STATEMENT OF ACCOUNTS AND ANNUAL CORPORATE GOVERNANCE STATEMENT

2011-2012

RUSHMOOR BOROUGH COUNCIL

Explanatory Foreword by the Director of Resources

Rushmoor Borough Council's Statement of Accounts for the year ended 31st March 2012 is set out on the following pages.

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

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

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

- **The Balance Sheet** shows the financial position of the Council as at 31st March 2012. 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 were revised in 2010/11 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 change impacting on the Council in 2011/12 is outlined below:

FRS 30 - Heritage Assets

FRS 30 applies to all assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

Assets of the Council identified as meeting the definition of heritage assets include the Borough of Rushmoor mace, the mayoral chains of office, badges of office for the Mayor, Mayoress, Deputy Mayor and Deputy Mayoress along with various pendants, ceramic items, ceremonial clothing, works of art and models. These items are reported in the Balance Sheet at their insurance valuation which is based on market values. Other items of civic regalia below the capital threshold of £10,000 will be required to be disclosed in notes to the accounts.

The new standard does not have a significant impact on the Council due to the low value of heritage assets identified.

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 2011/12, the Council successfully achieved £2.4 million reductions in net service expenditure through a series of projects identified during the budget process, despite the turbulent economic climate, uncertainty in the financial sector and pressures on funding.

The initial budget for 2011/12, approved by Council on 24th February 2011, forecast net revenue expenditure of £11.258 million funded by £5.867 million from Council Tax and £5.391 million from Central Government in the form of Revenue Support Grant and Redistributed Non-domestic Rates. This allowed for a 0.0% increase in Council Tax, the inclusion of a Council Tax Freeze Grant of £0.145 million from Central Government and committed or inescapable additional items of £0.137 million. A corner stone of the budget proposals was to build on and develop the work of the Council's Service Transformation Programme to achieve budget savings of £2.4 million based on the proposals identified early in the budget process. These included process and efficiency reviews, service reviews, staff restructuring and a review of fees and charges. During 2011/12, a significant range of savings and improved income streams were achieved and incorporated into the 2011/12 Revised Budget, which was approved by the Council on 25th February 2012. However, factors such as the prevailing economic conditions and reduced interest receipts due to continuing low interest rates, meant that achieving the net budget requirement of £11.258 million required a transfer from balances of £0.333 million and reduction of the General fund Balances to £1.417 million.

The actual outturn for 2011/12 improved considerably on this position due to further savings and efficiencies being achieved, due to the continued restraint in spending exercised by Heads of Service and additional income in the latter part of the year. After allowing for a transfer to the Service Improvement Fund of £0.25 million, in order to fund saving and efficiency projects in future years, and a transfer of £0.25 million to earmarked reserves to mitigate against insurance risk, the General Fund balance stands at £1.587 million at the close of 2011/12. This is just above the mid-point of the approved range of balances for the medium term.

	Revised Budget 2011/12	**Actual 2011/12**	**Variance**
	£000	**£000**	**£000**
Service Expenditure	12,747	11,923	824
Grants	(606)	(621)	15
Other contributions to/(from) General Fund	20	(9)	29
Transfers to Earmarked Reserves		500	(500)
Revenue Contributions to Capital Programme	500	500	0
Interest Receivable	(1,070)	(872)	(198)
Transfer to/(from) General Fund Balances	(333)	(163)	(170)
NET BUDGET REQUIREMENT	**11,258**	**11,258**	**0**

	Revised Budget 2011/12	Actual 2011/12	Variance
	£000	**£000**	**£000**
Financed by:			
Precept on Collection Fund	5,830	5,830	0
Revenue Support Grant/Redistributed Non-Domestic Rates	5,391	5,391	0
Collection Fund Surplus	37	37	0
	11,258	**11,258**	**0**
Revenue Balances			
01 April 2011	1,750	1,750	
(Use of)/contribution to balances	(333)	(163)	
31 March 2012	1,417	1,587	

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 2012 is significant at £46.56 million, arrangements for funding the deficit are in place and reflected in the Council's medium term financial planning. Further detail on the pension liability and its significance for the Council is included in the Statement of Accounting Policies (Note 2) and Defined Benefit Pension Schemes (in the Notes to the Core Financial Statements).

Material Charges or Credits to the Accounts

Asset Disposal
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 £3.3 million were transferred to Legal and General for which the Council received the sum of £4 million, resulting in a net gain of £0.7 million in 2011/12.The relevant adjustments for this transaction are included in the note for Property, Plant and Equipment (note 13).

Reversal of Previous Impairment of Icelandic Investment
During 2008/09 and 2009/10, the Council took the decision to impair its investments with the Icelandic bank, Glitnir, to reflect the potential non-return of part of these investments following the collapse of the Icelandic banking system. In 2009/10, the Council was granted a Capitalisation Direction from the Secretary of State for Communities and Local Government that enabled it to treat the loss of principal as Capital expenditure rather than Revenue, funding £1.42 million of this potential loss from Capital Receipts. The Council maintained this cautious approach within the financial statements for 2010/11.

During 2011/12, the Icelandic Courts confirmed that Local Authority deposits would be classed as priority creditors and therefore be repaid in full. The Council then reversed the impairment losses accounted for in earlier years and reversed the effect of the Capitalisation Direction, as the protection to the Council's revenue funds was no longer required. This has resulted in a credit to Financing and Investment Income in the Comprehensive Income and Expenditure Statement of £1.5 million (note 11) while the reversal of the £1.42 million capitalisation direction is shown in the Adjustments between Accounting Basis and Funding Basis under Regulation (note 8). Full distribution of the Council's investments was made in March 2012.

Changes in Statutory functions
From 2011/12 the responsibility for administering the national Concessionary Fares scheme moved to Hampshire County Council with corresponding grant funding from Central government. There have been no other major changes in statutory functions during the year. Future service delivery in some areas of the Council's work will be affected by the agenda for Localism and Welfare Reform. For example, the administration of Housing and Council Tax benefits will be redesigned with the introduction of the Council Tax support scheme from April 2013 and further changes will stem from the introduction of Universal Credit in subsequent years.

Group Accounts
The Council is required to account for its interest in Westgate Aldershot Ltd as a result of it having significant control/ influence through its ownership of 50% of the shares in the Company. The joint venture did not have a material effect on the Council in 2011/12. Details of the Council's interest are disclosed in the note on Interests in Joint Ventures (note 16).

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 £9.2 million for the four years from 2012/13 to 2015/16. 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 2011/12 £000	**Actual 2011/12 £000**	**Variance 2011/12 £000**
Capital Expenditure :			
Property, Plant and Equipment	3,329	2,979	(350)
Intangible Assets	387	264	(123)
Grants To Registered Social Landlords	520	407	(113)
Improvement Grants	925	866	(59)
Reversal of 2009/10 adjustment re Impairment of Icelandic Investment	0	(1,420)	(1,420)
Total Capital Expenditure	**5,161**	**3,096**	**(2,065)**
Capital Financing :			
Capital receipts	2,571	620	(1,951)
Government grants and other contributions	1,890	1,776	(114)
Direct revenue contributions	700	700	0
Total Capital Financing	**5,161**	**3,096**	**(2,065)**

Impact of the Current Economic Climate

Effect on spending plans and budgeted income

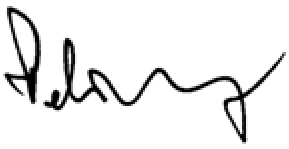
In common with most local authorities, Rushmoor has seen a further reduction (around 12%) in its income from government grant in 2012/13 due to the austerity measures introduced by central government to tackle the national budget deficit. Similarly, the Council's income from its investments has continued to decline as the remaining longer-term investments mature and are replaced by more liquid investments at much lower levels of interest. The Council has also faced declining income streams due to the economic climate in areas such as planning fees, land charges and parking income. 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 uncertainty that the Council faces due to the state of the current economic climate and the effect of government policy changes, the target range for its General Fund revenue balances has been increased to £1 million to £2 million during the course of 2011/12. Due to the improvement in the Council's financial position during the year, it has been possible to increase the level of these balances to just above the mid-point of this range, i.e. £1.58 million, in addition to providing for future invest-to-save schemes and allowing for sums to mitigate against known risks to the financial position. This leaves the Council in a strong position with which to start the new financial year.

The Council has developed an 8-point plan to tackle the challenges ahead which centres on aligning the Council's work with its priorities in order to reduce work, and reviewing how we do that work in order to reduce costs.

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



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.

Martin J Tennant

Councillor Martin J. Tennant

Chairman of the Licensing and General Purposes Committee

Date: 24th September 2012

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 2012.

Peter Gardner

Director of Resources (Chief Financial Officer)

Date: 24th September 2012

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax. 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
Restated Balance 1st April 2010	2,000	2,645	28,344	65	**33,054**	16,908	**49,962**
<u>Movement in reserves during 2010/11</u>							
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**	29,804	**57,439**
<u>Movement in Reserves during 2011/12</u>							
Surplus or (deficit) on the provision of services	1,345	0	0	0	**1,345**	0	**1,345**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(8,829)	**(8,829)**
Total Comprehensive Income and Expenditure	1,345	0	0	0	**1,345**	(8,829)	**(7,484)**
Adjustments between accounting basis and funding basis under regulations (Note 8)	(819)	0	3,384	(18)	**2,547**	(2,547)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	526	0	3,384	(18)	**3,892**	(11,376)	**(7,484)**
Transfers to/from Earmarked Reserves (Note 9)	(690)	1,019	0	0	**329**	(329)	**0**
Increase/Decrease in 2011/12	(164)	1,019	3,384	(18)	**4,221**	(11,705)	**(7,484)**
Balance at 31st March 2012 carried forward	**1,586**	**3,189**	**27,081**	**0**	**31,856**	**18,099**	**49,955**

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.

2010/11				2011/12		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
7,742	(5,672)	2,070	Central Services to the Public	7,636	(5,840)	1,796
6,007	(1,176)	4,831	Cultural and Related Services	5,435	(1,538)	3,897
8,109	(2,290)	5,819	Environmental and Regulatory Services	7,548	(2,370)	5,178
2,980	(857)	2,123	Planning Services	2,620	(1,246)	1,374
4,276	(4,314)	(38)	Highways and Transport Services	3,314	(3,910)	(596)
32,948	(30,078)	2,870	Other Housing Services	35,876	(33,702)	2,174
108	(88)	20	Adult Social Care	96	(76)	20
1,763	(28)	1,735	Corporate & Democratic Core	1,443	(15)	1,428
(10,947)	0	(10,947)	Non Distributed Cost	47	0	47
52,986	**(44,503)**	**8,483**	**Cost of Services**	**64,015**	**(48,697)**	**15,318**
313	(285)	28	Other operating expenditure (Note 10)	10	(1,039)	(1,029)
9,164	(7,451)	1,713	Financing and investment income and expenditure (Note 11)	5,862	(8,511)	(2,649)
0	(14,167)	(14,167)	Taxation and non-specific grant income (Note 12)	0	(12,985)	(12,985)
		(3,943)	**(Surplus) or Deficit on Provision of Services**			**(1,345)**
		816	Surplus or deficit on revaluation of Property, Plant and Equipment			(601)
		(4,350)	Actuarial gains/losses on pension assets / liabilities			9,430
		(3,534)	**Other Comprehensive Income and Expenditure**			**8,829**
		(7,477)	**Total Comprehensive Income and Expenditure**			**7,484**

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 2010 (restated) £000	**31 March 2011 (restated) £000**		**Notes**	**31 March 2012 £000**
52,853	51,117	Property, Plant and Equipment	13	48,768
229	229	Heritage Assets	14	258
13,812	14,939	Investment Property	15	15,592
809	705	Intangible Assets	17	704
145	0	Assets Held for Sale	22	0
23,431	10,756	Long Term Investments	18	2,004
432	425	Long Term Debtors	18	417
91,711	**78,171**	**Long Term Assets**		**67,743**
10,336	12,905	Short Term Investments	18	21,812
78	5	Inventories	19	21
6,900	3,269	Short Term Debtors	20	3,551
1,442	7,912	Cash and Cash Equivalents	21	12,143
18,756	**24,091**	**Current Assets**		**37,527**
863	0	Bank Overdraft	21	0
4,057	4,325	Short Term Creditors	23	5,391
4,920	**4,325**	**Current Liabilities**		**5,391**
173	243	Provisions	24	312
51,887	37,591	Other Long Term Liabilities	25	47,402
3,525	2,664	Capital Grants Receipts in Advance	38	2,210
55,585	**40,498**	**Long Term Liabilities**		**49,924**
49,962	**57,439**	**Net Assets**		**49,955**
33,054	27,635	Usable Reserves	26	31,856
16,908	29,804	Unusable Reserves	27	18,099
49,962	**57,439**	**Total Reserves**		**49,955**

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.

2010/11 (restated) £000		2011/12 £000
3,943	Net surplus or (deficit) on the provision of services	1,345
1,480	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 28)	6,104
(157)	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 29)	(4,274)
5,266	Net cash flows from Operating Activities (Note 30)	3,175
2,037	Investing Activities (Note 31)	2,585
30	Financing Activities (Note 32)	(1,529)
7,333	Net increase or decrease in cash and cash equivalents	4,231
579	Cash and cash equivalents at the beginning of the reporting period	7,912
7,912	**Cash and cash equivalents at the end of the reporting period**	**12,143**

The Council's cash flow statement has been compiled using the indirect method whereby the statement is prepared using the Surplus or Deficit on the Provision of Services and cash flows are derived by adjusting for non-cash items, removing the effect of accruals and extracting transactions relating to investing or financing activities. In the 2010/11 Statement of Accounts the cash flow statement was prepared using the direct method, using cash records as source documents, and has been restated above using the indirect method.

Notes to the Accounts

1. First Time Adoption of FRS 30 'Heritage Assets'

The Statement of Accounts for 2011/12 is the first to be prepared in accordance with Financial Reporting Standard 30 'Heritage Assets', adapted for the public sector by the Code of Practice on Local Council Accounting in the United Kingdom 2011/12. 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 2010/11.

The Council's Heritage Assets comprise civic regalia, ceremonial clothing, one memorial and a statue. They are all held in support of their primary objective of contributing to knowledge and culture and have cultural and historic associations that make their preservation for future generations important.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

The accumulative effect of the adjustments outlined above has resulted in the following changes to the 2010/11 financial statements :-

1. Reconciliation of Balances as at 1st April 2010

	1 April 2010 Statement of Accounts £000	FRS30 Adjustments Made £000	1 April 2010 Statement of Accounts (restated) £000
Property, Plant and Equipment	52,853	0	52,853
Heritage Assets	0	229	229
Investment Property	13,812	0	13,812
Intangible Assets	809	0	809
Assets Held for Sale	145	0	145
Long Term Investments	23,431	0	23,431
Long Term Debtors	432	0	432
Long Term Assets	**91,482**	**229**	**91,711**
Short Term Investments	10,336	0	10,336
Inventories	78	0	78
Short Term Debtors	6,900	0	6,900
Cash and Cash Equivalents	1,442	0	1,442
Current Assets	**18,756**	**0**	**18,756**
Bank Overdraft	863	0	863
Short Term Creditors	4,057	0	4,057
Current Liabilities	**4,920**	**0**	**4,920**
Provisions	173	0	173
Other Long Term Liabilities	51,887	0	51,887
Capital Grants Receipts in Advance	3,525	0	3,525
Long Term Liabilities	**55,585**	**0**	**55,585**
Net Assets	**49,733**	**(229)**	**49,962**
Usable Reserves	33,054	0	33,054
Unusable Reserves	16,679	229	16,908
Total Reserves	**49,733**	**229**	**49,962**

The accumulative effect of the adjustments outlined above has resulted in the following changes to the 2010/11 financial statements :-

Effect on Balance Sheet as at 31st March 2011

	31 March 2011 Statement of Accounts £000	FRS 30 Adjustments Made £000	31 March 2011 Statement of Accounts (restated) £000
Property, Plant and Equipment	51,117	0	51,117
Heritage Assets	0	229	229
Investment Property	14,939	0	14,939
Intangible Assets	705	0	705
Assets Held for Sale	0	0	0
Long Term Investments	10,756	0	10,756
Long Term Debtors	425	0	425
Long Term Assets	**77,942**	**229**	**78,171**
Short Term Investments	12,905	0	12,905
Inventories	5	0	5
Short Term Debtors	3,269	0	3,269
Cash and Cash Equivalents	7,912	0	7,912
Current Assets	**24,091**	**0**	**24,091**
Bank Overdraft	0	0	0
Short Term Creditors	4,325	0	4,325
Current Liabilities	**4,325**	**0**	**4,325**
Provisions	243	0	243
Other Long Term Liabilities	37,591	0	37,591
Capital Grants Receipts in Advance	2,664	0	2,664
Long Term Liabilities	**40,498**	**0**	**40,498**
Net Assets	**57,210**	**229**	**57,439**
Usable Reserves	27,635	0	27,635
Unusable Reserves	29,575	229	29,804
Total Reserves	**57,210**	**229**	**57,439**

2. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. 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 2011/12* and the *Service Reporting 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

<u>Benefits Payable During Employment</u>

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.

<u>Termination Benefits</u>

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

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

Post Employment Benefits

The Council participates in the Local Government Pensions Scheme, administered by Hampshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, 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 4.7% (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 Reporting Period

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

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

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

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument 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 2011/12, 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.

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

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.

xi. Heritage Assets

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and a statue. They are all held in support of their primary objective of contributing to knowledge and culture and have cultural and historic associations that make their preservation for future generations important.

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

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

- **Civic Regalia**

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

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

- **Memorials and Statues**

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

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

Heritage Assets – General

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

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

xii. 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.

xiii. Interests in Joint Venture Companies

The Council accounts for its investments in joint ventures using the equity method of accounting, recording the investment initially at cost, in line with IAS 31 : Interests in Joint Ventures.

xiv. Inventories

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

xv. 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 arms-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.

xvi. 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

<u>*Finance Leases*</u>

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2010/11* (SERCOP).

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

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

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-operational properties.

These two cost categories are defined in the *Service Reporting Code of Practice 2010/11* and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Where indices suggest a change in valuation in excess of 2% to a particular class of asset, indexation will be applied to those material assets which have not been revalued so that the risk of material misstatement is reduced to an acceptable level.

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.

xix. 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.

xx. 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.

xxi. 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.

xxii. 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 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 'Financial Instruments'.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1st July 2011 but the Council is not required by the Code to implement this amended disclosure requirement until 1st April 2012.

Following a review of the Authority's financial assets and liabilities at 31st March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

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 31st March 2012 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 2012, the carrying amount of the Council's Property, Plant and Equipment was £48.77 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 2012, the net Pensions Liability was £46.56 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 £7.31 million. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £0.78 million as a result of estimates being corrected as a result of experience and increased by £7.07 million attributable to updating of the assumptions.
Arrears	At 31 March 2012, the Council had a balance of sundry debtors of £4.66 million. A review of significant balances suggested that an impairment of doubtful debts of 24% (£1.13 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 £1.13 million to be set aside as an allowance.

6. Material Items of Income and Expense

During 2008/09 and 2009/10, the Council took the decision to impair its investments with the Icelandic bank, Glitnir, to reflect the potential non-return of part of these investments following the collapse of the Icelandic banking system. In 2009/10, the Council was granted a Capitalisation Direction from the Secretary of State for Communities and Local Government that enabled it to treat the loss of principal as Capital expenditure rather than Revenue, funding £1.42 million of this potential loss from Capital Receipts. The Council maintained this cautious approach within the financial statements for 2010/11.

During 2011/12, the Icelandic Courts confirmed that Local Authority deposits would be classed as priority creditors and therefore be repaid in full. The Council then reversed the impairment losses accounted for in earlier years and reversed the effect of the Capitalisation Direction, as the protection to the Council's revenue funds was no longer required. This has resulted in a credit to Financing and Investment Income in the Comprehensive Income and Expenditure Statement of £1.5 million (note 11) while the reversal of the £1.42 million capitalisation direction is shown in the Adjustments between Accounting Basis and Funding Basis under Regulation (note 8). Full distribution of the Council's investments was made in March 2012.

7. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Resources on 24 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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**
2010/11 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	1,925			(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)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(318)			318
Capital expenditure charged against the General Fund balances	(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 involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(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**

2011/12	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	2,139			(2,139)
Revaluation losses on Property, Plant and Equipment	85			(85)
Movements in the market value of Investment Properties	(602)			602
Amortisation of Intangible assets	265			(265)
Capital grants and contributions applied	(1,355)			1,355
Revenue expenditure funded from capital under statute	1,172			(1,172)
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	3,311			(3,311)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(326)			326
Reversal of 2009/10 adjustment re impairment of Icelandic investment	(1,420)			1,420
Capital expenditure charged against the General Fund	(700)			700
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			(18)	18
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	(4,000)	4,000		

Use of the Capital Receipts Reserve to finance new capital expenditure		(620)		620
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	11	(11)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		15		(15)
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 42)	2,420			(2,420)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,758)			1,758
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	(25)			25
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	(36)			36
Total Adjustments	**(819)**	**3,384**	**(18)**	**(2,547)**

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 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
Earmarked General Fund Reserves							
Migration Fund	51	(32)	37	56	(21)	0	35
Farnborough Aerodrome s106	116	(108)	49	57	0	1	58
Homeless Initiatives	0	0	9	9	(4)	0	5
Fraud & Social Housing	10	(3)	0	7	(7)	0	0
Mortgage Rescue Grant	26	(2)	0	24	0	0	24
DCLG Personal Searches	0	0	34	34	(1)	0	33
PTP Mental Health Grant	0	0	3	3	0	0	3
Migration Impact	30	0	72	102	(41)	0	61
Prevention Fund Grant	0	0	0	0	0	30	30
Gurkha Integration Grant	0	0	0	0	0	500	500
Developing Our Communities	72	(73)	123	122	0	4	126
Manor Park Enhancement s106	13	0	0	13	0	0	13
Southwood Jet Aircraft	2	0	0	2	0	0	2
Bus Shelter Maintenance	17	(4)	0	13	(4)	0	9
Southwood 2 (Woodlands in Perpetuity)	0	0	0	0	0	105	105
BOA Consultation Funding	12	0	0	12	(5)	0	7
Community Website	1	(1)	0	0	0	0	0
Rushmoor Sports Forum	4	(2)	0	2	0	0	2
Olympian For Life	54	0	0	54	(35)	0	19
Guillemont Tree Maintenance s106	104	(4)	1	101	(4)	0	97
Service Improvement Fund	711	(524)	285	472	0	64	536
Community Projects Fund	10	(9)	0	1	0	0	1
Insurance Reserve *	0	0	0	0	0	250	250
NNDR Revaluation Reserve	0	0	0	0	0	326	326
ODPM Planning Grant	612	(280)	0	332	(107)	0	225
Risk Management Fund	8	0	0	8	0	0	8
Amenity Areas s106	548	(28)	3	523	(24)	0	499
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	(1)	0	5	(1)	0	4
Connecting Communities	57	(20)	0	37	(7)	0	30
Get Active	1	0	0	1	0	0	1
Total Earmarked General Fund Reserves	**2,645**	**(1,091)**	**616**	**2,170**	**(261)**	**1,280**	**3,189**
Unusable Reserves							
Treasury Management Reserve	**940**	**(563)**	**12**	**389**	**(329)**	**0**	**60**
Total Movement		**(1,654)**	**628**		**(590)**	**1,280**	

* The Insurance Reserve includes an amount of £150k pending an announcement from the MMI Board which would trigger the scheme of arrangement referred to under note 43.

10. Other Operating Expenditure

2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000		2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
16	0	16	Payments to the Government Housing Capital Receipts Pool	11	0	11
0	(155)	(155)	Refunds from NNDR Revaluations	0	(340)	(340)
387	(130)	257	Gains/losses on the disposal of non current assets	10	(699)	(689)
(90)	0	(90)	Allowance for Doubtful debts	(11)	0	(11)
313	**(285)**	**28**	**Total**	**10**	**(1,039)**	**(1,029)**

11. Financing and Investment Income and Expenditure

2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000		2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
37	0	37	Interest payable and similar charges	28	0	28
4,980	(3,240)	1,740	Pensions interest cost and expected return on pensions assets	4,910	(3,740)	1,170
0	(1,332)	(1,332)	Interest receivable and similar income	0	(878)	(878)
552	(1,536)	(984)	Surplus / Deficit on Trading Activities	446	(1,727)	(1,281)
3,032	0	3,032	Surplus / Deficit on Surplus Assets	0	0	0
563	(12)	551	Amortisation of unrealised gains/losses on financial investments	329	0	329
0	(1,331)	(1,331)	Changes in the fair value of Investment Properties	60	(662)	(602)
0	0	0	Impairment of investments	89	(1,504)	(1,415)
9,164	**(7,451)**	**1,713**	**Total**	**5,862**	**(8,511)**	**(2,649)**

12. Taxation and Non-Specific Grant Income

2010/11 £000		2011/12 £000
(5,782)	Council Tax income	(5,830)
(63)	Collection Fund Surplus	(62)
(6,121)	Non Domestic Rates	(4,118)
(889)	Revenue Support Grant	(1,273)
(163)	Non-ringfenced government grants	(621)
(1,149)	Capital grants and contributions	(1,081)
(14,167)	**Total**	**(12,985)**

13. Property, Plant and Equipment

Cost or Valuation	**Land and Buildings £000**	**Vehicles, Plant, and Equipment £000**	**Community Assets £000**	**Surplus Assets £000**	**Total Property, Land and Equipment £000**
At 1st April 2010	55,904	6,583	1,462	1,323	65,272
Additions	1,756	375	359	3,594	6,084
Revaluation increases recognised in the Revaluation Reserve	3,074	0	0	0	3,074
Revaluation decreases recognised in the Revaluation Reserve	(3,423)	0	0	0	(3,423)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(1,637)	0	(26)	(3,032)	(4,695)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	186	0	0	0	186
Derecognition - Disposals	(1,045)	(169)	0	0	(1,214)
Other movements in cost or valuation	(8)	0	8	145	145
As at 31st 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 recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	102	118	0	0	220
At 31st March 2011	**(11,129)**	**(3,183)**	**0**	**0**	**(14,312)**

Cost or Valuation	**Land and Buildings £000**	**Vehicles, Plant, and Equipment £000**	**Community Assets £000**	**Surplus Assets £000**	**Total Property, Land and Equipment £000**
At 1st April 2011	54,807	6,789	1,803	2,030	65,429
Additions	1,506	257	301	564	2,628
Revaluation increases recognised in the Revaluation Reserve	579	0	0	0	579
Revaluation decreases recognised in the Revaluation Reserve	(7)	0	0	0	(7)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(85)	0	0	0	(85)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	55	0	0	0	55
Derecognition - Disposals	(720)	0	(10)	(2,594)	(3,324)
Other movements in cost or valuation	0	0	0	0	0
As at 31st March 2012	**56,135**	**7,046**	**2,094**	**0**	**65,275**
Accumulated Depreciation and Impairment					
At 1st April 2011	(11,129)	(3,183)	0	0	(14,312)
Depreciation charge	(1,193)	(734)	0	0	(1,927)
Depreciation written out to Revaluation Reserve	(268)	0	0	0	(268)
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
Derecognition - Disposals	0	0	0	0	0
As at 31st March 2012	**(12,590)**	**(3,917)**	**0**	**0**	**(16,507)**
Net Book Value					
At 31st March 2012	**43,545**	**3,129**	**2,094**	**0**	**48,768**
At 31st March 2011	**43,678**	**3,606**	**1,803**	**2,030**	**51,117**

Depreciation

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

- Other Land and Buildings 2 to 57 years
- Vehicles, Plant and Equipment 5 to 15 years

Capital Commitments

The Council had no major capital commitments as at 31st March 2012.

Effects of Changes in Estimates

In 2011/12, 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 £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	38,176	2,041	1,500	41,717
Valued at fair value as at :				
31 March 2012	158	(477)	(2,030)	(2,349)
31 March 2011	(2,060)	(383)	707	(1,736)
31 March 2010	5,465	(175)	693	5,983
31 March 2009	3,594	2,283	(934)	4,943
31 March 2008	306	(160)	64	210
Total Cost or Valuation	**45,639**	**3,129**	**0**	**48,768**

14. Heritage Assets

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

2010/11	**Civic Regalia**
Cost or Valuation	**£000**
1 April 2010	229
Additions	0
Disposals	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve.	0
Revaluations increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services.	0
31 March 2011	**229**
Depreciation and Impairment	**£000**
1 April 2010	0
Additions	0
Impairment losses/(reversals) recognised in the Revaluation Reserve.	0
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services.	0
31 March 2011	**0**

2011/12	**Civic Regalia**
Cost or Valuation	**£000**
1 April 2011	229
Additions	0
Disposals	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve.	29
Revaluations increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services.	0
31 March 2012	**258**
Depreciation and Impairment	**£000**
1 April 2011	0
Additions	0
Impairment losses/(reversals) recognised in the Revaluation Reserve.	0
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services.	0
31 March 2012	**0**
Net Book Value	
At 31 March 2012	**258**
At 31 March 2011	**229**

- **Civic Regalia**

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

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

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

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

- **Memorials and Statues**

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

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

Heritage Assets - Additions or Disposals

There were no additions or disposals of heritage assets during 2011/12.

Intangible Heritage Assets

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

Summary of Transactions Recognised in the Balance Sheet

	2010/11 £000	2011/12 £000
Value of Acquisitions of Heritage Assets		
Civic Regalia	194	221
Total Acquisitions	194	221
Value of Heritage Assets Acquired by Donation		
Civic Regalia	35	37
Total Donations	35	37
Disposals of Civic Regalia		
Carrying Value	0	0
Sale Proceeds	0	0
Impairment recognised in the period		
Civic Regalia	0	0

Summary of Transactions Not Recognised in the Balance Sheet

	2010/11 £000	2011/12 £000
Value of Acquisitions of Heritage Assets		
Civic Regalia	22	39
Total Acquisitions	22	39
Value of Heritage Assets Acquired by Donation		
Civic Regalia	58	65
Total Donations	58	65
Disposals of Civic Regalia		
Carrying Value	0	0
Sale Proceeds	0	0
Impairment recognised in the period		
Civic Regalia	0	0

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

15. 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:

2010/11 £000		2011/12 £000
1,536	Rental income from investment property	1,727
(552)	Direct operating expenses arising from investment property	(446)
984	Net gain/(loss)	**1,281**

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 2012.

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

2010/11 £000		2011/12 £000
13,812	Balance at start of year	14,939
263	Additions - Subsequent expenditure	51
0	Disposals	0
(467)	Net losses from fair value adjustments taken to the Revaluation Reserve	0
1,331	Net gains/(losses) from fair value adjustments taken to the Comprehensive I & E Account	602
14,939	Balance at end of year	**15,592**

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".

16. Interests in Joint Venture Companies

The Council has a 50% interest in the Joint Venture Company – Westgate Aldershot Ltd. As indicated in note 2. xiii the Council accounts for this investment using the equity method of accounting in accordance with IAS 31 : Interests in Joint Ventures. In the year to 31st March 2012, the Company made a loss of £17,575. Under the terms of the joint venture agreement the Council is not liable for any share of losses that may be incurred by the Company and accordingly did not recognise any of the loss in the Comprehensive Income and Expenditure Statement. The Directors of the Company prepared the accounts on a going concern basis and there is potential for the Council to receive future income under the Joint Venture Agreement. Future income is dependant upon the financial success of the Company.

The financial position of the Company at 31st March 2012, including it's assets and liabilities, are shown below. These are not included in the Council's Balance Sheet.

Balance Sheet - Westgate Aldershot Limited

31 March 2011 £		31 March 2012 £
27,758	Work in Progress	0
5,070	Debtors	467,197
389	Cash at Bank	3,777
33,217	**Current Assets**	**470,974**
39,173	Short Term Creditors	488,449
39,173	**Current Liabilities**	**488,449**
(5,956)	**Total Assets Less Current Liabilities**	**(17,475)**
100	Called up Share Capital	100
(6,056)	Profit & Loss Account	(17,575)
(5,956)	**Total Capital & Reserves**	**(17,475)**

17. 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 £265k charged to revenue in 2011/12 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:

	2010/11			2011/12		
	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	2,321	2,321	0	2,442	2,442
- Accumulated amortisation	0	(1,512)	(1,512)	0	(1,737)	(1,737)
Net carrying amount at start of year	0	809	**809**	0	705	**705**
Additions:						
- Internal development	0	0	0	0	0	0
- Purchases	0	191	191	0	264	264
De-recognition - disposals	0	(70)	(70)	0	0	0
Amortisation for the period	0	(295)	(295)	0	(265)	(265)
De-recognition - disposals	0	70	70	0	0	0
Net carrying amount at end of year	0	705	**705**	0	704	**704**
Comprising:						
- Gross carrying amounts	0	2,442	2,442	0	2,706	2,706
- Accumulated amortisation	0	(1,737)	(1,737)	0	(2,002)	(2,002)
	0	705	**705**	0	704	**704**

18. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2011 £000	**31 March 2012 £000**	**31 March 2011 restated £000**	**31 March 2012 £000**
Investments				
Loans and Receivables				
Fixed Rate Investments	2,493	2,000	5,138	13,446
Government Stocks	4	4		
Financial assets at fair value through profit and loss				
Forward Rate Agreements	8,259	0	7,767	8,366
Total investments	**10,756**	**2,004**	**12,905**	**21,812**
Cash and Cash Equivalents				
Loans and Receivables				
Cash and Cash at Bank			762	633
Cash held in Money Market Funds			7,150	11,510
Total cash and cash equivalents	**0**	**0**	**7,912**	**12,143**

Debtors				
<u>Loans and Receivables</u>				
Debtors due within 1 year*			2,668	2,643
Long Term Debtors:				
- Car Loans	70	83		
- Mortgages	20	5		
- Loans to Organisations	335	329		
Total debtors	**425**	**417**	**2,668**	**2,643**
Other Long Term Liabilities				
Finance lease liabilities	1,121	840		
Total other long term liabilities	**1,121**	**840**		
Creditors				
Financial liabilities at amortised cost	2,664	2,210		
Financial liabilities carried at contract amount**			2,751	2,833
Total creditors	**2,664**	**2,210**	**2,751**	**2,833**

*Debtors due within 1 year excludes £392k in respect of Council Tax debtors, HMRC and National Non-Domestic Rates, from the total of £3,532k reported on the balance sheet, as these are statutory levies not falling within the definition of financial instruments. £497k is also excluded in respect of Payments in Advance.

**Similarly, short term creditors excludes £1,896k from the total of £5,372k reported on the balance sheet, in respect of Council Tax creditors and payments to the National Pool for Non-Domestic Rates. £643k is also excluded in respect of Income in Advance.

Income, Expense, Gains and Losses

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**

2011/12	Financial Liabilities: Measured at amortised cost	Financial Assets: Loans and receivables	At Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	(28)	-	-	**(28)**
Amortisation of unrealised gains on Forward Rate agreements			(329)	**(329)**
Exchange rate loss		(89)		**(89)**
Total expense in Surplus or Deficit on the Provision of Services	**(28)**	**(89)**	**(329)**	**(446)**
Interest income	-	878	-	**878**
Reversal of previous impairment loss		1,504		**1,504**
Total income in Surplus or Deficit on the Provision of Services	**0**	**2,382**	**0**	**2,382**
Net gain/(loss) for the year	**(28)**	**2,293**	**(329)**	**1,936**

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:

	31 March 2011		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	**£000**	**£000**	**£000**	**£000**
Financial liabilities at amortised cost	2,751	2,751	2,833	2,833
Long-term creditors	2,664	2,664	2,210	2,210
Finance lease liabilities	1,121	1,121	840	840
	6,536	6,536	5,883	5,883

	31 March 2011		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	**£000**	**£000**	**£000**	**£000**
Loans and receivables	18,235	18,228	30,236	30,232
Long-term debtors	425	425	417	417
Fair Value through profit and loss	16,026	16,026	8,366	8,366
	34,686	34,679	39,019	39,015

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 31st 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.

19. Inventories

2010/11		2011/12
£000		£000
78	Balance outstanding at start of year	5
0	Purchases	16
(73)	Recognised as an expense in the year	0
5	**Balance outstanding at end of year**	**21**

20. Debtors

Debtors shown are net of allowances for doubtful debts.

31st March 2011		31st March 2012
£000		£000
773	Central government bodies	714
360	Other local authorities	448
7	NHS bodies	0
126	Council tax	119
1,529	Other entities and individuals	1,773
474	Payments in advance	497
3,269		**3,551**

21. Cash and Cash Equivalents

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

31st March 2011		31st March 2012
£000		£000
23	Cash held by the Council	11
739	Bank current accounts	622
7,150	Money Market Funds	11,510
7,912	**Total cash and cash equivalents**	**12,143**

22. Assets Held for Sale

	Current 2010/11 £000	Non-Current 2010/11 £000	Current 2011/12 £000	Non-Current 2011/12 £000
Balance outstanding at start of year	**0**	**145**	**0**	**0**
Assets declassified as held for sale:				
- Property, Plant and Equipment	0	(145)	0	0
Balance outstanding at year-end	**0**	**0**	**0**	**0**

23. Creditors

31st March 2011 £000		31st March 2012 £000
367	Central government bodies	1,017
927	Other local authorities	1,853
16	Council tax	12
2,377	Other entities and individuals	1,789
638	Income in advance	720
4,325		**5,391**

24. Provisions

	Provisions £000
Balance at 1st April 2010	173
Additional provisions made in 2010/11	70
Balance at 31st March 2011	**243**
Additional provisions made in 2011/12	69
Amounts used in 2011/12	0
Balance at 31st March 2012	**312**

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 has set this money aside as a provision in readiness for future costs.

25. Other Long Term Liabilities

31st March 2011 £000		31st March 2012 £000
1,121	Finance Lease Liability	840
36,470	Liability relating to defined Pension Scheme	46,562
37,591	**Other Long Term Liabilities**	**47,402**

26. Usable Reserves

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

31st March 2011 £000		31st March 2012 £000
1,750	General Fund	1,586
2,170	Earmarked General Fund Reserves	3,189
23,697	Capital Receipts Reserve	27,081
18	Capital Grants Unapplied	0
27,635	**Total Usable Reserves**	**31,856**

<u>General Fund</u>

2010/11 £000		2011/12 £000
2,000	**Balance at 1st April**	1,750
(250)	Increase/(Decrease) in year	(164)
1,750	**Balance 31st March**	**1,586**

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

<u>Earmarked General Fund Reserves</u>

2010/11 £000		2011/12 £000
2,645	**Balance at 1st April**	2,170
(475)	Increase/(Decrease) in year	1,019
2,170	**Balance 31st March**	**3,189**

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

Capital Receipts Reserve

2010/11 £000		2011/12 £000
28,344	**Balance at 1st April**	23,697
(15)	Payments to the Government capital receipts pool	(11)
(4,760)	Use of Capital Receipts Reserve to finance new capital expenditure	(620)
20	Mortgage Scheme Receipts	15
108	Capital Receipts in Year	4,000
23,697	**Balance at 31st March**	**27,081**

Capital Grants Unapplied

65	**Balance at 1st April**	18
(47)	Application of grants to capital financing transferred to the Capital Adjustment Account	(18)
18	**Balance at 31st March**	**0**

27. Unusable Reserves

1st April 2010 (restated) £000	31st March 2011 (restated) £000		31st March 2012 £000
7,955	6,888	Revaluation Reserve	6,925
58,471	58,970	Capital Adjustment Account	57,603
(40)	0	Financial Instruments Adjustment Account	0
940	389	Treasury Management Reserve	60
41	20	Deferred Capital Receipts Reserve	5
(50,440)	(36,470)	Pensions Reserve	(46,562)
139	160	Collection Fund Adjustment Account	185
(158)	(153)	Accumulated Absences Account	(117)
16,908	**29,804**	**Total Unusable Reserves**	**18,099**

<u>Revaluation Reserve</u>

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

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

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

2009/10 (restated) £000	2010/11 (restated) £000			2011/12 £000
2,443	7,955	**Balance at 1st April**		6,888
5,584	3,074	Upward revaluation of assets	608	
0	(3,890)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7)	
5,584	(816)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		601
(72)	(251)	Difference between fair value depreciation and historical cost depreciation	(269)	
0	0	Accumulated gains on assets sold or scrapped	(295)	
(72)	(251)	Amount written off to the Capital Adjustment Account		(564)
7,955	**6,888**	**Balance 31st March**		**6,925**

<u>Capital Adjustment Account</u>

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

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

2010/11			2011/12
£000			£000
58,471	**Balance at 1st April**		58,970
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and expenditure Statement:		
(1,925)	- Charges for depreciation and impairment of non current assets	(2,139)	
(4,712)	- Revaluation losses on Property, Plant and Equipment	(85)	
(295)	- Amortisation of intangible assets	(265)	
(1,174)	- Revenue expenditure funded from capital under statute	(1,172)	
0	- Reversal of 2009/10 adjustment re impairment of Icelandic Investment	1,420	
(365)	- 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	(3,311)	
(8,471)			(5,552)
251	Adjusting amounts written out of the Revaluation Reserve		564
(8,220)	Net written out amount of the cost of non current assets consumed in the year		(4,988)
	Capital financing applied in the year:		
4,760	- Use of the Capital Receipts Reserve to finance new capital expenditure	620	
1,263	- Capital grants and contributions credited to the Comp I & E Statement that have been applied to Capital financing	1,355	
47	- Application of grants to capital financing from the Capital Grants Unapplied Account	18	
318	- Statutory provision for the financing of capital investment charged against the General Fund balances	326	
1,000	- Capital expenditure charged against the General Fund	700	
7,388			3,019
1,331	Movements in the market value of Investment Properties debited or credited to the Comp I & E Statement		602
58,970	**Balance at 31st March**		**57,603**

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 2011/12, these movements have been reversed back to the General Fund Balance.

2010/11 £000		2011/12 £000
(40)	**Balance at 1st April**	**0**
40	Amount by which finance costs charged to the Comp I & E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
0	**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.

2010/11 £000		2011/12 £000
940	**Balance at 1st April**	389
0	Unrealised gains/losses on forward rate agreements	
(551)	Amortisation of prior year gains/losses on forward rate agreements	(329)
389	**Balance at 31st March**	**60**

Deferred Capital Receipts Reserve (England and Wales)

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

2010/11 £000		2011/12 £000
41	**Balance at 1st April**	20
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(21)	Transfer to the Capital Receipts Reserve upon receipt of cash	(15)
20	**Balance at 31st March**	**5**

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.

2010/11		**2011/12**
£000		**£000**
(50,440)	**Balance at 1st April**	(36,470)
4,350	Actuarial gains or losses on pensions assets and liabilities	(9,430)
7,820	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	(2,420)
1,800	Employer's pensions contributions and direct payments to pensioners payable in the year	1,758
(36,470)	**Balance at 31st March**	**(46,562)**

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.

2010/11		**2011/12**
£000		**£000**
139	**Balance at 1st April**	160
21	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	25
160	**Balance at 31st March**	**185**

<u>Accumulated Absences Account</u>

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.

2010/11 £000			2011/12 £000
(158)	**Balance at 1st April**		(153)
158	Settlement or cancellation of accrual made at the end of the preceding year	153	
(153)	Amounts accrued at the end of the current year	(117)	
5	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		36
(153)	**Balance at 31st March**		**(117)**

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

2010/11 £000		2011/12 £000
2,125	Depreciation	2,258
4,547	Impairment and downward valuations	44
295	Amortisation	265
(90)	Increase/(decrease) in bad debts	112
268	Increase/(decrease) in Creditors	1,047
3,631	(Increase)/decrease in Debtors	(263)
546	(Increase)/decrease in Interest Debtors	289
73	(Increase)/decrease in Inventories	(16)
(9,595)	Movement in pension liability	662
388	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3,324
(708)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,618)
1,480	**Net adjustments to net surplus or deficit on the provision of services for non-cash movements**	**6,104**

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

2010/11 £000		2011/12 £000
(130)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,000)
(27)	Any other items for which the cash effects are investing or financing cash flows	(274)
(157)	**Net adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**(4,274)**

30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
1,877	Interest received	1,163
1	Interest paid	0
0	Dividends received	0

31. Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
(7,450)	Purchase of property, plant and equipment, investment property and intangible assets	(3,096)
(4,000)	Purchase of short-term and long-term investments	(13,000)
(50)	Other payments for investing activities	(59)
107	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	4,000
13,000	Proceeds from short-term and long-term investments	13,642
430	Other receipts from investing activities	1,098
2,037	**Net cash flows from investing activities**	**2,585**

32. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
5,907	Other receipts from financing activities	4,436
(353)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(353)
(5,524)	Other payments for financing activities	(5,612)
30	**Net cash flows from financing activities**	**(1,529)**

33. Amounts Reported for Resource Allocation Decisions

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

- the 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:

2010/11 £000		2011/12 £000
1,687	Corporate Services	1,628
3,442	Environment	3,122
2,642	Concessions and Community	1,996
2,258	Health and Housing	1,925
3,162	Safety and Regulation	2,629
4,422	Leisure & Youth	3,979
17,613	**Net expenditure in Portfolio Analysis**	15,280
(7,208)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(972)
(1,922)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,010
8,483	**Cost of Services in Comprehensive Income and Expenditure Account**	**15,318**

34. 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 2011/12 was £370,529 (£361,103 in 2010/11).

35. Members' Allowances

In 2011/12, a total of £304,326 was paid out in members' allowances, compared with a total of £302,921 in 2010/11.

36. Officers' Remuneration and Termination Benefits

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

		Salary and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	**2011/12**	**112,313**	**4,960**	**22,997**	**140,270**
	2010/11	113,469	5,040	22,519	141,028
Director of Resources	**2011/12**	**77,173**	**4,960**	**14,695**	**96,828**
	2010/11	77,193	5,040	14,677	96,910
Director of Community and Environment	**2011/12**	**72,322**	**4,920**	**13,768**	**91,010**
	2010/11	70,507	4,920	13,424	88,851
	2011/12	**261,808**	**14,840**	**51,460**	**328,108**
	2010/11	261,169	15,000	50,620	326,789

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

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

Remuneration Band	2010/11 Employees	2011/12 Employees
£50,000 - £54,999	7	5
£55,000 - £59,999	3	4
£60,000 - £64,999	7	9
£65,000 - £69,999	2	1
£70,000 - £74,999	0	0
£75,000 - £79,999	1	1
£80,000 - £84,999	2	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	1	1

Data shown in the remuneration bands includes senior employees.

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**
£0-£20,000	7	0	3	2	10	2	62,276	23,391
£20,001-£40,000	2	0	4	0	6	0	159,129	0
£40,001-£100,000	2	0	0	0	2	0	142,104	0
Total	**11**	**0**	**7**	**2**	**18**	**2**	**363,509**	**23,391**

The Council terminated the contracts of 2 employees in 2011/12 incurring payments of £23,391 as compensation for loss of office.

A further £49,300 was paid in 2011/12 to the Hampshire County Council Pension Fund in relation to exit packages committed to in 2010/11 and these have been included in the figures above.

37. 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:

	2010/11 £000	2011/12 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	107	101
Fees payable to the Audit Commission in respect of statutory inspections	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	26	18
Total	**133**	**119**

38. Grant Income

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

	2010/11 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	5,782	5,830
Collection Fund Surplus/ (Deficit)	63	62
National Non-Domestic Rates	6,121	4,118
Revenue Support Grant	889	1,273
Area Based Grant	142	0
New Burden Grant	17	17
LPSA2 Reward Grant	4	0
Capital Grants & Contributions	1,149	1,081
Council Tax Freeze Grant	0	146
New Homes Bonus	0	359
Homelessness Prevention Grant	0	99
Total	**14,167**	**12,985**
Credited to Services		
Communities and Local Government		
Council Tax Collection Grant	10	0
Homelessness Initiatives Grant	41	35
Disabled Facilities Grant	380	403
Migration Impact Grant	128	0
New Burdens Grant (Personal Search fee of the Local Land Charges)	34	0
NNDR Collection Grant	8	0
Gurkha Integration Grant	0	500
NNDR Small Business Relief Grant	0	2
DEFRA		
Contaminated Land Grant	28	0
Department for Transport		
Concessionary Travel Grant	387	0
Department for Works and Pensions		
Discretionary Rent Allowance	10	11
Housing Benefit Admin Subsidy	704	671
Housing Benefit Subsidy	33,555	37,531
Rent Allowances	26	5
Developers Contributions	114	428
Hampshire County Council	53	22
Other grants & contributions		
Developing Our Communities contribution for specific projects	130	57
Contribution from Community Safety Partnership	16	40
Local Elections contributions	11	7
Contributions for other projects	6	22
Total	**35,641**	**39,734**

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 2011 £000	31st March 2012 £000
Capital Grants Receipts in Advance		
s106 Developers Contributions	2,664	2,210
Total	**2,664**	**2,210**

39. 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 2011/12, the Council provided financial assistance to 124 organisations by way of direct grant payments (£710,359), awards of rent relief (£189,682) and discretionary rate relief (£92,302).

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

- Citizens Advice Bureau £259,532
- Farnborough and Cove War Memorial Hospital Trust Ltd £101,689
- Rushmoor Voluntary Services £ 66,369
- Aldershot Military Museum £ 46,000
- Basingstoke Canal Management Committee £ 40,200
- Farnborough Leisure Centre £ 36,743
- Dial A Ride £ 32,312
- Step By Step Partnership Ltd £ 25,824

<u>Central Government</u>

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 38.

<u>Members</u>

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 35. During 2011/12, 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 £303,534 was awarded to voluntary organisations in which 23 members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

Officers

During 2011/12, 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 £2,066

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.

40. Capital Expenditure and Capital Financing

At the 1st April 2011, the Council was debt free and, in accordance with its Medium Term Financial Strategy, the Council planned to remain debt free during 2011/12 by financing all capital spend from means other than borrowing. The Council therefore had a Capital Financing Requirement at the start of 2011/12 of zero. Total capital expenditure in 2011/12 was £3.1million. A summary of this expenditure and how it was financed is shown below. The Council's Capital Financing Requirement at 31st March 2012 was zero.

	2010/11	**2011/12**
	£'000	**£'000**
Opening Capital Financing Requirement	0	0
Capital Investment		
Property, Plant and Equipment	5,821	3,030
Investment Properties	263	51
Intangible Assets	192	264
Revenue Expenditure Funded from Capital under Statute	1,174	1,171
Reversal of 2009/10 adjustment re impairment of Icelandic Investment	0	(1,420)
Sources of finance		
Capital receipts	4,760	620
Government grants and other contributions	1,690	1,776
Sums set aside from revenue:		
Direct revenue contributions	1,000	700
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**

41. 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 2011 £000		31 March 2012 £000
1,447	Vehicles, Plant, Furniture and Equipment	1,121
1,447		**1,121**

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 2011 £000		31 March 2012 £000
1,447	Finance lease liabilities (net present value of minimum lease payments):	1,121
68	Finance Costs payable in future years	41
1,515	Minimum lease payments	**1,162**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2011	31st March 2012	31st March 2011	31st March 2012
Not later than one year	326	281	353	301
Later than one year and not later than five years	1,121	840	1,162	861
Later than five years	0	0	0	0
	1,447	**1,121**	**1,515**	**1,162**

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 2011 £000		31 March 2012 £000
39	Not later than one year	40
18	Later than one year and not later than five years	49
14	Later than five years	14
71		**103**

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:

2010/11 £000		2011/12 £000
68	Minimum lease payments	51
68	Minimum lease payments	**51**

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 2011 £000		31 March 2012 £000
1,680	Not later than one year	1,758
5,872	Later than one year and not later than five years	6,402
91,089	Later than five years	91,891
98,641		**100,051**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12, contingent rents of £36,475 were receivable by the Council (£63,494 in 2010/11).

42. 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	£M	£M
	2011/12	2010/11	2011/2012	2010/2011
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	1.19	1.41	0.00	0.00
• past service costs	0.06	(10.51)	0.00	(0.46)
• settlements and curtailments	0.00	0.00	0.00	0.00
Financing and Investment Income and Expenditure				
• interest cost	4.68	4.74	0.23	0.24
• expected return on scheme assets	(3.74)	(3.24)	0.00	0.00
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2.19	(7.60)	0.23	(0.22)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	(9.05)	4.35	(0.38)	0.00
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(6.86)	(3.25)	(0.15)	(0.22)

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	(2.19)	7.60	(0.23)	0.22
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	1.46	1.51		
• retirement benefits payable to pensioners			0.30	0.29

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011/12 is a loss of £29.03 million.

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
	2011/12	2010/11	2011/12	2010/11
Opening balance at 1 April	85.82	94.88	4.40	4.91
Current service cost	1.19	1.41	0.00	0.00
Interest cost	4.68	4.74	0.23	0.24
Contributions by scheme participants	0.50	0.52	–	–
Actuarial gains and losses	7.85	(2.17)	0.38	0.00
Benefits paid	(3.12)	(3.05)	(0.30)	(0.29)
Past service costs*	0.06	(10.51)	0.00	(0.46)
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	96.98	85.82	4.71	4.40

*In the UK budget statement on 22nd June 2010, the Chancellor announced that with effect from 1st 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 had the effect of reducing the Council's liabilities in the Hampshire Pension Fund and was recognised as a negative past service cost in accordance with guidance set down in UITF Abstract 48, since the change was considered to be a change in benefit entitlement. There was no impact on the General Fund.

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

	Local Government Pension Scheme £M 2011/12	£M 2010/11
Opening balance at 1 April	53.75	49.35
Expected return on assets	3.74	3.24
Actuarial gains and losses	(1.20)	2.18
Employer contributions	1.76	1.51
Contributions by scheme participants	0.50	0.52
Benefits paid	(3.42)	(3.05)
Entity combinations	0.00	0.00
Settlements	0.00	0.00
Closing balance at 31 March	55.13	53.75

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 £2.54 million (2010/11: £15.42 million).

Scheme History

	As at 31 Mar 2012 £M	As at 31 Mar 2011 £M	As at 31 Mar 2010 £M	As at 31 Mar 2009 £M	As at 31 Mar 2008 £M
Present value of liabilities:					
Local Government Pension Scheme	96.98	85.82	94.88	69.13	67.70
Discretionary Benefits	4.71	4.40	4.91	4.36	4.31
Fair value of assets in the Local Government Pension Scheme	55.13	53.75	49.35	38.08	49.12
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(41.85)	(32.07)	(45.53)	(31.05)	(18.58)
Discretionary Benefits	(4.71)	(4.40)	(4.91)	(4.36)	(4.31)
Total	(46.56)	(36.47)	(50.44)	(35.41)	(22.89)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £46.56m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £50.00m. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2013 is £1.41m. Expected contributions for the Discretionary Benefits scheme in the year to 31st March 2013 are £0.32m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

Financial Assumptions:	**31-Mar-12**	**31-Mar-11**	**31-Mar-10**
Rate of inflation (RPI)	3.50%	3.70%	3.90%
Rate of inflation (CPI)	2.50%	2.80%	N/A
Rate of increase in salaries	5.00%	5.20%	5.40%
Rate of increase to pensions in payment	2.50%	2.80%	3.90%
Rate of increase to deferred pensions	2.50%	2.80%	3.90%
Rate for discounting scheme liabilities	4.70%	5.50%	5.50%

Mortality assumptions:	**2011/12**	**2010/11**
Longevity at 65 for current pensioners:		
Men	23.9	23.8
Women	24.9	24.8
Longevity at 65 for future pensioners:		
Men	25.6	25.6
Women	26.8	26.7

Commutation:	**31-Mar-12**	**31-Mar-11**
	Each member assumed to exchange 25% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum.	Each member assumed to exchange 25% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum.
	Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.	Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.

The Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The 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 31st March 2012.

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-12	31-Mar-11	31-Mar-10
	%	%	%
Equities	55.1	63.4	61.3
Property	7.7	7.3	6.1
Government Bonds	27.0	23.3	24.4
Corporate Bonds	1.5	1.7	2.4
Cash	4.1	4.3	5.8
Other assets	4.6	0.0	0.0
	100.0	100.0	100.0

Long-term expected rate of return on assets in the scheme:	2011/12	2010/11	2009/10
Equity investments	8.10%	8.40%	8.00%
Property	7.60%	7.90%	8.50%
Government Bonds	3.10%	4.40%	4.50%
Corporate Bonds	3.70%	5.10%	5.50%
Cash	1.80%	1.50%	0.70%
Other	8.10%	8.40%	8.00%
	6.40%	7.10%	6.70%

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	%
Differences between the expected and actual return on assets	(2.18)	4.06	20.83	(34.51)	(5.44)
Experience gains and losses on liabilities	(0.85)	0.52	1.26	(0.57)	0.96

43. Contingent Liabilities

At 31st March 2012, the Council had one material contingent liability:

- 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 31st March 2012, there were no outstanding claims against the Council.

The Council also has contingent liabilities relating to its rent deposit scheme, a claim under Employer's liability and potential claims arising as a consequence of the Environmental Information Regulations 2004, none of which are considered material.

44. Contingent Assets

The Council has a 50% interest in the Joint Venture Company – Westgate Aldershot Ltd. Under the terms of the joint venture agreement there is potential for the Council to receive future income under the Joint Venture Agreement though any future income is dependant upon the financial success of the Company.

45 . 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 2011/12 and the Prudential Indicators for Capital Finance were approved by Council on the 24th February 2011 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 2011/12 on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £23.816m 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 2012 that this would crystallise, other than in the impairment already recognised for the Council's investments with the Icelandic bank, Glitnir.

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

The majority of the currency was immediately converted to Sterling (£) on receipt but had been exposed to exchange rate movements in the intervening period. This impairment has been recognised in the 2011/12 Statements. A proportion of the repayment was denominated in ISK, which is currently unable to be repaid in Sterling due to the imposition of currency controls within Iceland and is therefore being held in an escrow account in Iceland. There is a continuing risk that this may suffer exchange loss when finally converted, however this is mitigated to some extent by the interest payable of 3.4% on this escrow account. The distribution to the Council has been made in full and represents 100% of the Council's claim. The Council has recognised an impairment of £89,159 due to currency fluctuations which represents 4.23% of the total claim.

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 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default at 31 March 2012	Estimated maximum exposure to default at 31 March 2011
		£000	%	%	£000	£000
		(A)	(B)	(C)	(A x C)	
Cash and Cash Equivalents	AAA rated	12,143	0.00	0.00	0	0
Long Term Debtors		417	0.00	0.00	0	0
Trade Debtors		2,643	0.52	0.52	14	12
		15,203			14	12

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 £0.3 million of the £2.6 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011	31 March 2012
	£000	£000
Less than two months	183	138
Two to six months	74	52
Six months to one year	22	31
More than one year	161	127
	440	348

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

Liquidity risk

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

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved limits placed on investments of greater than one year in duration, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure liquidity is available for the Council’s day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

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

	31 March 2011	31 March 2012
	£000	£000
Less than one year	20,836	33,959
Between one and two years	10,285	2,021
Between two and three years	21	13
More than three years	856	383
	31,998	36,376

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

Market risk

Interest rate risk

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

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

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

At 31st March 2012, 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	198
Impact on Surplus or Deficit on the Provision of Services	198

During 2011/12, variable interest rates remained extremely low (below 1%) and therefore the maximum impact of a fall in interest rates would have been approximately £134,000 with the movements being reversed.

Price risk

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.

Foreign exchange risk

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.

2010/11			2011/12	
£'000	**£'000**		**£'000**	**£'000**
		Income		
40,632		Income from council tax payers	40,789	
38,945		Income from Business rate payers	41,337	
		Transfer from General Funds		
4,950		Council Tax Benefit	5,153	
	84,527			87,279
		Expenditure		
		Precepts and Demands		
32,600		Hampshire County Council	32,872	
4,594		Hampshire Police Authority	4,632	
1,928		Hampshire Fire & Rescue Authority	1,944	
5,781		Rushmoor Borough Council	5,830	
	44,903			45,278
		Business Rates		
39,164		Payments to National Pool	40,948	
(342)		Amounts from National Pool	265	
123		Allowance for Collection	123	
	38,945			41,336
		Provision for uncollectible amounts:		
	189	Council Tax		183
	327	Collection fund surplus		289
	84,364			87,086
	(163)	Net Movement in Fund		(193)
	(1,078)	Balance b/fwd 1 April		(1,241)
	(1,241)	**Balance c/fwd 31 March**		**(1,434)**

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 (£31,671.86 for 2011/12). This basic amount of Council Tax for a Band D property (£1,429.58 for 2011/12) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

Tax Band	Discounted Equivalent Dwellings	Weighting	Band D Equivalent
A (Disabled Relief)	0	5/9	0
A	965	6/9	643
B	6,749	7/9	5,249
C	12,364	8/9	10,990
D	6,939	1	6,939
E	3,438	11/9	4,201
F	1,042	13/9	1,505
G	271	15/9	451
H	6	2	12
O (Army)	1,682	0	1,682
Total			**31,672**

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 2012 is £106,639,895 and the national non-domestic multiplier was 43.3p. This gives a potential business yield of £46.1 million. The actual business rates collectable for 2011/12 after reliefs and provisions was £41 million. This decrease of around £5.2 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:

2010/11 £'000		2011/12 £'000
642	Provisions at 1 April	675
189	Provisions made in year	183
(184)	Written off in year	(150)
647	Provisions 31 March	708

4. Movement and distribution of the collection fund balance

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

2010/11 £'000		2011/12 £'000
0	Balance at start of year	0
(1,241)	(surplus)/deficit on collection fund	(1,434)
160	Borough share - transferred to Comprehensive Income and expenditure	185
1081	preceptors share included in creditors	1,249
0		0

Opinion on the Council's financial statements

I have audited the financial statements of Rushmoor Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 Council'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 2011/12 and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require 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 financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the financial policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant financial estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Rushmoor Borough Council as at 31 March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects

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

Council's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council 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 Council 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 Council'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 2012.

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 ended 31 March 2012.

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
Engagement Lead
Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AD

26 September 2012

RUSHMOOR BOROUGH COUNCIL

ANNUAL CORPORATE GOVERNANCE STATEMENT 2011/12

1 Scope of Responsibility

1.1 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, 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.

1.2 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.

1.3 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.

2 The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is 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.

2.3 The governance framework has been in place at Rushmoor Borough Council for the year ended 31 March 2012 and up to the date of the approval of the annual report and statement of accounts.

3 The Governance Framework

3.1 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 local authority's functions which are not the responsibility of any other part of the local authority, 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.

3.2 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 2011/12 (agreed by Cabinet on 31 May 2011) 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, DMB and Cabinet, and Member Panels scrutinise performance on areas under their particular remit.

3.3 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.

3.4 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 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 2003.
- Compliance with the CIPFA Statement on the role of the Chief Finance Officer in Financial Administration in Local Government.

3.5 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
a) The Member Code of Conduct, and b) the 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.

3.6 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.

3.7 Budgeting and Financial Monitoring

Directors Management Board and Heads of Service are responsible for economical, effective and efficient use of resources.

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 2011/12 setting out the position as at March 2012 was sent to Cabinet on 3 April 2012. The finalised financial position (subject to external audit) is sent to Cabinet as the General Fund Provisional Outturn 2011/12. For 2011/12, this was done on 19 June 2012.

Capital expenditure is monitored quarterly, and Cabinet agreed the Capital Programme Monitoring 2011/12 report setting out the position as at March 2012, on 3 April 2012.

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 (10 January 2012) that sets out the Council's financial plans and strategy over the next 4 years.

3.8 Treasury Management

Full Council agreed the Annual Treasury Management Strategy on 24 February 2011. 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 Licensing and General Purposes Committee and Cabinet.

During 2011/12, the Director of Resources (as Section 151 Officer) in consultation with the Leader and Corporate Services Portfolio Holder, 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.

3.9 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.

3.10 Communicating with stakeholders

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

3.11 Other

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

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

4 Review of effectiveness

4.1 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 authority 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 2011/12 has included:

Cabinet

- Developing our approach to a sound financial position through the medium term strategy and monitoring of its delivery.
- Developing, agreeing and recommending the Corporate Plan.
- Monitoring the delivery of corporate plan and key corporate performance measures.
- Reviewing risk management issues in relation to major decisions.
- Recommending and monitoring Treasury Management arrangements.

Directors Management Board

- Develop the Corporate Programme and Project Management and utilise the framework to monitor corporate performance.
- As part of the Medium Term Financial Strategy monitor the delivery of the £2.4 million savings to maintain a sound financial position.
- Identify external factors related to economic issues and government policy changes, and assess their impact on the Council.

Wider Leadership Team (Directors and Heads of Service)

- Support the development of the Council’s purpose and priorities and their delivery.
- Work with DMB to identify areas of work associated with organisation development.

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.

- The Audit Manager prepares an annual plan of work that supports the achievement of the Council's priorities. This is developed in liaison with the Director of Resources, 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
  - Lexcel accreditation
  - Inspection by the Office of Surveillance Commissioners
  - Government Connect audits

- Senior officers have advised us on the implications of the result of the review of the effectiveness of the governance framework, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant governance issues

Actions taken on significant governance issues in 2011/12

5.1 Budgets and Financial control

As part of the medium term financial strategy, we developed a savings programme totalling £2.4 million to maintain a sound financial position. To ensure successful delivery, this was monitored throughout the year.

Because of significant risks in the financial sector, the Council operated within narrower constraints than those set out in the Treasury Management Policy. Revisions to the Policy were made at the end of 2011/12 in reaction to the reduced risk associated with UK institutions part owned by government.

During the year, we have identified the principal financial risks in the medium term associated with economic factors and government policy changes. This showed the need for further reduction in spending over the medium term and a significant level of latent risk.

Work has started on the systems to monitor leases and contracts, which are required to fully meet the IFRS. Work to embed the systems will continue in 2012/13.

The Member Budget Task and Finish Group identified further improvements to the Member's role in influencing the budget process.

5.2 Legislation and Guidance

Internal Audit reviewed internal corporate governance policies and procedures amending them to ensure they are up to date, relevant and form a cohesive package of information. New additions to the suite included Anti Money Laundering and the Bribery Act 2010. The suite of policies will be disseminated to employees in 2012/13.

Partnership Agreements were used to ensure partnerships and joint working entered in to were legally set out and recorded.

5.3 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.

5.4 Programme and Project Management

Internal Audit carried out a review of Corporate Programme and Project Management to identify progress made and where further development could be achieved. Internal Audit will present and facilitate action on the issues raised during 2012/13.

5.5 Other

Feedback was provided to the Department for Communities and Local Government on the 'Future of local public audit' in writing and through attendance at a workshop. Consideration has been given to how the Council will respond to the changes. Further work is planned for 2012/13.

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. It is anticipated that the project will be delivered late October 2012, and the joint venture agreement terminated early 2013.

On November 2011, Corporate Services Panel reviewed the Council's Business Continuity arrangements.

<u>Proposed action on significant governance issues planned for 2012/13</u>

5.6 Legislation and Guidance

Internal Audit will get agreement to the revised corporate governance policies and promote them within the organisation.

We will implement the necessary constitutional changes to comply with the requirements of the Localism Act including:

- Adopting a new code of conduct.
- Alter the make up of the Standards and Audit Committee whilst retaining its audit role.
- Introduction of the role of independent person.
- Introduce rules relating to disclosable pecuniary interests.
- Put in place arrangements to deal with complaints.

5.7 Programme and Project Management

Internal Audit will present the findings to their review of Programme and Project Management, and facilitate development of the initiative.

5.8 Budgets and Financial control

Work to identify proposals to sustain the financial health of the Council over the medium term, will be carried out by DMB on behalf of the Cabinet. The medium term financial strategy includes the 8 Point Plan to facilitate this.

We will consider and act on the impact of government policy changes especially the Welfare Reform, Business Rates Retention Scheme and Community Infrastructure Levey on Council service and finances

5.9 Other

In conjunction with the dissemination of the revised corporate governance policy suite, Internal Audit will develop an approach to and undertake proactive anti fraud work.

A review of corporate Performance Management is planned by Internal Audit. The aim is to review the purpose, system and benefits it brings to the Council's governance and service provision.

Work to embed the systems to monitor leases and contracts, which are required to fully meet the IFRS requirements, will continue in 2012/13.

We will prepare for the new External Auditor, and address the affect on financial preparation and internal audit.

The Council will continue to develop and deliver improvements using Systems Thinking principles to improve the quality and efficiency of services as part of the 8-point plan

We propose to address the above matters in 2012/13 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...8 AUGUST 2012

Glossary of Terms

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

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

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

Capital Receipts
The proceeds from the disposal of land or other assets.

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

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

Corporate and Democratic Core
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating Leases
A lease other than a finance lease.

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

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

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

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

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

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

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