 2013/14	(10)
Balance at 31st March 2014	**4,687**

The Council had two long-term provisions as at the 31st March 2014, the first is £0.409 million in respect of mercury abatement. Cremation fees charged by the Council include a mercury abatement charge as set by the Federation of British Cremation Authorities (FBCA). The Council has set this money aside as a provision in readiness for future costs.

The second long-term provision is £4.278 million in respect of business rate appeals. Further detail is set out at note 4.

23. Other Long Term Liabilities

31st March 2013 £000		31st March 2014 £000
553	Finance Lease Liability	280
52,139	Liability relating to defined Pension Scheme	39,828
52,692	**Total Other Long Term Liabilities**	**40,108**

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

25. Unusable Reserves

31st March 2013 £000		31st March 2014 £000
7,660	Revaluation Reserve	7,237
59,928	Capital Adjustment Account	65,138
0	Available for Sale Financial Instruments Reserve	8
2	Deferred Capital Receipts Reserve	0
(52,139)	Pensions Reserve	(39,828)
219	Collection Fund Adjustment Account	(3,561)
(104)	Accumulated Absences Account	(123)
15,566	**Total Unusable Reserves**	**28,871**

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.

	2012/13 £000			2013/14 £000
	6,925	**Balance at 1st April**		7,660
1,741		Upward revaluation of assets	49	
(604)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(143)	
	1,137	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(94)
(402)		Difference between fair value depreciation and historical cost depreciation	(104)	
0		Write off of residual balances on Investment Properties	(109)	
0		Accumulated gains on asset disposals	(116)	
	(402)	Amount written off to the Capital Adjustment Account		(329)
	7,660	**Balance at 31st March**		**7,237**

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 recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2012/13 £000			2013/14 £000
	57,603	**Balance at 1st April**		59,928
		Amount written out of the Revaluation Reserve		
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and expenditure Statement:		
(2,224)		- Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	(1,963)	
(328)		- Charges for depreciation and impairment of other non current assets	0	
(2,047)		- Revaluation losses on Property, Plant and Equipment	(759)	
(253)		- Amortisation of intangible assets	(204)	
(1,071)		- Revenue expenditure funded from capital under statute	(1,729)	
0		- 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	(133)	
	(5,923)			(4,788)
	402	Adjusting amounts written out of the Revaluation Reserve		329
	(5,521)	Net written out amount of the cost of non current assets consumed in the year		(4,459)
		Capital financing applied in the year:		
4,602		- Use of the Capital Receipts Reserve to finance new capital expenditure	2,211	
731		- Capital grants and contributions credited to the Comprehensive I & E Statement that have been applied to Capital financing	1,259	
0		- Application of grants to capital financing from the Capital Grants Unapplied Account	0	
281		- Statutory provision for the financing of capital investment charged against the General Fund balances	288	
700		- Capital expenditure charged against the General Fund	650	
	6,314			4,408
	1,532	Movements in the market value of Investment Property debited or credited to the Comprehensive I & E Statement		5,261
	59,928	**Balance at 31st March**		**65,138**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2012/13 £000		2013/14 £000
0	**Balance at 1st April**	0
0	Upward revaluation of investments	16
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(8)
0	**Balance at 31st March**	**8**

Deferred Capital Receipts Reserve (England and Wales)

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

2012/13 £000		2013/14 £000
5	**Balance at 1st April**	2
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
2	**Balance at 31st March**	**0**

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.

Restated 2012/13 £000		2013/14 £000
(46,562)	**Balance at 1st April**	(52,139)
(3,680)	Remeasurements of the net defined benefit liability/(asset)	14,570
(3,620)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,110)
1,723	Employer's pensions contributions and direct payments to pensioners payable in the year	1,851
(52,139)	**Balance at 31st March**	**(39,828)**

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.

2012/13 £000		2013/14 £000
185	**Balance at 1st April**	219
34	Amount by which council tax income and NNDR income is credited to the Comprehensive Income and Expenditure Statement is different from council tax income and NNDR income calculated for the year in accordance with statutory requirements	(3,780)
219	**Balance at 31st March**	**(3,561)**

Accumulated Absences Account

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

	2012/13 £000			2013/14 £000
	(117)	**Balance at 1st April**		(104)
117		Settlement or cancellation of accrual made at the end of the preceding year	104	
(104)		Amounts accrued at the end of the current year	(123)	
	13	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		(19)
	(104)	**Balance at 31st March**		**(123)**

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

restated 2012/13 £000		2013/14 £000
2,407	Depreciation	949
1,863	Impairment and downward valuations	743
253	Amortisation	204
106	(Increase)/decrease in bad debts	227
1,070	(Increase)/decrease in Creditors	303
(1,847)	Increase/(decrease) in Debtors	(1,955)
244	Increase/(decrease) in Interest Debtors	(26)
8	Increase/(decrease) in Inventories	10
1,897	Movement in pension liability	2,258
0	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,424
(1,061)	Other non-cash items charged to the net surplus or deficit on the provision of services	(983)
4,940	**Net adjustments to net surplus or deficit on the provision of services for non-cash movements**	**3,154**

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

2012/13 £000		2013/14 £000
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(207)	Any other items for which the cash effects are investing or financing cash flows	(320)
(207)	**Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows**	**(320)**

28. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
808	Interest received	**355**

29. Cash Flow Statement – Investing Activities

2012/13 £000		2013/14 £000
(6,452)	Purchase of property, plant and equipment, investment property and intangible assets	(4,880)
(11,000)	Purchase and (Sale) of short-term and long-term investments	(34,000)
(36)	Other payments for investing activities	(49)
16,000	Proceeds from short-term and long-term investments	26,000
1,299	(Income) & expenditure from Investment Properties	585
(189)	Net cash flows from investing activities	**(12,344)**

30. Cash Flow Statement – Financing Activities

2012/13 £000		2013/14 £000
2,767	Other receipts from financing activities	1,927
(302)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(300)
(5,749)	Other payments for financing activities	(695)
(3,284)	**Net cash flows from financing activities**	**932**

31. Amounts Reported for Resource Allocation Decisions

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

- the effect of the finance lease entries under IFRIC4 are not included
- trading operations are included under the Portfolio analysis but not in the Cost of Services on the Comprehensive Income and Expenditure Statement

The net expenditure of the Council's Portfolios recorded in the provisional outturn report for the year is as follows:

Restated 2012/13 £000		2013/14 £000
1,152	Corporate Services	1,546
3,798	Environment	4,556
1,574	Concessions and Community	1,715
1,468	Health and Housing	1,751
2,642	Safety and Regulation	3,002
5,568	Leisure & Youth	4,550
16,202	**Net expenditure in Portfolio Analysis**	17,120
(230)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(1,432)
1,552	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,304
17,524	**Cost of Services in Comprehensive Income and Expenditure Account**	**16,992**

32. Agency Services

With effect from April 2003, the Council only carries out certain works on an agency basis for Hampshire County Council. This covers development control (highways), traffic management and grass cutting (including tree and shrub maintenance). Total reimbursable expenditure in 2013/14 was £344,670 (£359,071 in 2012/13).

33. Members' Allowances

In 2013/14, a total of £282,186 was paid out in members' allowances, compared with a total of £286,493 in 2012/13.

34. Officers' Remuneration and Termination Benefits

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

		Salary and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	**2013/14**	**114,807**	**4,560**	**22,730**	**142,097**
	2012/13	113,620	4,920	22,504	141,044
Director of Resources	**2013/14**	**77,778**	**4,560**	**14,832**	**97,170**
	2012/13	77,039	4,920	14,652	96,611
Director of Community and Environment					
	2013/14	**75,905**	**4,560**	**14,498**	**94,963**
	2012/13	73,294	4,920	13,995	92,209
	2013/14	**268,490**	**13,680**	**52,060**	**334,230**
	2012/13	263,953	14,760	51,151	329,864

The rate of pension contribution to the Hampshire Pension Fund is 19.1%. This is split 13.1% of pensionable pay for individual employees plus an additional 6% 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:

Remuneration Band	2012/13 Employees	2013/14 Employees
£50,000 - £54,999	9	7
£55,000 - £59,999	4	2
£60,000 - £64,999	5	6
£65,000 - £69,999	1	0
£70,000 - £74,999	0	1
£75,000 - £79,999	1	0
£80,000 - £84,999	1	2
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	1	1

Data shown in the remuneration bands includes senior employees.

<u>Exit Packages</u>

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0-£20,000	1	1	1	8	2	9	34,234	78,318
£20,001-£40,000	0	0	0	1	0	1	0	20,016
£40,001-£100,000	0	0	0	0	0	0	0	0
Total	**1**	**1**	**1**	**9**	**2**	**10**	**34,234**	**98,334**

35. External Audit Costs

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

	2012/13 £000	2013/14 £000
Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	66	66
Fees payable to Ernst and Young for the certification of grant claims and returns	10	11
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns	0	0
Rebate relating to fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	(5)	(7)
Final fees payable to the Audit Commission for the certification of grant claims and returns	19	0
Total	**90**	**70**

36. Grant Income

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

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
National Non-Domestic Rates	4,802	0
National Non-Domestic Rates Safety Net Payment	0	3,359
Revenue Support Grant	93	3,126
New Homes Bonus	706	1,019
Capital Grants & Contributions	549	744
Small Business Relief s31 grant	0	227
New Burden Grant	13	76
Council Tax Freeze Grnt	147	59
Welfare Reform Grant	44	21
Business Support Scheme Repair & Renew Grant	0	20
Top Up Grant	0	18
Capital Provision Redristribution Grant	0	17
Local Authority Data Share	0	15
Council Tax Reform New Burden Grant	84	0
Gurkha Settlement Fund	446	0
Town Team Partners Grant	10	0
Homelessness Prevention Grant	99	0
Total	**6,993**	**8,701**

Credited to Services		
Communities and Local Government		
Homelessness Initiatives Grant	0	0
Disabled Facilities Grant	420	381
Gurkha Integration Grant	0	0
NNDR Small Business Relief Grant	3	0
Department for Works and Pensions		
Housing Benefit Subsidy	40,674	36,453
Housing Benefit Admin Subsidy	659	619
Discretionary Housing Payment	45	152
Flexible Support Fund Grant (Skilled Up)	3	37
Other - Rent Allowances	0	9
Housing Benefit Review Grant	2	0
Cabinet Office	0	22
Developers Contributions	390	636
Hampshire County Council	30	229
Other Grants and Contributions		
Big Lottery Fund Grant	17	44
Contributions for other projects	0	32
Developing Our Communities contribution for specific projects	8	29
Armed Forces Community Covenant	82	27
Local Elections contributions	0	20
Apprenticeship Grant	0	13
Contribution from Community Safety Partnership	9	0
Total	**42,342**	**38,703**

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 the year-end are as follows:

Capital Grants Receipts in Advance	**31st March 2013 £000**	**31st March 2014 £000**
s106 Developers Contributions	**1,875**	**1,336**

Creditors	**31st March 2013 £000**	**31st March 2014 £000**
Armed Forces Community Covenant	84	58
Big Lottery Fund Grant	8	15
Flexible Support Fund Grant (Skilled Up)	47	9
	139	**82**

37. 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 2013/14, the Council provided financial assistance to 109 organisations by way of direct grant payments (£759,179) and awards of rent relief (£197,183).

Within the Business Rates Retention Scheme, discretionary rate relief of (£200,584) has been awarded.

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 109 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

• Citizens Advice Bureau	£274,156
• Farnborough and Cove War Memorial Hospital Trust Ltd	£108,409
• Rushmoor Voluntary Services	£ 89,221
• Army Golf Club	£ 74,785
• Basingstoke Canal Management Committee	£ 41,400
• Aldershot Military Museum	£ 35,000
• Dial A Ride	£ 34,128
• Step By Step Partnership Ltd	£ 32,747

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 36.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 33. During 2013/14, no works or services were commissioned from companies in which members had an interest.

Financial assistance totalling £426,797 was awarded to voluntary organisations in which 13 members 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.

38. Capital Expenditure and Capital Financing

At the 1st April 2013, the Council was debt free and, in accordance with its Medium Term Financial Strategy, the Council planned to remain debt free during 2013/14 by financing all capital spend from means other than borrowing. The Council therefore had a Capital Financing Requirement at the start of 2013/14 of zero. Total capital expenditure in 2013/14 was £4.5 million. A summary of this expenditure and how it was financed is shown below. The Council's Capital Financing Requirement at 31st March 2014 was zero.

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement	0	0
Capital Investment		
Property, Plant and Equipment	1,930	2,018
Investment Property	3,330	561
Intangible Assets	121	193
Revenue Expenditure Funded from Capital under Statute	1,071	1,729
Sources of finance		
Capital receipts	(4,601)	(2,211)
Government grants and other contributions	(1,151)	(1,640)
Sums set aside from revènue:		
Direct revenue contributions	(700)	(650)
Closing Capital Financing Requirement	**0**	**0**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	0	0
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	**0**	**0**

39. 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:

31st March 2013 £000		31st March 2014 £000
840	Vehicles, Plant, Furniture and Equipment	553
840		**553**

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 finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31st March 2013 £000		31st March 2014 £000
840	Finance lease liabilities (net present value of minimum lease payments)	553
20	Finance Costs payable in future years	7
860	Minimum lease payments	**560**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st Mar 2013	**31st Mar 2014**	**31st Mar 2013**	**31st Mar 2014**
Not later than one year	287	273	301	280
Later than one year and not later than five years	553	280	559	280
Later than five years	0	0	0	0
	840	**553**	**860**	**560**

Operating Leases

The Council has various operating leases relating to land, vehicles and equipment.

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

31st March 2013 £000		**31st March 2014 £000**
35	Not later than one year	36
41	Later than one year and not later than five years	28
14	Later than five years	14
90		**78**

The expenditure charged to the Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2012/13 £000		**2013/14 £000**
42	Minimum lease payments	**45**

Council as Lessor

Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres
- for 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:

31st March 2013 £000		**31st March 2014 £000**
1,875	Not later than one year	2,239
7,245	Later than one year and not later than five years	8,137
93,421	Later than five years	92,762
102,541		**103,138**

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 2013/14, contingent rents of £10,961 were receivable by the Council (£6,109 in 2012/13).

40. Impairment Losses

The Council has sought the advice of its Valuer as well as employing a specialist company of Chartered Surveyors for the valuation of individual capital assets and groups of capital assets. As part of this review, impairment losses of £0.9 million were identified. Of this figure, £0.1 million was offset against previous revaluation gains for the individual assets and £0.8 million was charged directly to the relevant service revenue accounts.

41. 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 final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's 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	
	£M	£M	£M	£M
	2013/14	2012/13 (restated)	2013/14	2012/13 (restated)
Cost of Services:				
Service cost comprising:				
• current service cost	1.81	1.47	0.00	0.00
• past service costs	0.11	0.02	0.00	0.00
Financing and Investment Income and Expenditure				
Net Interest Expense	1.99	1.92	0.20	0.21
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3.91	3.41	0.20	0.21
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasuremment of the net defined benefit liability comprising:				

Return on Plan Assets (Excluding the amount included in the net interest expense)	(3.11)	(5.64)	0.00	0.00
Actuarial gains and losses arising on changes in demographic assumptions	(8.14)	8.96	(0.25)	0.39
Actuarial gains and losses arising on changes in financial assumptions	(0.43)	0.00	0.13	0.00
Actuial gains and losses arising from liability experience	(2.60)	(0.16)	(0.17)	0.13
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(10.37)	6.57	(0.09)	0.73
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	(3.91)	(3.41)	(0.20)	(0.21)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	1.55	1.41		
Retirement benefits payable to pensioners			0.30	0.31

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement 2013/14 is a loss of £45.1 million.

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	
	£M	£M	£M	£M
	2013/14	2012/13	2013/14	2012/13
Present value of the defined benefit obligation	101.37	108.89	4.74	5.13
Fair value of plan assets	66.28	61.88	0.00	0.00
Net liability arising from defined benefit obligations	**35.09**	**47.01**	**4.74**	**5.13**

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

	Local Government Pension scheme		Discretionary Benefits Arrangements	
	£M	£M	£M	£M
	2013/14	2012/13	2013/14	2012/13
Opening fair value of scheme assets	61.88	55.13	0.00	0.00
Interest income	2.63	2.56	0.00	0.00
Remeasurement gain/(loss) on assets	3.11	5.64	0.00	0.00
Contributions from employer	1.55	1.41	0.30	0.31
Contributions from employees into the scheme	0.52	0.50	0.00	0.00
Net Benefits paid	(3.41)	(3.36)	(0.30)	(0.31)
Closing balance at 31st March	66.28	61.88	0.00	0.00

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

	Local Government Pension scheme		Discretionary Benefits Arrangements	
	£M	£M	£M	£M
	2013/14	2012/13	2013/14	2012/13
Opening balance at 1st April	108.89	96.98	5.13	4.71
Current service cost	1.81	1.47	0.00	0.00
Interest cost	4.62	4.48	0.20	0.21
Contributions by scheme participants	0.52	0.50	0.00	0.00
Remeasurment (gains) and losses:				
Actuarial gains and losses arising from changes in demographic assumptions	(0.43)	8.96	(0.25)	0.39
Actuarial gains and losses arising from changes in financial assumptions	(8.14)	0.00	0.13	0.00
Actuarial gains and losses arising from changes due to liability experience	(2.60)	(0.16)	(0.17)	0.13
Net Benefits paid	(3.41)	(3.36)	(0.30)	(0.31)
Past service costs	0.11	0.02	0.00	0.00
Closing balance at 31st March	101.37	108.89	4.74	5.13

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 £5.74 million (2012/13: £8.18 million).

Scheme History

	31st March 2014	31st March 2013	31st March 2012
	£'000	£'000	£'000
Present value of liabilities:			
Local Government Pension Scheme	(101,370)	(108,890)	(96,980)
Discretionary Benefits	(4,740)	(5,130)	(4,710)
Fair value of assets in the Local Government Pension Scheme	66,280	61,880	55,130
Surplus/(deficit) in the scheme:			
Local Government Pension Scheme	(35,090)	(47,010)	(41,850)
Discretionary Benefits	(4,740)	(5,130)	(4,710)
Total Surplus/(Deficit) in the Scheme	(39,830)	(52,140)	(46,560)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £39.83 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 2015 is £1.65 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 2013.

The principal assumptions used by the actuary have been:

Financial Assumptions:	**31st March 2014**	**31st March 2013**	**31st March 2012**
	%	%	%
Rate of inflation (RPI)	3.30	3.60	3.50
Rate of inflation (CPI)	2.30	2.70	2.50
Rate of increase in salaries	3.80	4.60	5.00
Rate of increase to pensions in payment	2.30	2.70	2.50
Rate of increase to deferred pensions	2.30	2.70	2.50
Rate for discounting scheme liabilities	4.30	4.60	4.70

Mortality assumptions:	**2013/14**	**2012/13**	**2011/12**
Longevity at 65 for current pensioners:			
Men	24.4	24.0	23.9
Women	26.2	25.0	24.9
Longevity at 65 for future pensioners:			
Men	26.5	25.7	25.6
Women	28.5	26.9	26.8

The Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

The 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:

	31st March 2014	**31st March 2013**	**31st March 2012**
	%	%	%
Equities	60.8	57.6	55.1
Property	7.5	7.8	7.7
Government Bonds	23.6	24.9	27.0
Corporate Bonds	1.6	1.3	1.5
Cash	3.8	2.3	4.1
Other assets	2.7	6.1	4.6
	100.0	100.0	100.0

Impact on the Defined Benefit obligation in the Scheme	**Increase in Assumption**	**Decrease in Assumption**
	£M	**£M**
Rate of inflation (adjustment to discount rate +0.1% or -0.1% pa)	(1.61)	1.69
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.26	(0.26)
Rate of increase to pensions in payment (increase or decrease by 0.1% pa)	1.40	(1.31)
Longetivity (increase or decrease by 1 year)	2.51	(2.52)

42. Contingent Liabilities

The Council has identified the following contingent liability as at 31st March 2014:

- During 1992/93, the Council's insurers, Municipal Mutual Insurance (MMI), ceased taking new business. Since that time, MMI have settled claims against the Council amounting to £322,034. Under the scheme of arrangement, a proportion of this may be clawed back at a future date. The scheme of arrangement was triggered during 2012/13, requiring an initial levy of 15% to be paid by the Council in 2013/14. A provision for the levy was included in the 2012/13 accounts and the levy was subsequently paid in January 2014 (see note 22).

  There is a risk that further claw-back will be required. The Council has considered this risk and has earmarked an amount above the levy, and up to the full amount of settled claims, within its reserves (see note 8).

43. Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Council in the Annual Treasury Management Strategy. This Strategy is drawn up in compliance with CIPFA's Code of Practice for Treasury Management in the Public Services and with the Prudential Code for Capital Finance in Local Authorities. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs) which are periodically reviewed.

Actual treasury management performance is reported to Members bi-annually and benchmarked against a number of other Local Authorities.

The Annual Treasury Management Strategy for 2013/14 and the Prudential Indicators for Capital Finance were approved by Council on the 21st February 2013 and are available on the Council's website.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested, and a maximum length of investment, with a financial institution located within each category, or with a particular type of counterparty. It also specifies a maximum percentage of the total portfolio that may be invested with each type of counterparty. Details of the Investment Strategy can be found within the Annual Treasury Management Strategy for 2013/14 on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £14.524 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at the 31st March 2014 that this would crystallise.

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

		Amount at 31st March 2014 £000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31st March 2014 % (C)	Estimated maximum exposure to default at 31st March 2014 £000 (A x C)	Estimated maximum exposure to default at 31st March 2013 £000 (A x C)
Cash and Cash Equivalents	AAA rated	5,111	0.00	0.00	0	0
Long Term Debtors		102	0.00	0.00	0	0
Trade Debtors		2,620	0.57	0.57	15	16
		7,833			15	16

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of it's counterparties in relation to its deposits.

The Council does not generally allow credit for customers, such that £0.9 million of the £2.6 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2013 £000	31st March 2014 £000
Less than two months	350	495
Two to six months	88	95
Six months to one year	51	98
More than one year	117	180
	606	**868**

Collateral – During the reporting period the Council held no collateral as security.

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 therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 no long-term borrowing. The maturity analysis of its financial assets is as follows:

	31st March 2013 £000	31st March 2014 £000
Less than one year	33,960	19,680
Between one and two years	7	13
Between two and three years	24	43
More than three years	50	15,058
	34,041	**34,794**

Trade debtors of £2.6 million are not included in the above table.

Market risks

Interest rate risk

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

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

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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management 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.

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 2014, 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	139
Impact on Surplus or Deficit on the Provision of Services	139

During 2013/14, variable interest rates remained extremely low (below 1%) and therefore the maximum impact of a fall in interest rates would have been approximately £50,000 with the movements being reversed.

Price risk

The Council has no equity shares or shareholdings and therefore has no exposure to loss arising from movements in share prices.

Foreign exchange risk

In March 2012, the Glitnir Winding-Up Board repaid all monies owing to the Council in respect of two investments of £1 million each. The repayments were made in a basket of currencies having been converted into those currencies from Icelandic Kroner (ISK) at rates prevailing in April 2009.

The majority of the currency was immediately converted to Sterling (£) on receipt but had been exposed to exchange rate movements in the intervening period. This impairment was recognised in the 2011/12 Statements. A proportion of the repayment was denominated in ISK, which is currently unable to be repaid in Sterling due to the imposition of currency controls within Iceland and is therefore being held in an escrow account in Iceland. There is a continuing risk that this may suffer exchange loss when finally converted, however this is mitigated to some extent by the interest payable of 4.2% on this escrow account. The distribution to the Council has been made in full and represents 100% of the Council's claim. The Council has recognised a gain of £3,043 due to currency fluctuations in 2013/14.

The Council has no other financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates, other than relating to Icelandic investments referred to above.

The Collection Fund

The Collection Fund is a statutory fund maintained by a billing authority which is used to account independently for income relating to council tax and non-domestic rates, along with payments to precepting authorities and the government for their share of Council tax and non-domestic rates, as well as into its own general fund. The balance in the collection fund is consolidated with the Council's other accounts.

Income and Expenditure Account

2012/13		2013/14		
		Council Tax	NNDR	Total
£000		£000	£000	£000
	Income			
41,030	Income from council tax payers	42,520		42,520
43,530	Income from Business rate payers		43,553	43,553
	Transfer from General Funds			
5,177	Council Tax Benefit	-		
89,737		42,520	43,553	86,073
	Expenditure			
	Precepts			
33,045	Hampshire County Council	29,890		29,890
4,656	Hampshire Police Authority	4,356		4,356
1,954	Hampshire Fire & Rescue Authority	1,768		1,768
5,861	Rushmoor Borough Council	5,301		5,301
	Business Rates			
42,465	Payments to National Pool			
941	Amounts from National Pool			
124	Allowance for Collection		124	124
	Payments to Hampshire County Council		3,780	3,780
	Payments to Hampshire Fire & Rescue Authority		420	420
	Payments to Rushmoor Borough Council		16,799	16,799
	Payments to Government		20,999	20,999
	Provision for Bad and Doubtful Debts			
110	Council Tax	65		65
	NNDR		415	415
	Provision for NNDR appeals		10,696	10,696
306	Collection fund surplus			
	Council tax	419		419
89,462		41,799	53,233	95,032
(275)	Net Movement in Fund	(721)	9,680	8,959
(1,434)	Balance b/fwd 1 April	(1,709)	0	(1,709)
(1,709)	**Balance c/fwd 31 March (surplus) / deficit**	**(2,430)**	**9,680**	**7,250**

The (surplus)/deficit as at the 31st March allocated to

(1,238)	Hampshire County Council	(1,756)	871	(885)
(179)	Hampshire Police Authority	(259)		(259)
(73)	Hampshire Fire & Rescue Authority	(104)	97	(7)
(219)	Rushmoor Borough Council	(311)	3,872	3,561
	Government		4,840	4,840
(1,709)		**(2,430)**	**9,680**	**7,250**

Notes to 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 1 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, 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: (28,799.18 for 2013/14). This basic amount of Council Tax for a Band D property (£1,434.58 for 2013/14) 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	723	6/9	482
B	5,091	7/9	3,960
C	11,151	8/9	9,912
D	6,640	1	6,640
E	3,346	11/9	4,089
F	1,038	13/9	1,499
G	271	15/9	452
H	8	18/9	16
O (Army)	1,749	0	1,749
Total			**28,799**

2. Income from business 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 previous years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by the government, which in turn paid local authorities their share of the pool based on a standard amount per head of the local adult population. In 2013/14 the administration of NNDR changed following the introduction of the business rates retention scheme, so instead of of paying the NNDR to the poool 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 31 March 2014 is £108,454,820 and the national non-domestic multiplier was 47.1p.This gives a potential business yield of £49.7 million. The actual business rates collectable for 2013/14 after reliefs and provisions was £32.4 million. This decrease of around £17.3 million is due to successful appeals against the year 2010 valuations given by the District Valuer (£3m) various reliefs including transitional and empty property relief (£2.7m) and provisions for outstanding and future appeals against the NNDR rateable value (£10.6m).

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

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

Council Tax

2012/13 £'000		2013/14 £'000
677	Provisions at 1 April	738
110	Provisions made in year	65
(49)	Written off in year	(98)
738	Provisions 31 March	**705**

NNDR

2012/13 £'000		2013/14 £'000
(175)	Provisions at 1 April	(239)
(228)	Provisions made in year	(415)
164	Written off in year	330
(239)	Provisions 31 March	**(324)**

NNDR Valuation Appeals

2012/13 £'000		2013/14 £'000
0	Provisions at 1 April	0
0	Provisions made in year	10,696
0	Written off in year	0
0	Provisions 31 March	**10,696**

Independent Auditor's Report to the Members of Rushmoor Borough Council

Opinion on the Council's financial statements

We have audited the financial statements of Rushmoor Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise; the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 43; the 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 2013/14.

This report is made solely to the members of Rushmoor Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Financial Services (Chief Financial Officer) and auditor

As explained more fully in the Statement of the Head of Financial Services (Chief Financial Officer's) Responsibilities set out on page 11, the Head of Financial Services (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 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts and Annual Corporate Governance Statement 2013-2014 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Rushmoor Borough Council as at 31 March 2014 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 2013/14.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts and Annual Corporate Governance Statement 2013-14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012)
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Rushmoor Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the accounts of Rushmoor Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King
Audit Director
for and on behalf of Ernst & Young LLP, Appointed Auditor
Apex Plaza
Forbury Road
Reading RG1 1YE

24 September 2014

[RUSHMOOR BOROUGH COUNCIL

ANNUAL CORPORATE GOVERNANCE STATEMENT 2013/14

1 Scope of Responsibility

1.1 Rushmoor Borough Council ("the Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and 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.

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

1.3 The Council approved and adopted a revised Code of Corporate Governance on the 10th July 2014, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (based on the December 2012 Addendum). A copy of the code will be made available on the Council's website.

1.4 This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant public bodies to prepare an annual governance statement.

2 The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. 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, cost-effective services and value for money.

2.2 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of the approval of the Council's statement of accounts.

3. The Governance Framework

The key elements of the systems and processes that compromise the council's governance arrangements are as described below and include arrangements for:-

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.

There is a clear vision of the Council's purpose and intended outcomes for citizens and service users that is communicated within the organisation and to stakeholders. This is set out in the Rushmoor Borough Council Corporate Plan 2013-2014 as "working with others to improve the quality of people's lives". This document has been informed by the Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 prepared by the Rushmoor Strategic Partnership, a non-statutory, non-executive organisation working within the boundaries of Rushmoor bringing together the skills of the public, private, voluntary and community sectors when working at a local level.

This document sets out the partner's vision for the future and the key priorities for the future. The vision and priorities from the SCS have been reflected in the Corporate Plan.

Underpinning the Purpose in the Corporate Plan are five themes:-

- Leadership- Providing leadership to make Rushmoor the place where our communities want to live and work
- Prosperity- sustaining and developing our local economy
- Place – protecting and developing a safe, clean and sustainable environment
- People and Communities- supporting our people and communities and meeting local needs
- Good Value Services – ensuring quality services that represent good value for money

Reviewing the authority's vision and its implications for the authority's governance arrangements

The cabinet reviews progress against the Corporate Plan on a quarterly basis by reviewing the targets that relate to what the Council has said that it will do in order to deliver the plans priorities. Details of these reviews are published and the 4th quarter review will inform the measures and targets that are incorporated in the next years plan. The Directors Management Board and the Council's service heads also undertake regular monitoring and performance against targets is scrutinised by member panels with specific remits. This acts as the key corporate performance monitoring process for the Council.
The council has adopted a Code of Corporate Governance ("CCG") which identifies, in one document, how the council ensures that it runs itself in a lawful, structured, ethical and professional manner. The CCG is administered by the Head of Democratic Services and the Head of Paid Service in consultation with the Solicitor to the Council and is subject to an annual "light touch" review with any recommendations presented to the Standards and Audit Committee.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authorities objectives and for ensuring they represent the best use of resources

The Rushmoor Borough Council Corporate Plan Strategic and Performance Updates Quarter 4 2013-14 and End of Year Section 2 Corporate Health Measures sets out the monitoring measures and the customers satisfaction results on the web site service, on corporate complaints and compliments , customer service unit call statistics and customer satisfaction surveys.

The Councils Procurement Strategy and associated Contract Standing Orders which form part of the Council's constitution, govern how the council buys the supplies, services and works that it needs. The council is committed to achieving Best Value from its suppliers and ensuring that goods and services are procured in the most efficient and effective way.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

The Council has a Constitution that sets out how it operates, how decisions are made (including Officers delegated Powers contained in Part 3 of the Constitution) and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The law requires some of these processes, while others are a matter for the council to choose. The Constitution, which is divided into 16 Articles and sets out the detailed rules governing the council's business, is published on the internet at *http://www.rushmoor.gov.uk/article/3625/The-constitution*

Developing, communicating and embedding codes of conduct, defining the standard of behaviour for members and staff

The Councils Constitution contains a Member Code of Conduct based on the statutory code that sets out the expected behaviour and standards to be adhered to by members. In addition, the Disciplinary Procedure, Working with Councillors, Code and Gifts and Hospitality Policy for Staff set out the standards of service and conduct that are expected of employees. Given that the new standards regime introduced by the Localism Act has been in force since July 2012 it is timely to undertake a review of the Member Code of Conduct which will be done in the forthcoming year.

Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Councils Constitution details how the Council operates, including how decisions are made and the role of the Policy and Review Panels that perform a scrutiny function. It also includes the powers, duties and functions that are delegated to officers in Part 3 of the constitution. The Head of Democratic Services with advice from the Monitoring Officer is conducting an ongoing review of the Council's constitutional arrangements in order to ensure that the arrangements are up to date and compliant with the Councils legal duties. Reports will be taken to the Standards and Audit Committee with any recommendations for revision and then considered by the Licensing and General Purposes committee prior to submission to Council for adoption of any recommendation changes

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The Standards and Audit committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment including (but not limited to) the reliability of the financial reporting processes and the annual governance statement. In addition, the committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues identified by the internal auditors and other review and inspection bodies.

The Licensing and General Purposes Committee has responsibility for considering and approving the Council's financial statements and letter of representation. As part of this process the committee is presented an Audit Results Report by external audit for discussion and review. In addition the committee approves the Annual Audit Plan and receives sector technical accounting, audit, governance and economic updates as presented by external audit.

The Council has in place a Risk Management Policy that sets out the councils overall approach to managing risk. The policy which is formally approved by the Standards and Audit Committee, is subject to an annual review to ensure that it continues to reflect good practice and remains aligned with current business processes and practices. The council also has in place a Business Continuity and Disaster Recovery Plan.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The Council has in place an Anti-Fraud and Anti-Corruption Policy and Strategy that is published on the internet as part of the Councils Constitution, which reflects the Council's approach and commitment to the prevention, and detection of fraud and corruption.

Ensuring effective management of change and transformation

The Council continues to develop and deliver improvements using System Thinking Principles to improve the quality and efficiency of its services, as part of its 8-point plan to achieve sustainability. Workshops were developed, with initial roll out in February 2014, to broaden understanding of the principles throughout the Council and embed them in the work of the organisation. A Systems Thinking Learning Network is up and running and

this model will be used to roll out other Corporate Learning and Development to the organisation. In addition, the Council has made progress in its Organisational Development Programme and will be introducing Action Learning Sets, mentoring and coaching among a raft of initiatives designed to shape a flexible, motivated and efficient workforce for the future.
The Programme Board continues to provide effective monitoring of major projects with the application of strong project management principles.

The Council has spent considerable effort during 2013/14 exploring and understanding the effects of two major change programmes – Welfare Reform and Business Rates Retention. The Welfare Reform Task & Finish Group continues to analyse the impact of Welfare changes on both the Council and its residents while much work has been done on extracting relevant data from our own systems and from the Valuation Office in respect of Business Rates, particularly regarding the impact of appeals.

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA "statement on the Role of the Chief Financial Officer in Local Government (2010)

The Chief Financial Officer has responsibility for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972.
During 2013/14 the post was held by the Director of Resources and arrangements conformed with the governance requirements of the Cipfa Statement. Following the retirement of the Director of Resources, at the end of May 2014, the Council has designated the Head of Financial Services as the Chief Financial Officer. While this arrangement does not conform precisely with the requirements of the Cipfa Statement it does not impact on the effectiveness of the Chief Financial Officer in undertaking her role. The Head of Financial Services is a member of the Wider Leadership Team and has unfettered access to Directors' Management Board, the Chief Executive and to Cabinet.
A review of the Council's structure is being undertaken during 2014/15 and any proposed changes to the structure will be reviewed against compliance with the Cipfa statement on the role of the CFO, the continued delivery of good governance and delivery of a framework within which the CFO is able to carry out their statutory role.

Ensuring the authority's assurance arrangements conform with the governance requirement of the CIPFA "Statement on the Role of the Head of Internal Audit (2010)

The Head of Internal Audit (HIA) occupies a critical position in the organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. The HIA reports directly to the Director of Resources and has unfettered access to the Chief Executive, Chief Financial Officer and to the Standards & Audit Committee. The HIA works closely with the Wider Leadership Team in carrying out internal audit work, promoting good governance and more recently in providing project management expertise. The HIA also works closely with the independent, external auditor in order to use audit resources most effectively. Any changes to the Council's structure, following the review referred to in the previous paragraph, will be reviewed against compliance with the Cipfa statement.

Ensuring the arrangements are in place for the discharge of the monitoring officer function

The Solicitor to the Council is designated as the Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulation, and reporting any actual or potential breach of the law or maladministration to the full Council and / or the Cabinet .The Legal Service Manager is the nominated Deputy Monitoring Officer.

Ensuring effective arrangement are in place for the discharge of the head of paid service function

The Chief Executive is designated as the Head of Paid Service with responsibility for leading the Director Management Board and the Wider Leadership Team and in driving forward the strategic agenda, set by Cabinet, improving the efficiency and performance of the council and ensuring that the community receives high quality, value for money services.

Undertaking the core function of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

The council has a formally constituted Standards and Audit Committee that undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It provides independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of financial processes and the annual governance statement.

The Licensing and General Purposes Committee provides assurance concerning the reliability of financial reporting.

Whistle Blowing and receiving and investigating complaints from the Public

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a "Whistle Blowing Policy". This policy has been revised in 2014 and reflects the legal framework and obligation on the council to enable staff to raise concerns that may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment.

Complaints from the public are dealt with in accordance with the Complaints Policy that has been formally approved and is published on the council's website. There is a separate policy in place in respect of dealing with complaints made about Members.

Identifying the development needs of members and senior officer in relation to their strategic roles, supported by appropriate training

The Council has developed and keeps under review a Member Training and Development Plan which is aimed at providing a long-term view to learning and development whilst remaining sufficiently flexible to reflect changing priorities. The Council was awarded the South East Employers Charter for Member Development in 2013, following an assessment of the Council's approach to Members' learning and development.

The Member Training and Development Plan currently include the following:-

- Induction Programme
- Regulatory Panel training
- Ward Member mentoring Scheme
- Skills training and workshops
- Personal development planning is offered and available
- Work shadowing front line services
- Scrutiny training
- Governance and Code of Conduct training
- A range of electronic resources and training

Priorities for learning and development form part of the annual performance appraisal process with a requirement that training priorities link to achievement of objectives and service plans as well as on going professional competence.

In addition, the Council embarked on a programme of organisational development for staff starting two years ago with its Wider Leadership Team that is being rolled out throughout the organisation to ensure that the council is sustainable for the future. Whilst the programme has started with the Wider Leadership Team, it is now being extended to Middle Managers. Action Learning Sets are being established and will be open to all staff following the Chief Executive's briefing sessions for staff on Organisational Development.

Establishing clear channels of communication with all sections of the community and other stake holders, ensuring accountability and encouraging open consultation

The council believes that all people should have the opportunity to voice their opinions on issues that affect them and to this end has developed its Community and Business Engagement Strategy. The views of customers and staff are actively sought by services via customer satisfaction surveys, messaging, community consultations events and through the web site.. The council has a walk in Customer Services Unit were customers are seek advice and access services.

Information on how to "have your say" is contained on the councils web page and is linked to a customer survey form and promotes Rushmoor Business Network, the Senior Citizens Forum, the Citizens Panel, Rushmoor Youth Forum and the "Join in the big Aldershot conversation" all as means of communication with the council . The purpose of these various groups and forum is to provide a systematic analysis of needs provision, opportunities and gaps in the borough, based on accurate, relevant and up-to –date information that will inform collaborative work with partners and help deliver the priorities in the Rushmoor Plan. A budget consultation exercise was also undertaken with Senior Citizens Panels, Business Ratepayers and Voluntary Sector.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Annually the council produces a corporate plan. This plan sets out its future priorities and planned activities and actions to deliver on the councils stated purpose of "working with others to improve the quality of people's lives". The cabinet review progress against the Corporate Plan on a quarterly basis. The Directors Management Board also regularly carries out monitoring and the Council's Senior Officers and Member Panels scrutinise performance on areas under their particular remit. This report acts as the key corporate performance monitoring process for the Council. The quarterly report contains detail of performance and identifies where targets are not being met or where slippage has occurred in delivering improvement measures.

A number of Council services are delivered in partnership with external service providers. A contract management team that provide a senior management interface between the council and our partnership service provider manages these out sourced contracts. All such arrangements include a suite of key performance indicators and are based upon a culture of continuous improvement, recognising the need to achieve a balance between the council's financial position and long term strategic aims.

Incorporating good governance arrangements in respect of partnership and other joint working as identified by the Audit Commission report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

The terms of all joint working arrangements with other authorities are set out in Joint Service agreements such as that of the Community Safety Partnership. In view of the increase in joint working arrangements the council recognises the need prepare and adopt a Partnership Code which will form part of the councils constitution. This will ensure that sound governance arrangement are in place in respect of partner and partnership engagement and can be reviewed as partnership-working arrangements develop and evolve.

4. REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness is informed by the work of the Chief Executive and Directors within the authority that have responsibility for the development and maintenance of the governance environment, the Head of Internal Audits annual report, and also by comments made by the external auditors and other review agencies and inspectorates :-

The review process applied in respect of maintaining and reviewing the effectiveness of the system of internal control is informed by:-

The views of Internal Audit reported to the Standards and Audit Committee via the Internal Audit Progress Report that include executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified.

The views of external auditors, regularly reported to the Licensing and General Purposes Committee, including regular progress reports , the Annual Audit Letter and Audit Results Report.

The Chief Internal Auditor Annual Report and Opinion on the adequacy and effectiveness of the Council's internal control environment.

The Internal Audit Strategy and delivery of the annual operational plan.

The work of the Directors and Chief Executive and Head of Democratic Services within the authority who have responsibility for the development and maintenance of the governance environment.

The independent views of regulatory inspection agencies such as the Office of Surveillance Commissioners and Government Connect audit

The Risk Management Strategy, the Risk Management Manual and the Corporate Risks Register supported by the work of the Risk Management Group

The work of the Standards and audit committee to the discharge of its responsibility to lead on all aspects of corporate governance

The Standards and Audit Committee have advised us on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

	Governance Issue	Planned Action	Officer Responsible
1.	The councils Anti-Fraud and Corruption Policy; Whistle Blowing Policy and Anti- Money laundering Policy all require updating	These policies have been reviewed and updated to reflect current good practice together with a commitment for future periodic reviews. These policies will be approved by the Standards and Audit Committee and appropriate arrangement made to communicate the updated policies.	Head of Internal Audit
2.	Contract standing orders require revision to give better control over procurement to deliver savings	Review Contract Standing orders; procurement procedures and contracts register	Monitoring officer and Section 151 officer

3.	Enhancing decision making and procurement	Deliver training Programme	–rolling programme Monitoring Officer and Head of Strategy and Communications
4.	Code of Conduct	Review need for local code of conduct dealing with interests other than DPI's	Monitoring Officer
5.	Officer conduct	Review whether need for Officers Code of Conduct	Monitoring Officer
6.	Partnership Code	Consider adopting a partnership code in view of increased partnership working	Monitoring Officer
7.	Media guidelines for councillors	In view of increase social networking use consider adopting a code of Media Guidelines for Councillors	Monitoring Officer
8.	Confidential Information	Review need for protocol	Monitoring Officer
9.	Complaints procedure	Review complaints procedure in accordance with new regulators code	Review commenced. Deputy Monitoring Officer with Head of Customer Services
10.	Transparency Code	Review data transparency arrangements in view of publication of Code of recommended Practice of Local Authorities on Data Transparency Dec 2014	Monitoring Officer and Section 151 Officer
11.	Equality Objectives	Review and update Equality and Diversity objectives	Monitoring Officer
12.	Fraud	Review the arrangements for investigating corporate fraud in view of the transfer of benefit investigation officers to the DWP	DMB
13.	Project management	Programme and Project Management review including capital projects.	Head of Internal Audit

Signed ....

Leader of the Council

Signed ....

Chief Executive

Dated ...19/9/14...

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.

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