STATEMENT OF ACCOUNTS

2010-2011

RUSHMOOR
BOROUGH COUNCIL

Explanatory Foreword by the Director of Resources

Rushmoor Borough Council's Statement of Accounts for the year ended 31st March 2011 is set out on the following pages.

2010/11 has seen local government bodies complete the transition from preparing accounts under UK Generally Accepted Accounting Principles to preparing accounts under International Financial Reporting Standards.

This has seen major changes to the way the accounts are produced and the presentation of the main statement pages. The most significant changes to the calculation of figures are explained in notes to the accounts. The purpose of each of the main statement pages is explained below.

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

- **The Movement in Reserves Statement** summaries 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 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 2011. 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, the National Pool of non-domestic rates 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 2 to the Core Financial Statements. A number of these policies have been revised 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. The key accounting policy changes impacting on the Council are outlined below:

Investment Property

IFRS introduces a definition of investment property that the old SORP did not have. An investment property is defined as a property which is held exclusively for revenue generation, or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Council's services.

A review of investment properties was carried out by the Council's Valuer during 2010/11 in order to ensure that they met the new definition. As a result, several properties have been re-classified from investment properties to land & buildings and, in one instance, to surplus assets.

Investment properties are initially measured at cost and thereafter at market value.

Non-Current Assets Held For Sale

IFRS introduces a new classification of non-current assets called 'assets held for sale'. Assets meeting this classification are those where the value of the asset will be recovered mainly by selling the asset rather than through usage.

To be classed as 'held for sale' the asset must meet the following criteria:-

1. Be available for immediate sale in its present condition.
2. Its sale must be highly probable.
3. Management expect the sale to take place within twelve months.

Assets held for sale' are to be valued at the lower of their existing balance sheet value or their estimated sale price less costs to sell.

Government and Grants & Other Capital Contributions

Under the old SORP arrangements, grants received by the Council towards capital expenditure were held in a Government/ Capital Contributions account and written off to Revenue over the life of the asset the grant was used to purchase.

Under IFRS, all such grants are treated as revenue income as soon as any conditions relating to the grant have been met. The impact of this change is that grant income is no longer credited directly to services (and reflected in the cost of services) as the grant is written off but is recognised as a credit in the Comprehensive Income & Expenditure Statement (and reflected in the (Surplus) or Deficit on Provision of Services) in the line 'Taxation & non-specific grant income' – note 12.

Leases & Lease Type Arrangements

Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form.

For assets leased under a finance lease, the asset value should be recognised as either an asset or a liability in the Balance Sheet as appropriate and the annual payments consist of an amount of interest plus an amount to clear the relevant debtor or creditor.

Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts on a straight-line basis over the term of the lease.

Under IFRS, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

There were no finance leases included in the Council's 2009/10 accounts. The expectation of the changes under IFRS is that more assets will be classified as finance leases.

During the year, the Council also reviewed the application of IFRIC 4 'Determining whether an arrangement contains a lease'. This new standard deals with arrangements such as outsourcing, the informal use of assets and the right to use capacity. Following the review it was determined that the Council was required to meet this new standard and vehicles and equipment used in the delivery of the Council's main service contract were required to be recognised on the Council's Balance Sheet. The Council's Balance Sheet at 1st April 2009 was therefore adjusted to show a finance lease liability of £2.1 million along with an equivalent increase in the value of its 'property, plant & equipment'.

Employee Benefits

A new requirement under IFRS is that the Council must make an accrual in its accounts at year end for any annual leave and flexible working entitlement earned but not taken by employees at the end of the financial year – to the extent that employees are permitted to carry forward annual leave and flexitime to the following year.

Accounting for Joint Ventures

The creation of the joint venture company – Westgate Aldershot Ltd – will need to be accounted for in accordance with the requirements of IFRS. It is anticipated that the Council will transfer land to Legal and General in 2011/12 and, upon transfer of the land, the Council will need to account for its interest in the company.

The Council's new accounting policy for the preparation of these accounts is therefore as follows:

'The Council has material interests in companies and other entities that have the nature of subsidiaries, associates or joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses'.

Operating Segments

Under IFRS, the Council is required to identify and disclose information in its financial statements in respect of operating segments. These are components of the Council about which separate financial information is available that is evaluated regularly by the Council's "Chief Operating Decision Maker" (Directors Management Board) in deciding how to allocate resources and in assessing performance. This will therefore require the Council to include additional financial information on its activities - analysed by Portfolio.

Summary of Revenue Expenditure for the Year

The Council goes through a rigorous budget process each year, setting itself a four-year 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. During 2010/11, the Council carried out a full review of its Purpose and Priorities which in turn informed the budget process for 2011/12, which was particularly challenging due to the turbulent economic climate and the reductions in Public Spending announced as part of the Comprehensive Spending Review in October 2010.

The initial budget for 2010/11, approved by Council on 25th February 2010, forecast net revenue expenditure of £12.833 million funded by £5.824 million from Council Tax and £7.009 million from Central Government in the form of Revenue Support Grant and Redistributed Non-domestic Rates. This allowed for a 1.9% increase in Council Tax, the inclusion of committed or inescapable additional items of £0.217 million and the development and expansion of the Council's Service Transformation Programme to achieve budget savings of £1.900 million based on process and efficiency reviews, service reviews, staff monitoring and a review of fees and charges. During 2010/11, a significant range of savings and improved income streams were achieved and incorporated into the 2010/11 Revised Budget which was approved by the Council on 25th February 2011. However, factors such as a reduction in various grant streams and reduced interest receipts due to the low interest rate, meant that achieving the net budget requirement of £12.833 million required a transfer from balances of £0.726 million and reduction of the General fund Balances to £1.274 million.

The actual outturn for 2010/11 improved considerably on this position due to further savings and efficiencies being achieved, in part due to the early preparation for the expected cuts in Central Government funding for 2011/12. After allowing for a transfer to the Service Improvement Fund of £0.285 million in order to fund invest to save and other saving and efficiency projects in future years, the General Fund balance stands at £1.75 million at the close of 2010/11, which is the mid-point of the approved range of balances for the medium term.

	Revised Budget 2010/11 £000	Actual 2010/11 £000	Variance £000
Service Expenditure	14,306	14,100	206
Interest Payable and Other Operating costs	23		23
Other Operating Income		(245)	245
Grants	(142)	(164)	22
Transfers to Reserves		285	(285)
Transfers from Reserves	(398)	(563)	165
Revenue Contributions to Capital Programme	1,000	1,000	0
Interest Receivable	(1,230)	(1,330)	100
Transfer to/(from) General Fund Balances	(726)	(250)	(476)
NET BUDGET REQUIREMENT	**12,833**	**12,833**	**0**
Financed by:			
Precept on Collection Fund	5,782	5,782	0
Revenue Support Grant/Redistributed Non-Domestic Rates	7,009	7,009	0
Collection Fund Surplus	42	42	0
	12,833	**12,833**	**0**

Material assets acquired or liabilities incurred

As a result of the implementation of IFRIC 4 'Determining whether an arrangement contains a lease', vehicles and equipment used in the delivery of the Council's main service contract were recognised on the Council's Balance Sheet. The Council's Balance Sheet at 1st April 2009 was therefore adjusted to show a finance lease liability of £2.1 million along with an equivalent increase in the value of its 'property, plant & equipment'.

Pensions Liability

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 2011 is significant at £36.47 million, arrangements for funding the deficit are in place and are 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 2) and Defined Benefit Pension Schemes (in the Notes to the Core Financial Statements).

A change to the inflation index used to measure statutory pension increases (from RPI to CPI) has been recognised in the accounts for 2010/11 and is explained more fully in the following paragraphs relating to Material Charges or Credits to the Accounts.

Material Charges or Credits to the Accounts

Asset valuations in the current economic climate

The weak economic climate continues to have an impact on the value of the Council's assets. As part of this year's asset valuation review, revaluation gains of £4.6 million were identified of which £3.0 million was credited to the Revaluation Reserve, £0.2 million was credited to services (to reverse previous impairment losses) and £1.4 million was credited to the Comprehensive Income & Expenditure Account in the line 'Financing and investment income and expenditure' - (Note 11).

At the same time, impairment losses of £8.6 million resulting from downward valuations were identified. Of this figure, £3.9 million was offset against previous revaluation gains for the individual assets and £4.7 million was charged directly to the relevant service revenue accounts.

The change from Retail Prices Index to Consumer Prices Index for Pension Increases

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive the statutory pension increase has been changed from RPI to CPI. Due to differences between the indices, CPI is expected to be less than RPI over the long-term, which means that the defined benefit obligation (i.e. the amount the Council would have to pay to satisfy all pension entitlements that have been earned by employees to date) has reduced. This has been accounted for as a change to the constructive obligation to provide certain benefits to Scheme members and gives rise to a negative past service cost. This has resulted in a credit of £10.97 million being charged to the Comprehensive Income and Expenditure Account in 2010/11.

Neither of these has an impact on the General Fund balance.

Changes in Statutory functions

There have been no major changes in statutory functions during 2010/11. From 2011/12 the responsibility for administering the national Concessionary Fares scheme moves to Hampshire County Council with corresponding grant funding from Central government. Future service delivery in some areas of the Council's work may well be affected by the agenda for Localism and the Big Society. In particular, the administration of Housing and Council Tax benefits is set to alter radically. It also remains to be seen whether changes to services due to savings proposals introduced to tackle the reduction in Central government funding from 2011/12, have left the Council with the optimum structure to manage current and future service delivery.

Borrowing

Following the transfer of the Council's housing stock in 1995, the Council arranged the repayment of its remaining long term debt, meaning that with effect from the 1st April 1996 the Council was "debt free". There is no requirement for long-term borrowing to meet its capital expenditure needs.

Capital Expenditure

The Council has plans to make significant investment for the future and has a capital programme of £10.7 million for the four years from 2011/12 to 2014/15. It is intended that this will continue to be resourced from capital receipts, government grants, other capital contributions and revenue contributions.

Summary of Capital Expenditure for the Year

	Revised Budget £000	**Actual 2010/11 £000**	**Variance £000**
Capital Expenditure :			
Property, Plant and Equipment	6,219	5,789	(430)
Intangible Assets	373	192	(181)
Grants To Registered Social Landlords	1,303	711	(592)
Improvement Grants	978	758	(220)
Total Capital Expenditure	**8,873**	**7,450**	**(1,423)**

Capital Financing :			
Capital receipts	5,865	4,760	(1,105)
Government grants and other contributions	2,008	1,690	(318)
Direct revenue contributions	1,000	1,000	0
Total Capital Financing	**8,873**	**7,450**	**(1,423)**

Material Events after the Reporting Date
As part of the initial phase of the Aldershot regeneration project, on the 26th April 2011 land and buildings with a Balance Sheet value of £2.75 million at the 31st March 2011 were transferred to Legal & General for which the Council received the sum of £4 million. The financial statements and notes have not been adjusted for this even as it took place after 31 March 2011 and does not relate to conditions at that date but it is reported here as it does provide information that is relevant to an understanding of the Council's financial position.

Impact of the Current Economic Climate
Effect on spending plans and budgeted income
In common with most local authorities, Rushmoor BC has seen a significant reduction (around £1.6m) in its income from government grants in 2011/12 due to the austerity measures introduced by central government to tackle the national budget deficit. Similarly, the Council's income from the receipt of interest on its investments has declined substantially due to the continuing unprecedentedly low levels of interest rates. These reductions were anticipated and accommodated through the implementation of a programme of reductions in spending and increases in income both now and into the future which will ensure that the Council maintains a strong financial position.

Adequacy of balances to withstand future financial pressures
As part of the Council's Medium Term Financial Strategy, and in recognition of the increased uncertainty that the Council faces due to the state of the current economic climate, the target range for its General Fund revenue balances has been increased to £1.5m to £2m during the course of 2010/11. Due to the improvement in the Council's financial position during that year following the implementation of careful constraint on expenditure, it has been possible to increase the level of these balances to the mid-point of this range, i.e. £1.75m, as at the end of the year. This leaves the Council in a substantially improved position with which to start the new financial year.

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

Peter Gardner
Director of Resources

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.

Councillor Martin J. Tennant

Chairman of the Licensing and General Purposes Committee

Date: 26th September 2011

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 2011.

Peter Gardner

Director of Resources (Chief Financial Officer)

Date: 26th September 2011

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.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance 1st April 2009	1,521	2,317	31,828	247	**35,913**	26,366	**62,279**
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	(4,901)	0	0	0	**(4,901)**	0	**(4,901)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(7,645)	**(7,645)**
Total Comprehensive Income and Expenditure	(4,901)	0	0	0	**(4,901)**	(7,645)	**(12,546)**
Adjustments between accounting basis and funding basis under regulations (Note 8)	5,049	0	(3,484)	(182)	**1,383**	(1,383)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	148	0	(3,484)	(182)	**(3,518)**	(9,028)	**(12,546)**
Transfers to/from Earmarked Reserves (Note 9)	331	328	0	0	**659**	(659)	**0**
Increase/Decrease in 2009/10	479	328	(3,484)	(182)	**(2,859)**	(9,687)	**(12,546)**
Balance at 31st March 2010 carried forward	2,000	2,645	28,344	65	**33,054**	16,679	**49,733**
Movement in Reserves during 2010/11							
Surplus or (deficit) on the provision of services	3,943	0	0	0	**3,943**	0	**3,943**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	3,534	**3,534**
Total Comprehensive Income and Expenditure	3,943	0	0	0	**3,943**	3,534	**7,477**
Adjustments between accounting basis and funding basis under regulations (Note 8)	(5,219)	0	(4,647)	(47)	**(9,913)**	9,913	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,276)	0	(4,647)	(47)	**(5,970)**	13,447	**7,477**
Transfers to/from Earmarked Reserves (Note 9)	1,026	(475)	0	0	**551**	(551)	**0**
Increase/Decrease in 2010/11	(250)	(475)	(4,647)	(47)	**(5,419)**	12,896	**7,477**
Balance at 31st March 2011 carried forward	**1,750**	**2,170**	**23,697**	**18**	**27,635**	**29,575**	**57,210**

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.

2009/10 (restated)				2010/11		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
6,934	(5,065)	1,869	Central Services to the Public	7,742	(5,672)	2,070
16,441	(4,998)	11,443	Cultural, Environmental, Regulatory and Planning Services	17,095	(4,403)	12,692
3,652	(3,916)	(264)	Highways and Transport Services	4,062	(4,220)	(158)
30,086	(27,226)	2,860	Other Housing Services	33,112	(30,092)	3,020
89	(72)	17	Adult Social Care	108	(88)	20
1,642	(30)	1,612	Corporate & Democratic Core	1,814	(28)	1,786
192	0	192	Exceptional Item – Past Service Costs	(10,947)	0	(10,947)
59,036	**(41,307)**	**17,729**	**Cost of Services**	**52,986**	**(44,503)**	**8,483**
163	(222)	(59)	Other operating expenditure (Note 10)	313	(285)	28
7,593	(5,800)	1,793	Financing and investment income and expenditure (Note 11)	9,164	(7,451)	1,713
0	(14,562)	(14,562)	Taxation and non-specific grant income (Note 12)	0	(14,167)	(14,167)
		4,901	**(Surplus) or Deficit on Provision of Services**			**(3,943)**
		(5,355)	Surplus or deficit on revaluation of Property, Plant and Equipment			816
		13,000	Actuarial gains/losses on pension assets / liabilities			(4,350)
		7,645	**Other Comprehensive Income and Expenditure**			**(3,534)**
		12,546	**Total Comprehensive Income and Expenditure**			**(7,477)**

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'.

1 April 2009 (restated) £000	**31 March 2010 (restated) £000**		**Notes**	**31 March 2011 £000**
46,870	52,853	Property, Plant & Equipment	13	51,117
13,822	13,812	Investment Property	14	14,939
935	809	Intangible Assets	15	705
145	145	Assets Held for Sale	20	0
16,206	23,431	Long Term Investments	16	10,756
447	432	Long Term Debtors	16	425
78,425	**91,482**	**Long Term Assets**		**77,942**
24,765	10,336	Short Term Investments	16	12,905
52	78	Inventories	17	5
4,205	6,900	Short Term Debtors	18	3,269
2,275	1,442	Cash and Cash Equivalents	19	7,912
31,297	**18,756**	**Current Assets**		**24,091**
0	863	Bank Overdraft	19	0
7,357	4,057	Short Term Creditors	21	4,325
7,357	**4,920**	**Current Liabilities**		**4,325**
101	173	Provisions	22	243
37,175	51,887	Other Long Term Liabilities	23	37,591
2,810	3,525	Capital Grants Receipts in Advance	32	2,664
40,086	**55,585**	**Long Term Liabilities**		**40,498**
62,279	**49,733**	**Net Assets**		**57,210**
35,913	33,054	Usable reserves	24	27,635
26,366	16,679	Unusable Reserves	25	29,575
62,279	**49,733**	**Total Reserves**		**57,210**

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.

2009/10 (restated)		**2010/11**
£000	**Cash flows from operating activities**	**£000**
(4,804)	Taxation	(4,666)
(39,716)	Grants	(43,065)
(15,634)	Sales of Goods and Rendering of Services	(17,516)
(2,011)	Interest Received	(1,877)
(244)	Other Receipts from operating activities	(346)
(62,409)	*Cash inflows generated from operating activities*	(67,470)
9,524	Cash paid to and on behalf of employees	9,389
25,961	Housing benefit Paid out	28,692
32	Payments to Capital Receipts Pool	16
19,409	Cash paid to Suppliers of goods and services	22,026
1	Interest paid	1
2,056	Other payments for operating activities	2,080
56,983	*Cash outflows generated from operating activities*	62,204
(5,426)	*Net cash flows from operating activities*	(5,266)
	Cash flows from investing activities	
6,152	Purchase of property, plant and equipment, investment property and tangible assets	7,450
20,000	Purchase of short-term and long-term investments	4,000
47	Other payments for investing activities	50
(150)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(107)
(25,000)	Proceeds from short-term and long-term investments	(13,000)
(1,819)	Other receipts from investing activities	(430)
(770)	*Net cash flows from investing activities*	(2,037)
	Cash flows from financing activities	
0	Other receipts from financing activities	(5,907)
353	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	353
7,539	Other payments for financing activities	5,524
7,892	*Net cash flows from financing activities*	(30)
1,696	***Net (increase) / decrease in cash and cash equivalents***	(7,333)
(2,275)	***Cash and cash equivalents at the beginning of the reporting period***	(579)
(579)	***Cash and cash equivalents at the end of the reporting period***	(7,912)

Notes to the Accounts

1. First Time Adoption of International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared in accordance with International Financial Reporting Standards (IFRS), adapted for the public sector by the Code of Practice on Local Council Accounting in the United Kingdom 2010/11. This has resulted in the restatement of some balances and transactions and has meant that some amounts presented in the financial statements for prior years are different from the equivalent figures presented in the financial statements for 2009/10.

The main changes are as follows:-

- Short-term Accumulating Absences

  Short-term employee benefits, such as salaries, paid annual leave etc are now recognisable as an expense in the year in which employees render service to the Council. As a result, an accrual is required to be made by charging the relevant services for the cost of holiday entitlements earned but not taken before the end of the year. These accruals are called 'Accumulated Absences' and, in accordance with statutory requirements, are reversed out of the General Fund and charged to the Accumulated Absences Account within the Movement in Reserves Statement.

- Government Grants/ Capital Contributions

  Amounts recognised as due to the Council are now credited to the Comprehensive Income and Expenditure Statement as soon as any conditions attached to the grant or contribution have been satisfied. 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. As part of the transition, balances on the Government Grants Deferred Account (£598k) and the Capital Contributions Deferred Account (£1,534k) have been transferred to the Capital Adjustment Account.

  Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Creditors. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

- Long Term Assets

  Adoption of the new code has resulted in many of the Council's Long Term Assets (previously known as Fixed Assets) being renamed, re-classified and re-defined.

  During the year the Council adopted the requirements of IFRIC 4 'Determining whether an arrangement contains a lease'. This required vehicles and equipment used in the delivery of the Council's main service contract being recognised on the Council's Balance Sheet. The Council's Balance Sheet at 1st April 2009 was therefore adjusted to show a finance lease liability of £2.1 million along with an equivalent increase in the value of its 'Property, Plant & Equipment'. The vehicles, plant and equipment recognised are subsequently subject to depreciation over their estimated useful lives and the finance lease liability written down over the duration of the contract.

- Investment Properties

  As a result of adopting the new code, some assets previously classified as Investment Properties have been reclassified as Property, Plant & Equipment. Revaluation gains in respect of Investment Properties are now recognised as gains under 'Financing and investment income and expenditure' in the Comprehensive Income & Expenditure Statement. Previously, revaluation gains were recognised in the Revaluation Reserve.

- Cash and Cash Equivalents

  The definition of Cash and Cash Equivalents has changed to include highly liquid (less than one month) investments. These were previously shown under Short term Investments and consist of 'AAA'rated money market funds.

The accumulative effect of the adjustments outlined above has resulted in the following changes to the 2009/10 financial statements :-

Reconciliation of Balances as at 1st April 2009

	1 April 2009 Statement of Accounts (based on SORP) £000	Adjustments Made £000	1 April 2009 Statement of Accounts (based on IFRS) £000
Property, Plant & Equipment (previously Operational Assets)	42,634	4,236	46,870
Investment Property	15,498	(1,676)	13,822
Intangible Assets	935	0	935
Assets Held for Sale (previously Land Awaiting Development)	630	(485)	145
Long Term Investments	16,206	0	16,206
Long Term Debtors	448	(1)	447
Long Term Assets	**76,351**	**2,074**	**78,425**
Short Term Investments	26,655	(1,890)	24,765
Inventories (previously Stocks & Work in Progress)	52	0	52
Short Term Debtors	4,204	1	4,205
Cash and Cash Equivalents	385	1,890	2,275
Current Assets	**31,296**	**1**	**31,297**
Short Term Creditors	8,272	(915)	7,357
Current Liabilities	**8,272**	**(915)**	**7,357**
Provisions (new)	0	101	101
Government Grants Deferred	598	(598)	0
Capital Contributions Deferred	1,534	(1,534)	0
Other Long Term Liabilities	35,410	1,765	37,175
Capital Grants Receipts in Advance (previously Specific Capital Reserves)	2,970	(160)	2,810
Long Term Liabilities	**40,512**	**(426)**	**40,086**
Net Assets	**58,863**	**3,416**	**62,279**
Usable Reserves	34,502	1,411	35,913
Unusable Reserves (includes Deferred Credits)	24,361	2,005	26,366
Total Reserves	**58,863**	**3,416**	**62,279**

Effect on Comprehensive Income & Expenditure Statement 2009/10

	31 March 2010 Statement of Accounts (based on SORP) £000	IFRS Adjustments Made £000	31 March 2010 Statement of Accounts (based on IFRS) £000
Central Services to the Public	1,857	12	1,869
Cultural, Environmental, Regulatory and Planning Services	11,561	(118)	11,443
Highways & Transport Services	(266)	2	(264)
Other Housing Services	2,897	(37)	2,860
Adult Social Care (previously Social Services)	17	0	17
Corporate & Democratic Core	1,611	1	1,612
Non Distributed Cost	192	0	192
Cost of Services	**17,869**	**(140)**	**17,729**
Other operating expenditure	(93)	34	(59)
Financing and investment income and expenditure	1,638	155	1,793
Taxation and non-specific grant income	(13,642)	(920)	(14,562)
(Surplus) or Deficit on Provision of Services	**5,772**	**(871)**	**4,901**
Surplus or deficit on revaluation of Property, Plant and Equipment	(5,363)	8	(5,355)
Actuarial gains/losses on pension assets / liabilities	13,000	0	13,000
Other Comprehensive Income and Expenditure	**7,637**	**8**	**7,645**
Total Comprehensive Income and Expenditure	**13,409**	**(863)**	**12,546**

Movement in Reserves Statement - Usable Reserves 2009/10

	Statement of Accounts (based on SORP) £000	IFRS Adjustments Made £000	Statement of Accounts (based on IFRS) £000
Balance at the end of the previous reporting period - 31 March 2009	34,502	1,411	35,913
Surplus or Deficit on the Provision of Services	-	349	349
Other Comprehensive Income & Expenditure	0	0	0
Adjustments between the accounting basis and the funding basis under regulations	(3,272)	64	(3,208)
Increase/(decrease) in the year	(3,272)	413	(2,859)
Balance at the end of the reporting period 31 March 2010	31,230	1,824	33,054

Movement in Reserves Statement - Unusable Reserves 2009/10

	Statement of Accounts (based on SORP) £000	IFRS Adjustments Made £000	Statement of Accounts (based on IFRS) £000
Balance at the end of the previous reporting period - 31 March 2009	24,361	2,005	26,366
Surplus or Deficit on the Provision of Services	-	(1,220)	(1,220)
Other Comprehensive Income & Expenditure	0	8	8
Adjustments between the accounting basis and the funding basis under regulations	(10,171)	1,696	(8,475)
Increase/(decrease) in the year	(10,171)	484	(9,687)
Balance at the end of the reporting period 31 March 2010	14,190	2,489	16,679

Effect on Balance Sheet as at 31st March 2010

	31 March 2010 Statement of Accounts (based on SORP) £000	IFRS Adjustments Made £000	31 March 2010 Statement of Accounts (based on IFRS) £000
Property, Plant & Equipment (previously Operational Assets)	48,146	4,707	52,853
Investment Property	15,615	(1,803)	13,812
Intangible Assets	809	0	809
Assets Held for Sale (previously Land Awaiting Development)	1,323	(1,178)	145
Long Term Investments	23,431	0	23,431
Long Term Debtors	436	(4)	432
Long Term Assets	**89,760**	**1,722**	**91,482**
Short Term Investments	11,766	(1,430)	10,336
Inventories (previously Stocks & Work in Progress)	78	0	78
Short Term Debtors	6,896	4	6,900
Cash and Cash Equivalents	12	1,430	1,442
Current Assets	**18,752**	**4**	**18,756**
Bank Overdraft	863	0	863
Short Term Creditors	5,424	(1,367)	4,057
Current Liabilities	**6,287**	**(1,367)**	**4,920**
Provisions (new)	0	173	173
Government Grants Deferred	605	(605)	0
Capital Contributions Deferred	2,081	(2,081)	0
Other Long Term Liabilities	50,440	1,447	51,887
Capital Grants Receipts in Advance (previously Specific Capital Reserves)	3,679	(154)	3,525
Long Term Liabilities	**56,805**	**(1,220)**	**55,585**
Net Assets	**45,420**	**4,313**	**49,733**
Usable Reserves	31,230	1,824	33,054
Unusable Reserves (includes Deferred Credits)	14,190	2,489	16,679
Total Reserves	**45,420**	**4,313**	**49,733**

2. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 8 of the 2011 Act.

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

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 wage and salary rates 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 provided 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, based on 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 5.5% (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 seven components:

- 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
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

– 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 Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the 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 and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

However, as Rushmoor Borough Council is debt-free, there is no requirement for borrowing other than in the short term for cash flow purposes. During 2010/11, no short-term borrowing took place and therefore the only financial liabilities were trade creditors that occur in the normal course of business. 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 three 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

(iii) fair value through profit and loss – assets acquired for the purpose of selling in the near term, or part of a portfolio of financial instruments managed together where there is evidence of recent, short-term profit taking or a derivative.

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.

Rushmoor Borough 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.

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.

x. 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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xi. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii. Interests in Companies and Other Entities

The Council has an interest in a company or other entity that has the nature of a subsidiary, associate and jointly controlled entity and will, subject to materiality, be required to prepare group accounts in the future. As at 31st March 2011, this interest was not considered to be material.

In the Council's own single-entity accounts, the interest will be recorded as a financial asset at cost, less any provision for losses.

xiii. Inventories

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

xiv. 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.

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 arm's-length. 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.

xv. 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 the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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.

xvi. 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 *Best Value Accounting Code of Practice 2010/11* (BVACOP).

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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvii. 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 1 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.

xviii Provisions, Contingent Liabilities and Contingent Assets

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 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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. 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.

xx. 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.

xxi. 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.

3. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted. For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 'Heritage Assets'. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for the contribution they make to knowledge and culture. These are to be recognised as a separate class of asset for the first time in 2011/12.

It is not possible at this stage to estimate the value of these assets and the impact the changes will have on the Balance Sheet (for carrying values and revaluations) and the Comprehensive Income and Expenditure Statement (for depreciation and impairment charges). The balances as at 31st March 2011 will be restated in the 2011/12 financial statements in order to provide comparative figures in the 2011/12 financial statements.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, 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 a high degree of uncertainty 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 Properties 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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	At 31 March 2011, the carrying amount of the Council's Property, Plant and Equipment was £51.117 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 current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to 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 £0.09 million for every year that useful lives had to be reduced.
Pensions Liability	At 31 March 2011, the net Pensions Liability was £36.47 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. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £6.35 million. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had increased by £0.39 million as a result of estimates being corrected as a result of experience and decreased by £1.61 million attributable to updating of the assumptions.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors of £4.32 million. A review of significant balances suggested that an impairment of doubtful debts of 24% (£1.05 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 £1.05 million to be set aside as an allowance.

6. Material Items of Income and Expense

The weak economic climate continues to have an impact on the value of the Council's assets. As part of this year's asset valuation review, revaluation gains of £4.6 million were identified of which £3.0 million was credited to the Revaluation Reserve, £0.2 million was credited to services (to reverse previous impairment losses) and £1.4 million was credited to the Comprehensive Income & Expenditure Account in the line 'Financing and investment income and expenditure' - (Note 11). At the same time, impairment losses of £8.6 million resulting from downward valuations were identified. Of this figure, £3.9 million was offset against previous revaluation gains for the individual assets and £4.7 million was charged directly to the relevant service revenue accounts.

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive the statutory pension increase has been changed from RPI to CPI. Due to differences between the indices, CPI is expected to be less than RPI over the long-term, which means that the defined benefit obligation (i.e. the amount the Council would have to pay to satisfy all pension entitlements that have been earned by employees to date) has reduced. This has been accounted for as a change to the constructive obligation to provide certain benefits to Scheme members and gives rise to a negative past service cost. This has resulted in a credit of £10.97 million being charged to the Comprehensive Income and Expenditure Account in 2010/11. Neither of these has an impact on the General Fund balance.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 26 September 2011. 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 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2011 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date:-

As part of the initial phase of the Aldershot regeneration project, on the 26th April 2011 land and buildings with a Balance Sheet value of £2.75 million at the 31st March 2011 were transferred to Legal & General for which the Council received the sum of £4 million.

8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves			**Unusable Reserves**
2009/10 comparative figures	**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 and impairment of non current assets	1,862			(1,862)
Revaluation losses on Property, Plant and Equipment	279			(279)
Movements in the market value of Investment Properties	(4)			4
Amortisation of Intangible assets	307			(307)
Capital grants and contributions applied	(1,259)			1,259
Revenue expenditure funded from capital under statute	2,827			(2,827)

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	43			(43)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(310)			310
Capital expenditure charged against the General Fund balances	(650)			650
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			(182)	182
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	(222)	222		
Use of the Capital Receipts Reserve to finance new capital expenditure		(3,714)		3,714
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	26	(26)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		34		(34)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	40			(40)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	3,880			(3,880)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,850)			1,850
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	49			(49)
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	31			(31)
Total Adjustments	**5,049**	**(3,484)**	**(182)**	**(1,383)**

2010/11	Usable Reserves: General Fund Balance £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	Unusable Reserves: Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non current assets	1,925			(1,925)
Revaluation losses on Property, Plant and Equipment	4,712			(4,712)
Movements in the market value of Investment Properties	(1,331)			1,331
Amortisation of Intangible assets	295			(295)
Capital grants and contributions applied	(1,263)			1,263
Revenue expenditure funded from capital under statute	1,174			(1,174)
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	365			(365)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(318)			318
Capital expenditure charged against the General Fund	(1,000)			1,000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			(47)	47
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	(108)	108		
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,760)		4,760
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	15	(15)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		20		(20)

Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(40)			40
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 38)	(7,820)			7,820
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,800)			1,800
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	(21)			21
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	(4)			4
Total Adjustments	**(5,219)**	**(4,647)**	**(47)**	**9,913**

9. 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 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2011/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Earmarked General Fund Reserves							
Migration Fund	0	(24)	75	51	(32)	37	56
Farnborough Aerodrome s106	117	(91)	90	116	(108)	49	57
Earmarked Reserves	0	0	66	66	(5)	118	179
Developing Our Communities	17	(7)	62	72	(73)	123	122
Manor Park Enhancement s106	13	0	0	13	0	0	13
Southwood Jet Aircraft	2	0	0	2	0	0	2
Children's Fund Grant	9	(9)	0	0	0	0	0
Bus Shelter Maintenance	17	0	0	17	(4)	0	13
BOA Consultation Funding	12	0	0	12	0	0	12
Community Website	2	(1)	0	1	(1)	0	0
Rushmoor Sports Forum	7	(3)	0	4	(2)	0	2
Olympian For Life	0	(41)	95	54	0	0	54
Guillemont Tree Maintenance s106	50	(1)	55	104	(4)	1	101
Service Improvement Fund	969	(389)	131	711	(524)	285	472
Community Projects Fund	19	(9)	0	10	(9)	0	1
ODPM Planning Grant	313	(268)	567	612	(280)	0	332
Risk Management Fund	8	0	0	8	0	0	8
Amenity Areas s106	575	(30)	3	548	(28)	3	523
Partial Exemption Reserve	166	0	0	166	0	0	166
Healthy Living Centre	7	0	0	7	0	0	7
Out of School Childcare	7	0	0	7	0	0	7
Marrowbrook Commuted Sum s106	6	0	0	6	(1)	0	5
Connecting Communities	0	0	57	57	(20)	0	37
Get Active	1	0	0	1	0	0	1
Total Earmarked General Fund Reserves	**2,317**	**(873)**	**1,201**	**2,645**	**(1,091)**	**616**	**2,170**
Unusable Reserves							
Treasury Management Reserve	**1,599**	**(683)**	**24**	**940**	**(563)**	**12**	**389**
Total Movement		**(1,556)**	**1,225**		**(1,654)**	**628**	

10. Other Operating Expenditure

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
26	0	26	Payments to the Government Housing Capital Receipts Pool	16		16
0	0	0	Refunds from NNDR Revaluations	0	(155)	(155)
43	(222)	(179)	Gains/losses on the disposal of non current assets	387	(130)	257
94		94	Allowance for Doubtful debts	(90)		(90)
163	**(222)**	**(59)**	**Total**	**313**	**(285)**	**28**

11. Financing and Investment Income and Expenditure

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
46	0	46	Interest payable and similar charges	37	0	37
4,860	(2,120)	2,740	Pensions interest cost and expected return on pensions assets	4,980	(3,240)	1,740
0	(2,044)	(2,044)	Interest receivable and similar income	0	(1,332)	(1,332)
433	(1,604)	(1,171)	Surplus / Deficit on Trading Activities	552	(1,536)	(984)
0	0	0	Surplus / Deficit on Surplus Assets	3,032	0	3,032
348	(7)	341	Unrealised gains/losses on financial investments	0	0	0
335	(17)	318	Amortisation of unrealised gains/losses on financial investments	563	(12)	551
4	(8)	(4)	Changes in the fair value of Investment Properties	0	(1,331)	(1,331)
1,567	0	1,567	Impairment of investments	0	0	0
7,593	(5,800)	1,793	**Total**	9,164	(7,451)	1,713

12. Taxation and Non-Specific Grant Income

2009/10 £000		2010/11 £000
(5,633)	Council Tax income	(5,782)
(35)	Collection Fund Surplus	(63)
(5,666)	Non Domestic Rates	(6,121)
(1,308)	Revenue Support Grant	(889)
(661)	Non-ring fenced government grants	(163)
(1,259)	Capital grants and contributions	(1,149)
(14,562)	**Total**	**(14,167)**

13. Property, Plant and Equipment

Movements on Balances

	Land and Buildings (restated) £000	Vehicles, Plant, and Equipment (restated) £000	Community Assets £000	Surplus Assets £000	Total Property, Land and Equipment (restated) £000
At 1st April 2009	49,458	6,083	1,256	630	57,427
Additions	1,370	500	206	693	2,769
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,355	0	0	0	5,355
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(279)	0	0	0	(279)
De-recognition - Disposals	0	0	0	0	0
De-recognition - Other	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
As at March 2010	**55,904**	**6,583**	**1,462**	**1,323**	**65,272**

Accumulated Depreciation and Impairment					
At 1st April 2009	(8,638)	(1,919)	0	0	(10,557)
Depreciation charge	(1,115)	(675)	0	0	(1,790)
Depreciation written out to Revaluation Reserve	(72)	0	0	0	(72)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
De-recognition - Disposals	0	0	0	0	0
De-recognition - Other	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0
At March 2010	**(9,825)**	**(2,594)**	**0**	**0**	**(12,419)**

	Land and Buildings (restated) £000	Vehicles, Plant, and Equipment (restated) £000	Community Assets £000	Surplus Assets £000	Total Property, Land and Equipment (restated) £000
Cost or Valuation					
At 1st April 2010	55,904	6,583	1,462	1,323	65,272
Additions	1,756	375	359	3,594	6,084
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(349)	0	0	0	(349)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,451)	0	(26)	(3,032)	(4,509)
De-recognition - Disposals	(1,045)	(169)	0	0	(1,214)
De-recognition - Other			0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	(8)	0	8	145	145
As at March 2011	**54,807**	**6,789**	**1,803**	**2,030**	**65,429**

Accumulated Depreciation and Impairment					
At 1st April 2010	(9,825)	(2,594)	0	0	(12,419)
Depreciation charge	(1,154)	(707)	0	0	(1,861)
Depreciation written out to Revaluation Reserve	(264)	0	0	0	(264)
Impairment losses/(reversals) recognised in the Revaluation Reserve	12	0	0	0	12
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
De-recognition - Disposals	102	118	0	0	220
De-recognition - Other	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0
At March 2011	**(11,129)**	**(3,183)**	**0**	**0**	**(14,312)**
Net Book Value					
At March 2011	**43,678**	**3,606**	**1,803**	**2,030**	**51,117**
At March 2010	**46,079**	**3,989**	**1,462**	**1,323**	**52,853**

Depreciation

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

- Other Land and Buildings — 3 to 100 years
- Vehicles, Plant & Equipment — 5 to 15 years

Capital Commitments

The Council had no major capital commitments as at 31st March 2011.

Effects of Changes in Estimates

In 2010/11, 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. All valuations were carried out internally. 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 & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	42,344	2,065	1,500	45,909
valued at fair value as at :				
31 March 2011	(2,060)	(383)	707	(1,736)
31 March 2010	5,465	(175)	693	5,983
31 March 2009	3,594	2,283	(934)	4,943
31 March 2008	306	(160)	64	210
31 March 2007	(4,168)	(24)	0	(4,192)
Total Cost or Valuation	45,481	3,606	2,030	51,117

As part of the initial phase of the Aldershot regeneration project, on the 26th April 2011 land and buildings with a Balance Sheet value of £2.75 million at the 31st March 2011 were transferred to Legal & General for which the Council received the sum of £4 million.

14. Investment Properties

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:

2009/10 £000		2010/11 £000
1,604	Rental income from investment property	1,536
(433)	Direct operating expenses arising from investment property	(552)
1,171	Net gain/(loss)	984

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 2011.

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

2008/09 (restated) £000	2009/10 (restated) £000		2010/11 £000
16,466	13,822	Balance at start of year	13,812
		Additions:	
0	28	- Subsequent expenditure	263
0	(42)	Disposals	0
(976)	0	Net losses from fair value adjustments taken to the Revaluation Reserve	(467)
(1,668)	4	Net gains/losses from fair value adjustments taken to the Comprehensive I & E Statement	1,331
13,822	13,812	Balance at end of year	14,939

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. The Council's Estates Consultant carries out the valuations each year in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, known as the "Red Book".

15. Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £295k charged to revenue in 2010/11 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:

	2009/10			**2010/11**		
	Internally Generated Assets £000	**Other Assets £000**	**Total £000**	**Internally Generated Assets £000**	**Other Assets £000**	**Total £000**
Balance at start of year:						
- Gross carrying amounts	0	2,140	2,140	0	2,321	2,321
- Accumulated amortisation	0	(1,205)	(1,205)	0	(1,512)	(1,512)
Net carrying amount at start of year	0	935	**935**	0	809	**809**
Additions:						
- Internal development	0	0	0	0	0	0
- Purchases	0	181	181	0	191	191
De-recognition - disposals	0	0	0	0	(70)	(70)
Amortisation for the period	0	(307)	(307)	0	(295)	(295)
De-recognition - disposals	0	0	0	0	70	70
Net carrying amount at end of year	0	809	**809**	0	705	**705**
Comprising:						
- Gross carrying amounts	0	2,321	2,321	0	2,442	2,442
- Accumulated amortisation	0	(1,512)	(1,512)	0	(1,737)	(1,737)
	0	809	**809**	0	705	**705**

16. Financial Instruments

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

	Long-term			Current		
	1 April 2009 (restated)	**31 March 2010 (restated)**	**31 March 2011**	**1 April 2009 (restated)**	**31 March 2010 (restated)**	**31 March 2011**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Investments						
Loans and Receivables						
Fixed Rate Investments	10,466	3,493	2,493	24,765	5,434	5,138
Government Stocks	4	4	4			
Financial assets at fair value through profit and loss						
Forward Rate Agreements	5,736	19,934	8,259		4,902	7,767
Total investments	**16,206**	**23,431**	**10,756**	**24,765**	**10,336**	**12,905**
Cash and Cash Equivalents						
Loans and Receivables						
Cash and Cash at Bank				385	12	762
Cash held in Money Market Funds				1,890	1,430	7,150
Total cash and cash equivalents	**0**	**0**	**0**	**2,275**	**1,442**	**7,912**
Debtors						
Loans and Receivables						
Debtors due within 1 year				4,113	3,933	3,142
Long Term Debtors:						
- Car Loans	27	51	70			
- Mortgages	76	41	20			
- Loans to Organisations	344	340	335			
Total debtors	**447**	**432**	**425**	**4,113**	**3,933**	**3,142**
Borrowings						
Financial liabilities at amortised cost						
Overdraft					863	
Total borrowings	**0**	**0**	**0**	**0**	**863**	**0**
Other Long Term Liabilities						
Finance lease liabilities	1,765	1,447	1,121			
Total other long term liabilities	**1,765**	**1,447**	**1,121**			
Creditors						
Financial liabilities at amortised cost	2,860	3,525	2,664			
Financial liabilities carried at contract amount				4,237	3,437	3,339
Total creditors	**2,860**	**3,525**	**2,664**	**4,237**	**3,437**	**3,339**

Income, Expense, Gains and Losses

2009/10	**Financial Liabilities:**	**Financial Assets:**		
	Measured at amortised cost	**Loans and receivables**	**At Fair Value through Profit and Loss**	**Total**
	£000	**£000**	**£000**	**£000**
Interest expense	(46)	-	-	**(46)**
Unrealised losses on Forward Rate agreements	-	-	(348)	**(348)**
Amortisation of unrealised gains on Forward Rate agreements			(335)	**(335)**
Impairment losses	-	(1,567)	-	**(1,567)**
Total expense in Surplus or Deficit on the Provision of Services	**(46)**	**(1,567)**	**(683)**	**(2,296)**
Interest income	-	1,938	-	**1,938**
Interest income accrued on impaired financial assets	-	106	-	**106**
Unrealised gains on Forward Rate agreements	-	-	7	**7**
Amortisation of unrealised losses on Forward Rate agreements	-	-	17	**17**
Total income in Surplus or Deficit on the Provision of Services	**0**	**2,044**	**24**	**2,068**
Net gain/(loss) for the year	**(46)**	**477**	**(659)**	**(228)**

2010/11	**Financial Liabilities:**	**Financial Assets:**		
	Measured at amortised cost	**Loans and receivables**	**At Fair Value through Profit and Loss**	**Total**
	£000	**£000**	**£000**	**£000**
Interest expense	(37)	-	-	**(37)**
Amortisation of unrealised gains on Forward Rate agreements			(563)	**(563)**
Total expense in Surplus or Deficit on the Provision of Services	**(37)**	**0**	**(563)**	**(600)**
Interest income	-	1,305	-	**1,305**
Interest income accrued on impaired financial assets	-	27	-	**27**
Amortisation of unrealised losses on Forward Rate agreements	-	-	12	**12**
Total income in Surplus or Deficit on the Provision of Services	**0**	**1,332**	**12**	**1,344**
Net gain/(loss) for the year	**(37)**	**1,332**	**(551)**	**744**

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.

The fair values calculated are as follows:

	1 April 2009 (restated)		31 March 2010 (restated)		31 March 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Liabilities	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Financial liabilities at amortised cost	4,237	4,237	4,300	4,300	3,339	3,339
Long-term creditors	2,860	2,860	3,525	3,525	2,664	2,664
Finance lease liabilities	1,765	1,765	1,447	1,447	1,121	1,121
	8,862	8,862	9,272	9,272	7,124	7,124

	1 April 2009 (restated)		31 March 2010 (restated)		31 March 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Loans and receivables	41,623	42,261	14,306	14,638	18,689	18,682
Long-term debtors	447	447	432	432	425	425
Fair Value through profit and loss	5,736	5,736	24,836	24,836	16,026	16,026
	47,806	48,444	39,574	39,906	35,140	35,133

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is either higher of lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain or loss (based on economic conditions at 31 March) attributable to the commitment to receive interest below current market rates.

Assets 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.

Short- term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. Inventories

2008/09 £000	2009/10 £000		2010/11 £000
38	52	Balance outstanding at start of year	78
44	72	Purchases	0
(30)	(46)	Recognised as an expense in the year	(73)
52	78	**Balance outstanding at end of year**	5

18. Debtors

1st April 2009 £000	31st March 2010 £000		31st March 2011 £000
835	4,155	Central government bodies	773
451	370	Other local authorities	360
0	0	NHS bodies	7
91	118	Council tax	126
2,403	1,859	Other entities and individuals	1,529
425	398	Payments in advance	474
4,205	**6,900**		**3,269**

Debtors shown are net of allowances for doubtful debts

19. Cash and Cash Equivalents

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

1st April 2009 £000	31st March 2010 £000		31st March 2011 £000
19	12	Cash held by the Council	23
366	(863)	Bank current accounts	739
1,890	1,430	Money Market Funds	7,150
2,275	**579**	**Total cash and cash equivalents**	**7,912**

20. Assets Held for Sale

	Current		Non-Current	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	**0**	**0**	**145**	**145**
<u>Assets declassified as held for sale:</u> - Property, Plant and Equipment	0	0	0	(145)
Balance outstanding at year-end	**0**	**0**	**145**	**0**

21. Creditors

1st April 2009 (restated) £000	31st March 2010 (restated) £000		31st March 2011 £000
2,000	50	Central government bodies	367
1,127	821	Other local authorities	927
16	13	Council tax	16
3,316	2,359	Other entities and individuals	2,377
898	814	Income in advance	638
7,357	**4,057**	**Total**	**4,325**

22. Provisions

	Provisions £000
Balance at 1st April 2009	101
Additional provisions made in 2009/10	72
Balance at 31st March 2010	173
Additional provisions made in 2010/11	70
Amounts used in 2010/11	0
Balance at 31st March 2011	**243**

Mercury Abatement Provision

The cremation fees charged by the Council include a mercury abatement charge as set by the Federation of British Cremation Authorities (FBCA). The Council have set this money aside as a provision in readiness for future costs.

23. Other Long Term Liabilities

1st April 2009 (restated) £000	31st March 2010 (restated) £000		31st March 2011 £000
1,765	1,447	Finance Lease Liability	1,121
35,410	50,440	Liability relating to defined Pension Scheme	36,470
37,175	**51,887**	**Other Long Term Liabilities**	**37,591**

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in the tables below:

1st April 2009 (restated) £000	31st March 2010 (restated) £000		31st March 2011 £000
1,521	2,000	General Fund	1,750
2,317	2,645	Earmarked General Fund Reserves	2,170
31,828	28,344	Capital Receipts Reserve	23,697
247	65	Capital Grants Unapplied	18
35,913	**33,054**	**Total Usable Reserves**	**27,635**

General Fund

2009/10 £000		2010/11 £000
1,521	**Balance at 1st April**	2,000
479	Increase/(Decrease) in year	(250)
2,000	**Balance 31st March**	**1,750**

Details of the movements on the General Fund are shown in the Comprehensive Income & Expenditure Statement and notes 8, 9, 10, 11 and 12

Earmarked General Fund Reserves

2009/10 (restated) £000		2010/11 £000
2,317	**Balance at 1st April**	2,645
328	Increase/(Decrease) in year	(475)
2,645	**Balance 31st March**	**2,170**

Details of the movements on the Earmarked General Fund Reserves are shown in note 9

Capital Receipts Reserve

2009/10 (restated) £000		2010/11 £000
31,828	**Balance at 1st April**	28,344
(26)	Payments to the Government capital receipts pool	(15)
(3,714)	Use of Capital Receipts Reserve to finance new capital expenditure	(4,760)
34	Mortgage Scheme Receipts	20
222	Capital Receipts in Year	108
28,344	**Balance at 31st March**	**23,697**

Capital Grants Unapplied

2009/10 (restated) £000		2010/11 £000
247	**Balance at 1st April**	65
(182)	Application of grants to capital financing transferred to the Capital Adjustment Account	(47)
65	**Balance at 31st March**	**18**

25. Unusable Reserves

1st April 2009 (restated) £000	31st March 2010 (restated) £000		31st March 2011 £000
2,443	7,726	Revaluation Reserve	6,659
57,598	58,471	Capital Adjustment Account	58,970
0	(40)	Financial Instruments Adjustment Account	0
1,599	940	Treasury Management Reserve	389
75	41	Deferred Capital Receipts Reserve	20
(35,410)	(50,440)	Pensions Reserve	(36,470)
188	139	Collection Fund Adjustment Account	160
(127)	(158)	Accumulated Absences Account	(153)
26,366	**16,679**	**Total Unusable Reserves**	**29,575**

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 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 (restated) £000		2010/11 £000	
2,443	**Balance at 1st April**		7,726
5,355	Upward revaluation of assets	3,074	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,890)	
5,355	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(816)
(72)	Difference between fair value depreciation and historical cost depreciation	(251)	
(72)	Amount written off to the Capital Adjustment Account		(251)
7,726	**Balance 31st March**		**6,659**

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 Properties 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 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2009/10 (restated) £000		2010/11 £000	
57,598	**Balance at 1st April**		58,471
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and expenditure Statement:		
(1,862)	Charges for depreciation and impairment of non current assets	(1,925)	
(279)	Revaluation losses on Property, Plant and Equipment	(4,712)	
(307)	Amortisation of intangible assets	(295)	
(2,827)	Revenue expenditure funded from capital under statute	(1,174)	
(43)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comp I & E Statement	(365)	
(5,318)			(8,471)
72	Adjusting amounts written out of the Revaluation Reserve		251
(5,246)	Net written out amount of the cost of non current assets consumed in the year		(8,220)
	Capital financing applied in the year:		
3,714	Use of the Capital Receipts Reserve to finance new capital expenditure	4,760	
1,259	Capital grants and contributions credited to the Comp I & E Statement that have been applied to Capital financing	1,263	
182	Application of grants to capital financing from the Capital Grants Unapplied Account	47	
310	Statutory provision for the financing of capital investment charged against the General Fund balances	318	
650	Capital expenditure charged against the General Fund	1,000	
6,115			7,388
4	Movements in the market value of Investment Properties debited or credited to the Comp I & E Statement		1,331
58,471	**Balance at 31st March**		**58,970**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council has used the Account to postpone the effects of interest receivable in 2009/10 from the Icelandic bank, Glitnir and the balance of impairment of Icelandic investments in 2009/10 after Capitalisation. These items were credited or debited to the Comprehensive Income and Expenditure Statement in 2009/10 when they were incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. In 2010/11, these movements have been reversed back to the General Fund Balance.

2009/10 (restated) £000		2010/11 £000
0	**Balance at 1st April**	**(40)**
(40)	Amount by which finance costs charged to the Comprehensive I & E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	40
(40)	**Balance at 31st March**	**0**

Treasury Management Reserve

The Treasury Management Reserve contains the unrealised gains and losses made by the Council arising from increases or decreases in the fair value of its forward rate agreements. The balance is reduced by the amortisation of the gain or loss over the lifetime of the investment.

2009/10 £000		2010/11 £000
1,599	**Balance at 1st April**	940
(341)	Unrealised gains/losses on forward rate agreements	0
(318)	Amortisation of prior year gains/losses on forward rate agreements	(551)
940	**Balance at 31st March**	**389**

Deferred Capital Receipts Reserve (England and Wales)

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

2009/10 £000		2010/11 £000
75	**Balance at 1st April**	41
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(34)	Transfer to the Capital Receipts Reserve upon receipt of cash	(21)
41	**Balance at 31st March**	**20**

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.

2009/10 £000		2010/11 £000
(35,410)	**Balance at 1st April**	(50,440)
(13,000)	Actuarial gains or losses on pensions assets and liabilities	4,350
(3,880)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,820
1,850	Employer's pensions contributions and direct payments to pensioners payable in the year	1,800
(50,440)	**Balance at 31st March**	**(36,470)**

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.

2009/10 £000		2010/11 £000
188	**Balance at 1st April**	139
(49)	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	21
139	**Balance at 31st March**	**160**

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.

2009/10 (restated) £000			2010/11 £000
(127)	**Balance at 1st April**		(158)
127	Settlement or cancellation of accrual made at the end of the preceding year	158	
(158)	Amounts accrued at the end of the current year	(153)	
(31)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		5
(158)	**Balance at 31st March**		**(153)**

26. Cash Flow Statement – Movement in Cash and Cash Equivalents

	Balance at 31/3/2010 £000	Balance at 31/3/2011 £000	Movement in the year £000
Money Market Funds	1,430	7,150	(5,720)
Cash in hand	12	23	(11)
Bank Balance / (Overdraft)	(863)	739	(1,602)
(Increase) / Decrease in cash & cash equivalents			**(7,333)**

27. 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 Best Value Accounting 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 cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- the effect of employee benefits is not included
- some revaluation and depreciation adjustments are not included
- 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 budget reports for the year is as follows:

	£000
Corporate Services	1,687
Environment	3,442
Concessions and Community	2,642
Health and Housing	2,258
Safety and Regulation	3,162
Leisure & Youth	4,422
Net expenditure in Portfolio Analysis	17,613
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(7,208)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,922)
Cost of Services in Comprehensive Income and Expenditure Account	**8,483**

28. 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 2010/11 was £361,103.28 (£359,956 in 2009/10).

29. Members' Allowances

In 2010/11, a total of £302,921 was paid out in members' allowances, compared with a total of £309,079 in 2009/10.

30. Officers' Remuneration

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

		Salary and Allowances £	**Expenses Allowances £**	**Pension Contribution £**	**Total £**
Chief Executive	**2010/11**	**113,469**	**5,040**	**22,519**	**141,028**
	2009/10	111,054	5,040	21,449	137,543
Director of Resources	**2010/11**	**77,193**	**5,040**	**14,677**	**96,910**
	2009/10	76,693	5,040	14,234	95,967
Director of Community and Environment *	**2010/11**	**70,507**	**4,920**	**13,424**	**88,851**
	2009/10	78,552	5,753	14,561	98,866
	2010/11	**261,169**	**15,000**	**50,620**	**326,789**
	2009/10	266,299	15,833	50,244	332,376

* 2009/10 comparator for Director of Community and Environment shows annualised salary due to retirement of previous post-holder and recruitment of new post-holder.

The number of employees whose remuneration (including taxable benefits but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000 were:

Remuneration Band	2009/10 Number of Employees	2010/11
£50,000 - £54,999	5	7
£55,000 - £59,999	4	3
£60,000 - £64,999	6	7
£65,000 - £69,999	2	2
£70,000 - £74,999		
£75,000 - £79,999	1	1
£80,000 - £84,999	2	2
£85,000 - £89,999		
£90,000 - £94,999		
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999		
£115,000 - £119,999	1	1

Data shown in the remuneration bands includes senior employees

31. 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:

	2009/10 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	105	107
Fees payable to the Audit Commission in respect of statutory inspections	9	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	26	26
Total	**140**	**133**

32. Grant Income

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

	2009/10 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	5,633	5,782
Collection Fund Surplus/ (Deficit)	35	63
National Non-Domestic Rates	5,666	6,121
Revenue Support Grant	1,308	889
Local Authority Business Incentive Grant (LABGI)	49	0
Area Based Grant	113	142
Housing & Planning Delivery Grant	299	0
New Burden Grant	18	17
LPSA2 Reward Grant	182	4
Capital Grants & Contributions	1,259	1,149
Total	**14,562**	**14,167**
Credited to Services		
Communities and Local Government		
Connecting Communities	57	0
Council Tax Collection Grant	0	10
Fraud & Social Housing Grant	10	0
Homelessness Initiatives Grant	77	41
Housing Planning Delivery Grant	268	0
Disabled Facilities Grant	330	380
Migration Impact Grant	75	128
Mortgage Rescue Grant	29	0
New Burdens Grant (Personal Search fee of the Local Land Charges)	0	34
NNDR Collection Grant	12	8
DEFRA		
Contaminated Land Grant	0	28
Department for Transport		
Concessionary Travel Grant	289	387
Department for Works and Pensions		
Discretionary Rent Allowance	0	10
Housing Benefit Admin Subsidy	677	704
Housing Benefit Subsidy	30,405	33,555
Rent Allowances	10	26
Developers Contributions	170	114
Hampshire County Council	63	53
Other Grants & Contributions		
Developing Our Communities contribution for specific projects	62	130
Contributions for Live Olympian project	95	0
Contribution from Community Safety Partnership	0	16
Local Elections contributions	0	11
Contributions for other projects	16	6
Total	**32,645**	**35,641**

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:

	31st March 2010 (restated) £000	31st March 2011 £000
Capital Grants Receipts in Advance		
s106 Developers Contributions	3,525	2,664
Total	**3,525**	**2,664**

33. 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 2010/11, the Council provided financial assistance to 109 organisations by way of direct grant payments (£821,003), awards of rent relief (£167,640) and discretionary rate relief (£93,485).

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 £256,515
- Farnborough and Cove War Memorial Hospital Trust Ltd £112,564
- Rushmoor Voluntary Services £ 76,027
- Farnborough Football Club £ 50,000
- Aldershot Military Museum £ 46,000
- Basingstoke Canal Management Committee £ 44,799
- Farnborough Leisure Centre £ 36,743
- Dial A Ride £ 31,119

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 34.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 31. During 2010/11, no works or services were commissioned from companies in which members had an interest. Contracts were entered into in full compliance with the council's standing orders.

Financial assistance totalling £493,163 was awarded to voluntary organisations in which 24 members had a personal 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

During 2010/11, one officer declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 in the issue of the following financial assistance. This officer did not take part in any discussion, decision or administration relating to the grant.

- Aldershot Town Football Club £1,686

Entities Controlled or Significantly Influenced by the Council

The Council has significant control/influence of Westgate Aldershot Ltd through its ownership of 50% of the shares in the Company. This joint venture was set up on 29th October 2009 and only minor transactions have occurred during the 2010/11 financial year.

34. Capital Expenditure and Capital Financing

At the 1st April 2010, Rushmoor Borough Council was debt free and, in accordance with its Medium Term Financial Strategy, the Council planned to remain debt free during 2010/11 by financing all capital spend from means other than borrowing. The Council therefore had a Capital Financing Requirement at the start of 2010/11 of zero. Total capital expenditure in 2010/11 was £7.45 million. A summary of this expenditure and how it was financed is shown below. The Council's Capital Financing Requirement at 31st March 2011 was zero.

	2009/10 £000	**2010/11 £000**
Opening Capital Financing Requirement	0	0
Capital Investment		
Property, Plant and Equipment	3,099	5,821
Investment Properties	28	263
Intangible Assets	181	192
Revenue Expenditure Funded from Capital under Statute	2,844	1,174
Sources of finance		
Capital receipts	3,714	4,760
Government grants and other contributions	1,788	1,690
Sums set aside from revenue:		
Direct revenue contributions	650	1,000
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
Assets acquired under PFI/PPP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	0	0

35. 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:

31 March 2010 £000		31 March 2011 £000
1,765	Vehicles, Plant, Furniture and Equipment	1,447
1,765		1,447

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:

31 March 2010 £000		31 March 2011 £000
1,765	Finance lease liabilities (net present value of minimum lease payments):	1,447
103	Finance Costs payable in future years	68
1,868	Minimum lease payments	1,515

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2010	**31st March 2011**	**31st March 2010**	**31st March 2011**
Not later than one year	318	326	353	353
Later than one year and not later than five years	1,167	1,121	1,236	1,162
Later than five years	280	0	280	0
	1,765	1,447	1,869	1,515

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:

31 March 2010 £000		31 March 2011 £000
69	Not later than one year	39
41	Later than one year and not later than five years	18
0	Later than five years	14
110		71

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:

2009/10 £000		2010/11 £000
81	Minimum lease payments	68

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:

31 March 2010 £000		31 March 2011 £000
1,526	Not later than one year	1,680
5,105	Later than one year and not later than five years	5,872
79,886	Later than five years	91,089
86,517		98,641

The minimum lease payments receivable do not include events that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11, contingent rents of £63,494 were receivable by the Council (£54,954 in 2009/10).

36. Impairment Losses

The present economic climate has resulted in more volatile asset values. The Council has again sought the advice of its Valuer in terms of the valuations of individual capital assets and groups of capital assets. As part of this review, impairment losses of £8.6 million were identified. Of this figure, £3.9 million was offset against previous revaluation gains for the individual assets and £4.7 million was charged directly to the relevant service revenue accounts.

During 2010/11 the Council identified two assets where it considered the impairment losses to be material.

- Aldershot High Street Multi-Storey Car Park

  This is a large modern car park, classified as land and buildings, which incurred an impairment loss of £1,175k in 2010/11. The asset was revalued in 2010 and again in 2011 and is valued at DRC (Depreciated Replacement Cost). The impairment loss arose principally as a result of a change in the basis of valuation. Changes introduced in the 2011 CIPFA Accounting Code of Practice mean that there is now no allowance in the valuation method for finance costs during the build period. As an indication, the financing cost element of the 2010 valuation was £557k.

- Wellington Avenue Site, Aldershot

  This is a large area of land, classified as a surplus asset, which incurred an impairment loss of £3,032k in 2010/11. It is valued at FVEU (Fair Value based on Existing Use). The impairment loss arose due to a number of factors. In particular, the Council has incurred significant costs for the acquisition of land and buildings and associated works and relocation costs to secure full vacant possession of the entire Westgate site. In addition, the latest valuation allowed for the estimated sale costs, risks associated with acquiring the balance of the site and the risk of non-completion.

37. Termination Benefits

The Council terminated the contracts of 18 employees in 2010/11 as part of a process of savings and efficiencies in order to produce a reduced budget in future years. The Council accepted a number of voluntary redundancies while a limited number of staff were made redundant on a compulsory basis, incurring liabilities of £218,053 (£108,832 in 2009/10). In addition to payments made to employees, the Council also incurred pension costs of £101,431 (£145,590 in 2009/10) payable to the Hampshire County Council Pension Fund in respect of early retirement charges.

38. 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
		£M		£M
	2010/11	2009/10	2010/11	2009/10
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	1.41	0.95	0.00	0.00
• past service costs	(10.51)	0.14	(0.46)	0.05
• settlements and curtailments	0.00	0.00	0.00	0.00
Financing and Investment Income and Expenditure				
• interest cost	4.74	4.58	0.24	0.28
• expected return on scheme assets	(3.24)	(2.12)	0.00	0.00
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(7.60)	3.55	(0.22)	0.33
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	4.35	(12.48)	0.00	(0.52)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3.25)	(8.93)	(0.22)	(0.19)

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	7.60	(3.55)	0.22	(0.33)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	1.51	1.55		
• retirement benefits payable to pensioners			0.29	0.30

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £19.6M.

Assets and liabilities in relation to post employment benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	£M	£M	£M	£M
	2010/11	2009/10	2010/11	2009/10
Opening balance at 1 April	94.88	69.13	4.91	4.36
Current service cost	1.41	0.95	0.00	0.00
Interest cost	4.74	4.58	0.24	0.28
Contributions by scheme participants	0.52	0.53	–	–
Actuarial gains and losses	(2.17)	22.76	0.00	0.52
Benefits paid	(3.05)	(3.21)	(0.29)	(0.30)
Past service costs*	(10.51)	0.14	(0.46)	0.05
Entity combinations	0.00	0.00	0.00	0.00
Curtailments	0.00	0.00	0.00	0.00
Settlements	0.00	0.00	0.00	0.00
Closing balance at 31 March	85.82	94.88	4.40	4.91

*In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Hampshire Pension Fund and has been recognised as a negative past service cost in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	£M	£M
	2010/11	**2009/10**
Opening balance at 1 April	49.35	38.08
Expected rate of return	3.24	2.12
Actuarial gains and losses	2.18	10.28
Employer contributions	1.51	1.55
Contributions by scheme participants	0.52	0.53
Benefits paid	(3.05)	(3.21)
Entity combinations	0.00	0.00
Settlements	0.00	0.00
Closing balance at 31 March	53.75	49.35

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £5.42M (2009/10: £12.4M).

Scheme History

	As at 31 Mar 2011 £M	As at 31 Mar 2010 £M	As at 31 Mar 2009 £M	As at 31 Mar 2008 £M	As at 31 Mar 2007 £M
Present value of liabilities:					
Local Government Pension Scheme	85.82	94.88	69.13	67.70	76.41
Discretionary Benefits	4.40	4.91	4.36	4.31	4.65
Fair value of assets in the Local Government Pension Scheme	53.75	49.35	38.08	49.12	49.49
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(32.07)	(45.53)	(31.05)	(18.58)	(26.92)
Discretionary Benefits	(4.40)	(4.91)	(4.36)	(4.31)	(4.65)
Total	(36.47)	(50.44)	(35.41)	(22.89)	(31.57)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £36.47m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £57.2m. 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 31 March 2012 is £1.38m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.3m.

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 31 March 2010.

The principal assumptions used by the actuary have been:

Financial Assumptions:	**31-Mar-11**	**31-Mar-10**	**31-Mar-09**
Rate of inflation (RPI)	3.70%	3.90%	3.30%
Rate of inflation (CPI)	2.80%	N/A	N/A
Rate of increase in salaries	5.20%	5.40%	4.80%
Rate of increase to pensions in payment	2.80%	3.90%	3.30%
Rate of increase to deferred pensions	2.80%	3.90%	3.30%
Rate for discounting scheme liabilities	5.50%	5.50%	6.70%

Mortality assumptions:	**2010/11**	**2009/10**
Longevity at 65 for current pensioners:		
Men	23.8	22.3
Women	24.8	24.3
Longevity at 65 for future pensioners:		
Men	25.6	24.7
Women	26.7	26.5

Commutation:	**31-Mar-11**	**31-Mar-10**
	Each member assumed to exchange 25% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum.	Each member assumed to exchange 25% of the maximum amount permitted of their pre 1 April 2008 pension entitlements.
	Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.	Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlements.

Long-term expected rate of return on assets in the scheme:	2010/11	2009/10	2008/09
Equity investments	8.40%	8.00%	7.00%
Property	7.90%	8.50%	6.00%
Government Bonds	4.40%	4.50%	4.00%
Corporate Bonds	5.10%	5.50%	5.80%
Cash	1.50%	0.70%	1.60%
Other	8.40%	8.00%	1.60%
	7.10%	6.70%	5.70%

Rushmoor Borough Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out in the table above. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2011.

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

	31-Mar-11	31-Mar-10	31-Mar-09
	%	%	%
Equities	63.4	61.3	55.2
Property	7.3	6.1	7.3
Government Bonds	23.3	24.4	27.4
Corporate Bonds	1.7	2.4	3.9
Cash	4.3	5.8	6.2
Other assets	0.0	0.0	0.0
	100.0	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Differences between the expected and actual return on assets	4.06	20.83	(34.51)	(5.44)	(0.14)
Experience gains and losses on liabilities	0.52	1.26	(0.57)	0.96	(0.27)

39. Contingent Liabilities

At 31 March 2011, the Council had three material contingent liabilities:

- There are currently outstanding claims from bus operators relating to additional capacity costs under the concessionary fares scheme. The maximum estimated cost to the Council is in the region of £540,000 subject to the outcome of appeals and negotiations although the actual cost is expected to be far less.

- During 1992/93, the Council's insurers MMI Limited ceased taking new business. Since that time, MMI Ltd have settled claims against the Council amounting to £322,034. Under the scheme of arrangement, there is a possibility that a proportion of this may be clawed back at some future date if there is an adverse change in MMI's financial position. At 31 March 2011, there were no outstanding claims against the Council.

- The Council operates a rent deposit scheme whereby instead of providing a cash deposit, the Council provides a guarantee to the landlord that if at the end of the tenancy there is damage, beyond fair wear and tear, theft from the property or rent arrears, then the Council will reimburse the landlord up to the value of the guarantee. If all of these guarantees were called upon, the potential liability would be in the region of £65,780. In practice, only a small proportion of guarantees would be called upon.

40. 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 2010/11 and the Prudential Indicators for Capital Finance were approved by Council on the 25th February 2010 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 2010/11 on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £23,661 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at the 31st March 2011 that this would crystallise, other than in the impairment already recognised for the Council's investments with the Icelandic bank, Glitnir. In 2009/10, the Council took the decision to impair two investments with Glitnir, of £1 million each, as it was unclear whether the investments would have the status of priority deposits, following the collapse of the Icelandic banking centre in October 2008. Priority deposits rank above other creditors and would have made repayment of the investments much more likely. On 1st April 2011, the Reykjavik District Court found in favour of wholesale depositors claims for priority status although this is to be appealed by the Glitnir Winding Up Board. Although this is a welcome step towards repayment of the Council's monies, the Council have decided to take a cautious approach and continue to reflect the investments at their impaired amount. Cipfa's Local Authority Accounting Panel guidance, LAAP Bulletin 82 Update No.4, recommends that full repayment in December 2011 be used as the best estimate for repayment of investments with Glitnir. However, the Council has taken a different view as the granting of leave to appeal gives rise to risk that the District Court decision could be overturned and it is felt that the outcome of the Supreme Court's decision is too finely balanced to be certain of a positive outcome for Local Authorities.

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 31 March 2011 £000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 March 2011 % (C)	Estimated maximum exposure to default at 31 March 2011 £000 (A x C)	Estimated maximum exposure to default at 31 March 2010 £000
Cash and Cash Equivalents	AAA rated	7,912	0.00	0.00	0	0
Long Term Debtors		425	0.00	0.00	0	0
Trade Debtors		3,142	0.40	0.40	12	13
		11,479			12	13

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

The Council does not generally allow credit for customers, such that £0.4 million of the £3.1 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010 £000	31 March 2011 £000
Less than two months	666	183
Two to six months	48	74
Six months to one year	33	22
More than one year	222	161
	969	440

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 today 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:

	31 March 2010 restated	31 March 2011
	£000	£000
Less than one year	11,802	20,836
Between one and two years	6,140	10,285
Between two and three years	16,850	21
More than three years	849	856
	35,641	31,998

Trade debtors of £3.1 million are not included in the above table.

Market risk

<u>Interest rate risk</u>

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 31 March 2011, 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	160
Impact on Surplus or Deficit on the Provision of Services	160

During 2010/11, variable interest rates remained extremely low (below 1%) and therefore the maximum impact of a fall in interest rates would have been approximately £85,000 with the movements being reversed.

<u>Price risk</u>

The Council does not generally invest in equity shares but does have shareholdings to the value of £50 in the joint venture Westgate Aldershot Ltd. The Council is consequently exposed to minimal losses arising from movements in the prices of the shares.

<u>Foreign exchange risk</u>

The Council has no 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, where there is a possibility that the assets recovered may be denominated in currencies other than sterling.

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 national pool of 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

2008/09		**2009/10**			**2010/11**	
£000	**£000**	**£000**	**£000**		**£000**	**£000**
				Income		
38,804		39,631		Income from council tax payers	40,632	
40,441		40,186		Income from Business rate payers	38,945	
				Transfer from General Funds		
3,946		4,480		Council Tax Benefit	4,950	
	83,191		84,297			84,527
				Expenditure		
				Precepts and Demands		
30,898		31,751		Hampshire County Council	32,600	
4,192		4,432		Hampshire Police Authority	4,594	
1,801		1,880		Hampshire Fire & Rescue Authority	1,928	
5,399		5,633		Rushmoor Borough Council	5,781	
	42,290		43,696			44,903
				Business Rates		
40,121		43,223		Payments to National Pool	39,164	
196		(3,161)		Amounts from National Pool	(342)	
124		124		Allowance for Collection	123	
	40,441		40,186			38,945
				Provision for uncollectible amounts:		
	186		149	Council Tax		189
	171		654	Collection fund surplus		327
	83,088		84,685			84,364
	(103)		388	Net Movement in Fund		(163)
	(1,363)		(1,466)	Balance B/fwd 1 April		(1,078)
	(1,466)		**(1,078)**	**Balance C/fwd 31 March**		**(1,241)**

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 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 (£31,409.87 for 2010/11). This basic amount of Council Tax for a Band D property (£1,429.58 for 2010/11) 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)	2	5/9	1
A	962	6/9	641
B	6,808	7/9	5,295
C	12,106	8/9	10,761
D	6,888	1	6,888
E	3,433	11/9	4,196
F	1,032	13/9	1,490
G	268	15/9	447
H	6	2	12
O (Army)	1,679		1,679
Total			**31,410**

2. Income from business rates

Under the revised arrangements for uniform 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. The total amount less certain reliefs for other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population.

The rateable value of properties at 31 March 2011 is £107,144,125 and the national non-domestic multiplier was 41.4p. This gives a potential business yield of £43.2 million. The actual business rates collectable for 2010/11 after reliefs and provisions was £39.3 million. This decrease of around £3.9 million is due to successful appeals against the year 2010 valuations given by the District Valuer and various reliefs including transitional and empty property relief.

3. Provision for council tax bad or doubtful debts

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund. The provision for Council Tax is as follows:

2008/09 £000	2009/10 £000		2010/11 £000
645	636	Provisions at 1 April	642
186	189	Provisions made in year	189
(195)	(143)	Written off in year	(184)
636	682	Provisions 31 March	647

4. Movement and distribution of the collection fund balance

The movement and distribution of the collection fund is as follows:

2008/09 £000	2009/10 £000		2010/11 £000
0	0	Balance at start of year	0
(1,466)	(1,078)	(surplus)/deficit on collection fund	(1,241)
188	139	Borough share - transferred to Comprehensive Income and Expenditure	160
1,278	939	Preceptors share included in creditors	1,081
0	0		0

Annual Corporate Governance Statement 2010/11

Scope of Responsibility
Rushmoor Borough 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. Rushmoor Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Rushmoor Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of this code is on our website at www.rushmoor.gov.uk or can be obtained from the Head of Democratic Services. This statement explains how Rushmoor Borough Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual corporate governance statement.

The purpose of the governance framework
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.

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 designed to identify and prioritise the risks to the achievement of Rushmoor Borough Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rushmoor Borough Council for the year ended 31 March 2011 and up to the date of the approval of the annual report and statement of accounts.

The Governance Framework
Decision Making Arrangements
The Council has adopted a constitution based around executive arrangements with a Cabinet and Leader.

The Cabinet comprises the Leader, and six portfolio holders. The Leader provides the overall political management for the Council in terms of co-ordination of the Council's policies services and budgets. In addition to leading the development of the policy framework, the Leader has specific responsibilities such as corporate
planning, budget preparation, community planning and economic development/regeneration.

The six portfolio holders have responsibility for specific service areas:

- Leisure and Youth
- Concessions and Community Support
- Corporate services
- Environment
- Safety and Regulation
- Health and Housing

The Cabinet oversees all of the Council's functions which are not the responsibility of any other part of the Council, whether by law or under the Constitution.

The Council has adopted a scheme of delegation to Officers and Committees. There are five Policy and Review panels to carry out the overview and scrutiny functions, and the Panels use work plans to organise their work for the coming year.

Council Purpose and Priorities

The Council's key priorities form the basis of the Council's business planning process and were agreed by Cabinet on 11 January 2011. The priorities are:

- Leadership - Providing leadership to make Rushmoor the place our communities want to live and work in
- Prosperity - Sustaining and developing our local economy
- Place - Protecting and developing a safe, clean and healthy, sustainable and green environment
- People and Communities – Supporting and building sustainable communities capable of meeting local needs
- Good Value Services - Ensuring quality services that represent good value for money

The Council has a Corporate Plan 2010/11 (agreed by Cabinet on 13 July 2010) which focuses on the delivery of these priorities. Targets that relate directly to these priorities are measured and the details then published. Monitoring is regularly carried out by Directors, Directors Management Board and Cabinet, and Member Panels scrutinise performance on areas under their particular remit.

Standards and Audit Committee

The Council has a Standards and Audit Committee, which is chaired by an Independent Member. The committee promotes and maintains high standards of conduct by councillors and co-opted members, including the monitoring of the operation of the Code of Conduct. This Committee also has the role of reviewing Internal Audit work and risk management, in accordance with CIPFA guidance.

Compliance with law

The Council's Monitoring Officer advises the Cabinet, Directors Management Board and Heads of Service of new legislation and case law, and compliance with the Contract Standing Orders. In particular, the Monitoring Officer is responsible for the legality of significant financial transactions. Compliance with operational policies rests with the Heads of Service.

The Director of Resources is the nominated s151 officer whose principal responsibilities include:

- The administration of the financial affairs of the Council.
- The provision of advice on financial probity.
- Treasury Management Policy, including its annual review and update.
- Development of the Medium Term Financial Strategy, and budget and policy framework.
- Compliance with the Accounts and Audit Regulations 2011.
- Compliance with the CIPFA Statement on the role of the Chief Finance Officer in Financial Administration in Local Government.

The Council's Constitution

The Constitution explains how the Council makes its decisions and who is responsible for those decisions. It sets out how the community can participate in the Council's business and how councillors and officers can be contacted. It also sets out the procedures that are to be followed by all those who work for the Borough and how they should conduct themselves and work together. It includes Member Code of Conduct and Code of Corporate Governance.

It also includes a 'Member Development Policy Statement.' This sets out the Council's commitment to provide appropriate learning and development opportunities for all councillors, to enable them to acquire the knowledge and skills required to be effective elected members across all their roles.

Risk Management

A Risk Management Manual sets out the Council's approach to Corporate and Service risk management. This involves the development and maintenance of service and corporate risk registers. These are reviewed by the Risk Management Group, which is made up of officers from across the Council. They meet periodically to monitor the risk management process, and identify actions to mitigate risks, which feed in to the business plans and routine work. The Corporate Risk Register is reported to Cabinet and Standards and Audit Committee.

In addition, the Council has a Business Continuity Plan setting out its response in the event of a significant incident at the Council Offices.

Budgeting and Financial Monitoring

Directors Management Board and Heads of Service are responsible for economical, effective and efficient use of resources as required by the duty of Best Value.

Heads of Service undertake quarterly monitoring of their work and budgets in liaison with accountants, and Cabinet are updated on the outcomes of these reviews. The Revenue Budget Monitoring and Forecasting 2010/11 setting out the position as at March 2011 was sent to Cabinet on 5 April 2011. The finalised financial position (subject to external audit) is sent to Cabinet as the General Fund Provisional Outturn 2010/11. For 2010/11, this was done on 21 June 2011.

Capital expenditure is monitored quarterly, and the Capital Programme Monitoring 2010/11 report setting out the position as at March 2011, was agreed by Cabinet on 5 April 2011.

Under the remit of the Corporate Services Policy and Review Panel, a Member Budget Task and Finish Group has reviewed the budget process to make it more transparent. This aims to allow for more scrutiny in light of significant local government cuts in recent months.

A Medium Term Financial Strategy is produced and reported to Cabinet (9 November 2010) that sets out the Council's financial plans and processes over the next four years.

Treasury Management

Cabinet agreed the Annual Treasury Management Strategy on 2 February 2010. The Strategy has been produced in line with CIPFAs Code of Practice for Treasury Management (revised in November 2009). The Code describes effective treasury management as *"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions: the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".*

Three monitoring stages of Treasury Management are undertaken in the year. These include an opening report, a mid year review report and a closing report to note the year end position, which are taken to Cabinet.

During the year 2010/11 the Director of Resources (as Section 151 Officer) required greater limitation on investments than set out in the Treasury Management Strategy due to the continuing higher levels of risk in the financial sector.

Partnership Governance Arrangements

Legal Services are involved in the setting up of new Partnerships, and as such, Partnership Agreements are produced to set out the obligations of each partner.

Communicating with stakeholders

The Council has developed a Community and Business Engagement Strategy, which sets out the approach for how we will communicate with, listen to, involve and respond to our residents and businesses.

Other

The Council also has a number of other policies and plans that support the general operation of governance throughout the Council, including:

- Asset Management Plan
- Acceptable Use of IT Policy
- Whistle blowing Policy
- Anti-fraud and Corruption Strategy
- Diversity and Equality Policy and Disability Equality Scheme

Review of effectiveness

Rushmoor Borough 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 senior officers within the Council who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and by comments made by the external auditors and other review agencies and inspectorates. The process for maintaining and reviewing the effectiveness of the governance framework in 2010/11 has included:

Cabinet

- Developing, agreeing and recommending the Corporate Plan.
- Monitoring the delivery of corporate plan and key corporate performance measures.
- Reviewing corporate risk management arrangements.
- Recommending and monitoring Treasury Management arrangements.

Directors Management Board

- In addition, to the areas noted under the Cabinet, Directors Management Board also identify external issues and develop a response.

Wider Leadership Team (Directors and Heads of Service)

- Develop the purpose and priorities for individual projects and then their initiation.

Internal Audit

Internal auditing is an independent, objective, assurance and consulting activity designed to improve an organisation's operations. It is a catalyst for improving effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes.

An annual plan of work that supports the achievement of the Council's priorities is developed in liaison with Heads of Services, Directors Management Board and the Standards and Audit Committee. Progress against the plan is regularly reviewed and where necessary amendments made.

Standards and Audit Committee

The Standards and Audit Committee is composed of three councillors and three people who are not members or officers of the council. Its main responsibilities relate to the promotion of high standards of conduct by Members and matters relating to internal audit.

Other review and assurance mechanisms

Other mechanisms that provide review and assurance of good corporate governance include:

- Audit Commission Management Letter
- Charter mark accreditation
- Lexcel accreditation
- Inspection by the Office of Surveillance Commissioners
- Government Connect audits

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior officers, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

Actions taken on significant governance issues in 2010/11

Financial Management

The Director's Management Board and Wider Leadership Team have undertaken extensive work to review the Council's future priorities (in liaison with the Leader and Cabinet). This was done in recognition that the existing framework required updating to use in addressing the financial pressure over the medium term. This work also provided an opportunity for development of senior officers.

The Service Transformation Programme has been running for over 2 years and has achieved a substantial level of savings. In 2010/11, this is currently forecast at approximately £1.4m, with similar figures for previous years. The particular strengths of the Programme are the adoption of programme and project management techniques, coupled with sound governance arrangements.
The International Financial Reporting Standards requirements have been introduced and the 2010/11accounts have been produced in the new format. In addition the 2009/10 accounts have been transferred into the revised format.

The Council has £2 million invested with an Icelandic bank Glitnir. Recent judgements in the Icelandic courts have found in favour of UK Local Authorities and have recognised Council claims as being deposits which carry priority status over other creditors' claims. These judgements are still subject to appeal in the Icelandic Supreme Court and therefore the timing of and the exact level of repayment is still uncertain. Nevertheless, these initial judgements represent an important first step in obtaining full reimbursement of the Council's capital investments held in Glitnir Bank, and provide additional confidence that the Council will ultimately receive the full return of this money.

In line with the Government's transparency agenda, all expenditure over £500, along with senior officers pay, is now published on the Council's website.

Diversity and Equality

A range of action has been undertaken to address Equality and Diversity including:

- Completion of the majority of Equality Impact Assessments.
- Training of all new staff.
- A review of the existing Policy and Action Plan.
- Addressing employment and service issues coming from the recent Equality Act 2010.

Employee Code of Conduct

No guidance has been issued by Department of Communities and Local Government on the adoption of an Employee Code of Conduct. Therefore, no additional action has been taken as existing Council policies and standards set out the behaviours expected from staff.

New BACS System

The new BACS system has been successfully implemented and monitored to ensure it is working effectively, which provides additional security when dealing with financial transactions.

Proposed action on significant governance issues planned for 2011/12

Budgets and Financial control

The Member Budget Task and Finish Group will review the changes made to the budget process to assess if they have led to better transparency. In addition, they will also look at limits on Treasury Management and identify further improvements.

There will be ongoing monitoring of financial risks in the current economic climate, including achievement of the level of savings required and inflation.

To fully meet the International Financial Reporting Standards requirements, work will be required that introduces systems to monitor leases and contracts.

Legislation and Guidance

Internal Audit will carry out a review of internal corporate governance policies and procedures. The aim is to ensure they are up to date, relevant and form a cohesive package of information.

Internal Audit will also review the legislation related to Anti Money Laundering and the Bribery Act 2010 and implement the necessary actions at the Council.

Further work is required to ensure partnerships and joint working entered into is supported by effective Partnership Agreements.

Other

Feedback will be provided to the Department for Communities and Local Government on the 'Future of local public audit'.

The programme and project management techniques used in the Service Transformation will be extended to a corporate framework for project management.

The Council has entered into a Joint Venture with the developer of the Westgate site in Aldershot to facilitate delivery of the Scheme. Prior to this legal and surveying advice was taken to manage and mitigate risks.

We propose to address the above matters in 2011/12 to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review

Signed..

Leader of the Council

Signed..

Chief Executive

Dated....2 August 2011......

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUSHMOOR BOROUGH COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Rushmoor Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Rushmoor Borough Council 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.

Respective responsibilities of the Director of Resources and Auditor

As explained more fully in the Statement of Responsibilities, the Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Rushmoor Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

I have undertaken my 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 2010, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2011. I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am 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 ending 31 March 2011.

Certificate

I certify that I 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.

Mark Catlow
Appointed Auditor
Collins House
Bishopstoke Road
Eastleigh
Hampshire

SO50 6AD

28 September 2011

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.

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.

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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