



New Forest
DISTRICT COUNCIL

Annual
Financial
Report
2011/2012

NEW FOREST DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT - YEAR ENDED 31ST MARCH 2012

CHAIRMAN OF THE COUNCIL

Councillor Mrs A McEvoy

LEADER OF THE COUNCIL

Councillor B Rickman

CHIEF EXECUTIVE Mr D Yates

EXECUTIVE DIRECTOR Mr R Jackson

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STATEMENT OF RESPONSIBILITIES

1. The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

I confirm that these accounts were approved by Members of the Audit Committee at the meeting held on 21 September 2012.

**Cllr A O'Sullivan
Chairman
Audit Committee**

21 September 2012

2. The Responsible Financial (s151) Officer's Responsibilities

The Executive Director is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Executive Director has:

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

The Executive Director 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 presents a true and fair view of the financial position of New Forest District Council at 31 March 2012 and the income and expenditure for that year ended.

Mr R Jackson (CPFA) – Responsible Financial (s151) Officer 21 September 2012

EXPLANATORY FOREWORD

1. Introduction

The accounts for 2011/12 comprise the following statements:

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing General Fund and Housing Revenue Account services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and housing rents. The Council raise taxation and rents to cover expenditure in accordance with regulations. The taxation and rents position is shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, 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 and the Housing Revenue Account for council tax and dwellings rent setting purposes. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves.

- **Balance Sheet**

This statement shows the value, as at the Balance Sheet date, of the Council's recognised assets and liabilities. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves i.e. those reserves that the Council may use to provide services, subject to any statutory limitations and the need to maintain prudent reserve levels. The second category is reserves that the Council cannot use to provide services as this category includes reserves that record unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

- **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 on 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 the 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 to the Council.

EXPLANATORY FOREWORD

- **Housing Revenue Account (HRA) Income and Expenditure Statement**
This statement shows the economic cost in the year of providing Council Housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents. The Council charges rents to cover net expenditure incurred in accordance with regulations, which is different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the HRA section of the Movement in Reserves Statement.

- **Collection Fund**

This is an agent's statement that reflects the statutory obligation of the Council, as a billing Authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution of council tax to local authorities and non-domestic rates to the Government.

2. Housing Revenue Account Self Financing Settlement

In 2011/12 the Council paid £9.715 million to the Government as its required contribution under the existing Housing Subsidy System. For 2012/13 the subsidy system has been withdrawn, removing the Council's need to make future annual payments, but the Council was required to make a one off payment of £142.704 million to the Government on the 28 March 2012, in order to remove the future years' liabilities. The payment has been treated as capital expenditure and has been financed by long term borrowing of an equivalent amount from the Public Works Loans Board. The impacts of the transactions are shown in the 2011/12 accounts and are referenced as "HRA Self Financing Settlement".

3. Financial Performance during the Year

- **General Fund**

The 2011/12 original net budget requirement for the General Fund was £20.689 million, a decrease of £2.715 million from 2010/11. The Council identified budget reductions of £2.442 million through its Efficiency and Savings work-streams and responsibility for £957,000 of concessionary travel costs transferred to Hampshire County Council. These budget reductions were required to offset reduced non ringfenced Government Grant of £2.713 million, inflation costs of £581,000 and estimated reduced interest earnings of £250,000. The Council set a balanced budget with no increase in Council Tax.

During the year the Council was notified of increases of £544,000 in non ringfenced Government Grants, interest earnings were £137,000 greater than budgeted and £722,000 was received following a successful VAT refund claim. Net savings and efficiencies in Service expenditure were £503,000 after providing for a net increase in provisions of £99,000, to cover identified employee termination costs and an anticipated insurance liability, offset by a reduction in the concessionary travel provision made in 2010/11. After allowing for a net £69,000 transfer from earmarked revenue reserves to cover specific service expenditure, the various budget savings have enabled the Council to transfer £2.105 million to the Capital Programme Reserve. The balance on the General Fund as at 31 March 2012 was £2.036 million.

EXPLANATORY FOREWORD

	Original Budget	Actual	Variation
	£000	£000	£000
Service Expenditure	18,036	17,533	(503)
Revenue Financing of Capital	2,953	2,823	(130)
Interest Earnings (Net)	(300)	(437)	(137)
Net Budget Requirement	20,689	19,919	(770)
Council Taxpayers	(11,378)	(11,378)	0
Collection Fund adjustment from previous years	(95)	(95)	0
Non - Domestic Rate Redistribution	(6,822)	(6,822)	0
Revenue Support Grant	(2,109)	(2,109)	(0)
Exceptional Item - VAT Refund	0	(722)	(722)
Other Non-Ringfenced Government Grants	(285)	(829)	(544)
	0	(2,036)	(2,036)
Transfer to/(from) Earmarked Revenue Reserves	0	(69)	(69)
Transfer to/(from) Capital Programme Reserve	0	2,105	2,105
	0	0	0

- **Housing Revenue Account**

The Housing Revenue account deficit for 2011/12 was £2.502 million compared with the original approved budget deficit of £2.975 million. This was mainly due to net savings of £259,000 in supervision and management costs, £98,000 in repairs and maintenance costs and £82,000 in the contribution to the General Fund for excess costs of rent rebates. The balance on the account as at 31 March 2012 was £5.485 million. The budget for 2012/13 anticipates an HRA deficit of £1.000 million, but this represents the final cost of the North Milton estate capital expenditure refurbishment project.

4. Pension Liability

The Council's Balance Sheet shows a pension liability of £81.064 million. Whilst this has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the working lives of employees. The liability has increased by £15.914 million from 31 March 2011. This is mainly due to the updating of assumptions used by the actuary to value the Pension Fund assets and liabilities. The 2011/12 Comprehensive Income and Expenditure Account includes a debit of £3.244 million for current and past service pensions costs, compared with a credit of £16.910 million for 2010/11.

5. Impairments

In 2010/11 asset values increased by £6.054 million due to improved market conditions but these were offset by a reduction of £98.518 million in HRA dwellings due to an increase in the discount factor used to reflect secure tenancies. Of the overall 2010/11 movement of £92.464 million, £229,000 was credited to the Revaluation Reserve and £92.693 million debited to the Capital Adjustment Account via the Comprehensive Income and Expenditure Account. In 2011/12 net increases in asset values were £17.040 million, of which £5.432 million has been credited to the Revaluation Reserve and £11.608 million credited to the Capital Adjustment Account via the Comprehensive Income and Expenditure Account. Offsetting the valuation increase is non value enhancing capital expenditure of £11.743 million (2010/11 £7.276 million) that has been charged to the Income and Expenditure Account. The overall debit to the Income and Expenditure Account in 2011/12 compared with the overall debit in 2010/11 is a movement of £99.834 million and is reflected in the Net Cost of Services.

EXPLANATORY FOREWORD

6. Capital Expenditure

The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original budget was £16.334 million, which was supplemented by re-phrasings of £3.194 million from 2010/11. Other variations during the year, including re-phasing of £1.084 million of schemes to 2012/13, reduced the standard programme by £339,000 to £19.189 million. In addition expenditure of £142.704 million was approved to meet the Housing Revenue Account Self Financing Settlement, increasing the overall approved budget to £161.893 million. Actual expenditure was £159.727 million, leading to additional re-phrasings of £1.772 million to 2012/13 and an underspend of £394,000 against the last approved budget.

	Original Budget	Expenditure	Variance
	£000	£000	£000
Housing			
Major Repairs	4,976	6,844	1,868
Improvement Grants	652	667	15
HRA Self Financing Settlement	0	142,704	142,704
Enabling Activities	500	100	(400)
Environmental Enhancements	200	191	(9)
New Build	1,500	1,386	(114)
	7,828	151,892	144,064
Finance and Efficiency			
Offices	3,975	3,801	(174)
Depots	137	72	(65)
Information Technology	440	464	24
Vehicles, Plant and Equipment	908	498	(410)
	5,460	4,835	(625)
Planning and Transportation			
Car Parks/Car Park Equipment	137	108	(29)
Environmental Initiatives	0	66	66
	137	174	37
Environment			
Coast Protection	1,152	888	(264)
Cemeteries	0	4	4
Public Conveniences	300	291	(9)
Green Waste Holding Bays	50	47	(3)
	1,502	1,230	(272)
Leisure, Culture and Youth Matters			
Health and Leisure Centres	748	683	(65)
Dibden Golf Centre	27	32	5
Coast	88	15	(73)
Dual Use/Joint Provision	176	53	(123)
Developers' Contributions	9	566	557
Equipment	359	247	(112)
	1,407	1,596	189
	16,334	159,727	143,393

EXPLANATORY FOREWORD

The actual expenditure of £159.727 million was financed by:

	£000	%
Capital Reserve	2,606	1.63
Revenue Contributions to Capital	5,237	3.27
Loan - General	1,209	0.76
Loan - Self Financing Settlement	142,704	89.34
Capital Receipts	264	0.17
Grant	3,303	2.07
Developers' Contributions	810	0.51
Other (HRA Repairs and Maintenance)	3,594	2.25
	159,727	100.00

7. Funding of Future Capital Expenditure

The level of capital expenditure is reviewed and approved annually in accordance with the estimated resources available.

As at 31 March 2012 the Council had reserves/receipts in advance of £15.111 million for capital expenditure purposes (Earmarked reserves £6.299 million, Developers' Contributions £5.992 million, Usable Capital Receipts £2.549 million and Capital Grants £270,000). These reserves may be supplemented by loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts.

The approved capital expenditure budget for 2012/13 is £22.129 million, including £12.330 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2012/13 will be sufficient to finance the Council's planned expenditure.

8. Current Economic Climate / Future Service Delivery

The Council's General Fund balance has been retained at £2.036 million, in accordance with the prudent level set out in the Financial Strategy. Other earmarked revenue reserves are £1.295 million, including £500,000 to enable future efficiency savings and the Housing Revenue Account balance is £5.485 million.

Despite the continuing uncertainty of the current economic climate and a further reduction of £188,000 in non ring-fenced Government Grant, the Council has been able to set a balanced budget for 2012/13 without needing to increase Council Tax. This has largely been possible due to the continuing implementation of the Council's savings and efficiencies programme.

Major changes in funding for 2013/14 and future years are anticipated following the Government's Local Government Resources Review. The implications cannot be fully assessed at this stage but the Council's current strong financial position and the ongoing efficiencies programme should enable the Council to respond accordingly.

9. Carbon Reduction Commitment

The Council has not been required to calculate a Carbon Reduction Commitment for 2011/12 as its energy usage was 4,500 megawatts in 2008, which was below the limit of 6,000 megawatts.

EXPLANATORY FOREWORD

10. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom has for 2011/12 adopted FRS 30 Heritage Assets. The Council has considered its assets and identified 51 paintings and 37 other items of civic regalia which could fall within the definition of Heritage Assets. It has however concluded that obtaining valuations for these assets would involve a disproportionate cost in comparison to the benefits of the users of the Council's financial statements and therefore has not recognised the assets on the Balance Sheet.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11			2011/12				
Gross Expend £000	Income £000	Net Expend £000		Note	Gross Expend £000	Income £000	Net Expend £000
13,023	(10,682)	2,341	Central Services	10	15,346	(11,021)	4,325
12,393	(7,399)	4,994	Cultural and Related Services	10	11,676	(7,408)	4,268
13,024	(2,070)	10,954	Environmental and Regulatory Services	10	11,672	(2,327)	9,345
3,798	(1,561)	2,237	Planning Services	10	3,731	(1,141)	2,590
4,666	(3,148)	1,518	Highways and Transport Services	10	2,557	(2,614)	(57)
			Housing Services:				
98,518	(0)	98,518	Local Authority Housing (HRA) - secure tenancy discount	10	0	0	0
0	0	0	- self financing settlements	10	142,704	0	142,704
19,256	(22,786)	(3,530)	- other	10	18,789	(24,244)	(5,455)
44,806	(42,861)	1,945	Other Housing Services	10	46,172	(44,810)	1,362
196	(165)	31	Adult Social Care	10	266	(218)	48
3,453	(129)	3,324	Corporate and Democratic Core	10	2,867	(115)	2,752
(20,800)	0	(20,800)	Non Distributed Costs - IAS19 past service pension adjust	10/46(a)	(369)	0	(369)
475	(22)	453	- other	10	457	(23)	434
192,808	(90,823)	101,985	Cost of Services	10/12	255,868	(93,921)	161,947
			Other Operating Expenditure				
4,687			Local Council Precepts		4,707		
549			Payments to the Housing Pooled Capital Receipts		1,009		
	(477)		(Gain)/Loss on the disposal of Non-Current Assets			(691)	
	0		VAT Refund			(722)	
		4,759	Total Other Operating Expenditure				4,303
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
5			- General Fund		1		
8			- HRA		58		
			Interest Receivable and Similar Income:				
	(362)		Other Investment Income			(470)	
2,960			Pensions Interest Cost and Expected Return on Pensions Assets	46	1,950		
	(187)		Income, expenditure and changes in the fair value of Investment Properties	14		(117)	
		2,424	Total Financing and Investment Income and Expenditure				1,422
			Taxation and Non-Specific Grant Income				
	(16,134)		Council Taxpayers Income (incl. Parish precepts)			(16,225)	
	(11,709)		Non-Ringfenced Government Grants	48		(9,760)	
	(2,271)		Capital Grants and Contributions	48		(2,766)	
		(30,114)	Total Taxation and Non-Specific Grant Income				(28,751)
		79,054	(Surplus)/Deficit on the Provision of Services				138,921
	(229)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(5,430)	
	(5,320)		Actuarial (gains)/losses on Pension Fund Assets and Liabilities	46		14,600	
		(5,549)	Other Comprehensive Income and Expenditure				9,170
		73,505	Total Comprehensive Income and Expenditure	11			148,091

Total Comprehensive Income and Expenditure has increased by £74.586 million between 2010/11 and 2011/12. The reasons for this increase are detailed in Note 11.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	(2,036)	(1,100)	(7,810)	(6,398)	(1,932)	0	(2,900)	(22,176)	(328,453)	(350,629)
<i>Movement in reserves during 2010/11</i>										
Surplus or (deficit) on the provision of services	(15,994)	0	95,048	0	0	0	0	79,054	0	79,054
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(5,549)	(5,549)
Total Comprehensive Income and Expenditure	(15,994)	0	95,048	0	0	0	0	79,054	(5,549)	73,505
Adjustments between accounting basis and funding basis under regulations (note 7)	15,523	0	(95,285)	0	(470)	0	(706)	(80,938)	80,938	0
Net Increase/Decrease Before Transfers to Earmarked Reserves	(471)	0	(237)	0	(470)	0	(706)	(1,884)	75,389	73,505
Transfers to/from earmarked reserves (note 8)	471	(129)	60	(402)	0	0	0	0	0	0
Increase / Decrease in Year	0	(129)	(177)	(402)	(470)	0	(706)	(1,884)	75,389	73,505
Balance at 31 March 2011	(2,036)	(1,229)	(7,987)	(6,800)	(2,402)	0	(3,606)	(24,060)	(253,064)	(277,124)
<i>Movement in reserves during 2011/12</i>										
Surplus or (deficit) on the provision of services	2,629	0	136,292	0	0	0	0	138,921	0	138,921
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	9,170	9,170
Total Comprehensive Income and Expenditure	2,629	0	136,292	0	0	0	0	138,921	9,170	148,091
Adjustments between accounting basis and funding basis under regulations (note 7)	(2,124)	0	(133,860)	0	(147)	0	103	(136,028)	136,028	0
Net Increase/Decrease Before Transfers to Earmarked Reserves	505	0	2,432	0	(147)	0	103	2,893	145,198	148,091
Transfers to/from earmarked reserves (note 8)	(505)	(66)	70	501	0	0	0	0	0	0
Increase / Decrease in Year	0	(66)	2,502	501	(147)	0	103	2,893	145,198	148,091
Balance at 31 March 2012	(2,036)	(1,295)	(5,485)	(6,299)	(2,549)	0	(3,503)	(21,167)	(107,866)	(129,033)

BALANCE SHEET AS AT 31 MARCH 2012

2010/11		Notes	2011/12	
£000	£000		£000	£000
		Long-Term Assets		
		Property, Plant and Equipment:		
254,425		Council Dwellings	262,748	
54,399		Other Land and Buildings	58,300	
5,469		Vehicles, Plant and Equipment	4,947	
8,559		Infrastructure Assets	8,104	
0	322,852	Assets Under Construction	1,481	335,580
	2,207	Investment Properties		2,207
	532	Intangible Assets		469
	169	Long-Term Debtors		128
	325,760	Total Long-term Assets		338,384
		Current Assets		
21,101		Short-Term Investments	10,546	
313		Inventories	310	
9,089		Short-Term Debtors	5,435	
(1,506)		Bad Debt Provision	(1,701)	
387		Cash and Cash Equivalents	15,057	
	29,384	Total Current Assets		29,647
	355,144	Total Assets		368,031
		Current Liabilities		
(8,625)		Short-Term Creditors	(11,395)	
(84)		Developers' Contributions - Receipts in Advance	(6)	
	(8,709)	Total Current Liabilities		(11,401)
		Long-Term Liabilities		
0		Long-Term Borrowing	(142,704)	
(1,354)		Provisions	(1,076)	
(462)		Capital Grants - Receipts in Advance	(270)	
(2,345)		Developers' Contributions - Receipts in Advance	(2,483)	
(65,150)		Liability relating to Defined Benefit Pension Scheme	(81,064)	
	(69,311)	Total Long Term Liabilities		(227,597)
	277,124	Net Assets		129,033
		Usable Reserves:		
2,036		General Fund Balance	2,036	
1,229		Earmarked General Fund / HRA Reserves	1,295	
7,987		Housing Revenue Account	5,485	
6,800		Capital Programme Reserve	6,299	
2,402		Capital Receipts Reserve	2,549	
3,606	24,060	Developers' Contributions Unapplied	3,503	21,167
		Unusable Reserves:		
13,806		Revaluation Reserve	19,206	
304,822		Capital Adjustment Account	169,985	
(165)		Financial Instruments Adjustment Account	(109)	
12		Deferred Capital Receipts Reserve	11	
(65,150)		Pensions Reserve	(81,064)	
93		Collection Fund Adjustment Account	138	
(354)	253,064	Accumulated Absences Account	(301)	107,866
	277,124	Total Reserves		129,033

Mr R Jackson (CPFA) – Responsible Financial (s151) Officer

21 September 2012

CASH FLOW STATEMENT

2010/11		Notes	2011/12
£000			£000
79,054	Net (surplus) or deficit on the provision of services		138,921
(92,195)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	37	(5,123)
1,768	Adjustments to net surplus or deficit on the provision of services for items which are investing or financing activities		1,406
(11,373)	Net cash flows from Operating Activities		135,204
8,607	Investing Activities	39	958
4,199	Financing Activities	40	(150,832)
1,433	Net (increase) or decrease in cash and cash equivalents		(14,670)
(1,820)	Cash and cash equivalents at the beginning of the reporting period		(387)
(387)	Cash and cash equivalents at the end of the reporting period	21	(15,057)

NOTES TO THE ACCOUNTS

1. 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 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12 supported by International Financial Reporting Standards (IFRS).

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 (Debtors and Creditors)

The accounts of the Council are prepared on an accruals basis. This means that the sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. In particular:

- Income from fees, charges and rents is recognised when the Council provides the relevant goods or services.
- Supplies and services expenditure is recorded as expenditure when the supplies or services 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.
- 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 income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.

Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied by and to the Council during the year.

Exceptions to this policy are housing benefit payments, utility costs and similar quarterly payments that are not apportioned when the period of charge does not coincide exactly with the end of the financial year. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

NOTES TO THE ACCOUNTS

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 or can be called within 24 hours and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council will treat the following as cash and cash equivalents:

- Instant Access Call Accounts
- Instant Access Money Market Funds
- Deposits with one day to maturity

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) Changes in Accounting Policies, Material Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or where 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 also corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

v) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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. Charges are therefore mitigated by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement. The Council is however required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is calculated on a prudent basis determined by the Council in accordance with statutory guidance.

NOTES TO THE ACCOUNTS

vi) 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.

vii) 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.

viii) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 entitlements (or any form of leave e.g. flexi time) 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 benefits are charged to revenue in the financial year in which the absence occurs.

NOTES TO THE ACCOUNTS

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged to services on an accruals basis 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 or payable to the pension fund and pensioners.

Post Employment Benefits

Most employees of the Council are members of the Local Government Pensions Scheme, administered by Hampshire County Council.

Detailed regulations govern rates of contribution and scales of benefits, the latter normally being in the form of a lump sum and annual pension.

The Local Government Scheme is accounted for as a defined benefits scheme:

- * The liabilities of the Hampshire 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, etc, and projections of projected earnings for current employees.
- * Liabilities are discounted to their value at current prices, using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.

NOTES TO THE ACCOUNTS

- * The assets of Hampshire 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 Cost 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 Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited as Other Income and Expenditure in the Comprehensive Income and Expenditure Statements and to the Pensions Reserve
 - **Contributions paid to the Hampshire 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 or payable to the pension fund and pensioners. 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.

NOTES TO THE ACCOUNTS

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.

ix) Events after the Balance Sheet Date

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

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

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

x) 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.

xi) Financial Instruments

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.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

NOTES TO THE ACCOUNTS

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. For premiums and discounts in relation to the Housing Revenue Account, legislation allows the impact to be spread over future years to a maximum of 10 years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets are divided into two categories: Loans and Receivables and Available for Sale assets.

Loans and Receivables

Loans and receivables (e.g. cash investments) are initially measured at their fair value and carried 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 interest rate 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 credit to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-sale assets

Available for sale assets are financial assets that are held for an indefinite period of time and are tradable so ensuring liquidity. This Council had no 'Available for sale assets' during the year.

xii) Foreign Currency Translation

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

NOTES TO THE ACCOUNTS

xiii) 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 Account 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced 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.

xiv) Heritage Assets

The Council has concluded that obtaining valuations for currently held Heritage Assets would involve a disproportionate cost in comparison to the benefits to the users of Council's financial statements and therefore has not recognised the assets on the Balance Sheet. Should the Council obtain any additional Heritage Assets in the future each asset would be considered for inclusion at the time.

xv) 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) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible assets to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

NOTES TO THE ACCOUNTS

Intangible assets are measured initially at cost. Amounts are only re-valued 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 the Capital Receipts Reserve.

xvi) Inventories

Stocks are recorded in the Balance Sheet and charged to services at actual cost and stores items at average cost. This is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value. Care is taken to write out any obsolescent stocks.

xvii) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued 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.

NOTES TO THE ACCOUNTS

xviii) Leases

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

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

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

The Council as Lessee

Finance Leases

Where the Council leases a material asset under a finance lease it would be recognised in the accounts as if it were the Council's asset and then treated in the same way as any other Property, Plant and Equipment asset, other than 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 currently has no such Finance Leases.

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.

The Authority 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. The rentals receivable are treated partly as capital receipts (for the principal element) and partly as revenue interest income. If not paid in full the balance due is held as a Long-Term Debtor in the Balance Sheet and is written down when payments are received.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service area in the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

xix) 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 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xx) 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 are expected to be used during 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. 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.

A de minimis level is set for operational assets below which expenditure is not capitalised.

<u>Category of Property, Plant and Equipment Assets</u>	<u>De minimis level</u>
Council dwellings	£25,000
Other land and buildings	£10,000
Vehicles, plant and equipment	£500
Infrastructure assets	£10,000

NOTES TO THE ACCOUNTS

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 then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Vehicles, Plant and Equipment, Community Assets and Assets Under Construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- 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.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued 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 or exceptionally to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

NOTES TO THE ACCOUNTS

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:

- 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 Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets where the useful life is in excess of 50 years or where assets are without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- infrastructure – coast protection - straight-line allocation over 20 years.
land drainage and public lighting - straight-line allocation over 40 years.

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

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.

Depreciation is applied in the year in which the asset is acquired and is charged using the straight-line method.

NOTES TO THE ACCOUNTS

In respect of housing stock, the depreciation charge that has been made is equal to the Major Repairs Allowance. The Major Repairs Allowance represents a sum that is allowed annually to maintain the Council's housing stock. In 2011/12 the depreciation charge for the Council's housing stock was £3.594 million. Had a depreciation charge been based on 2.5% of the valuation of the stock at 1 April 2011, less the value of land which is not depreciated, it would have been approximately £4.09 million.

The Remaining Useful Life of the Council's Non Current Assets

The Council's Property, Plant and Equipment are depreciated over the remaining useful life of the asset as determined by the Council's valuers. Any land owned by the Council is not deemed to have a finite life and is not depreciated.

Investment assets are not depreciated and have a remaining life of 50 years or more.

The following table indicates the estimated remaining useful life of each type of non-current asset owned by the Council. Each category of asset consists of different assets with varying remaining lives. Therefore the table shows the range.

Type of Asset	Remaining Useful Asset Life at 31.3.2012
Council Dwellings	Up to 99 years
Council Garages	An average of 15 years
Depots	50+ years
Public Conveniences	Between 3 and 50+ years
Offices	50+ years
Cemeteries	50+ years
Health and Leisure Centres	Between 25 and 50+ years
Tourist Information Centre	Between 23 and 50+ years
Equipment	Between 0 and 30 years
Coastal Protection Works	Up to 20 years
Land Drainage Works	Up to 33 years
Public Lighting Works	Up to 31 years
Investment Properties	50+ years

xxi) 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 re-valued 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

NOTES TO THE ACCOUNTS

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 are categorised as capital receipts. For Council Dwellings sold under the Right to Buy Scheme 75% of the receipts, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Revenue 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.

xxii) Private Finance Initiative (PFI) and Similar Contracts

The Council has not entered into any PFI schemes or similar contracts.

xxiii) 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 authority settles the obligation.

NOTES TO THE ACCOUNTS

xxiv) 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 Authority – these reserves are explained in the relevant notes.

xxv) 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 Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves 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.

xxvi) Value Added Tax (VAT)

All VAT collected is payable to HM Revenue and Customs and most VAT paid is recoverable. Income and expenditure in the Statement of Accounts excludes any amounts related to VAT other than any irrecoverable VAT which is charged to the service to which the supply related.

NOTES TO THE ACCOUNTS

2. NEW ACCOUNTING STANDARDS YET TO BE ADOPTED

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted.

Amendments to International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (issued October 2010) will be adopted by the Code from 1 April 2012. The changes are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position.

At present it is thought that these amendments will not have a material impact on the financial statements of the Council.

3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in this document the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements that have the most significant effect on the amounts in the financial statements are:

Asset reclassifications – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be Property, Plant and Equipment assets. If the asset is being held solely for capital appreciation or rental income, there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

Lease classifications – the Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken "in the round" and a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on Leases) and could have a significant effect on the accounts.

Contractual arrangements – the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

NOTES TO THE ACCOUNTS

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.

Providing for potential liabilities – the Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of pending legal actions.

Doubtful debts allowances – the Council has made judgements about the level of doubtful debts allowances that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the current economic climate.

4. **UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED**

The financial statements contain some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year (excluding those that are carried at fair value based on recently observed market prices) are as follows:

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Doubtful Debt Allowances	<p>The Council has made allowances for doubtful debts of £1.701 million in 2011/12 (£1.506 million in 2010/11) based on what it believes to be a prudent but realistic level. The allowances are based on:</p> <p>Council Tax Debtors – 100% for debts over 4 years old and a sliding scale from 85% to 95% for debts between 1 and 3 years old.</p> <p>Sundry Debtors -100% of debts over 1 year.</p> <p>Housing Rents - Former tenants 95%, current tenants various % ranging from 0% on debts up to £100 and 95% on debts over £1,000.</p>	<p>If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment to the allowance of £85,000 (£75,000 in 2010/11).</p>
Pensions Liability	<p>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.</p>	<p>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 £13.58 million. During 2011/12, the Council's actuaries advised that the net pension liability for funded benefits had increased by £1.27 million as a result of estimates being corrected as a result of experience and increased by £10.79 million due to updating of the assumptions used in the calculations.</p>
Accumulated Absences	<p>The calculated figure is comprised of annual leave entitlement and accrued flexi/lieu time. 63% of staff record annual leave and flexi/lieu days on the HR system. The carried forward leave on the system has been used to calculate the accrual for annual leave. The average number of days taken in flexi leave per month has been used as the base for calculating accrued flexi at the end of each relevant year. This average may not exactly match the accrued flexi days at 31 March each year but would not be materially different. The balance of staff do not have leave recorded on the system and do not accrue flexi leave. Discussions between Heads of Service and HR have determined that any leave accrued for these staff would not be material.</p>	<p>The accumulated absences amount recorded for 2011/12 is £301,000. A 5% increase in the accrual would amount to £15,000. This would not impact on the useable reserves of the Council.</p>

NOTES TO THE ACCOUNTS

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The 2011/12 Accounts include the implications of the payment to the Government of £142.704 million, being the Council's contribution to the Housing Revenue Account Self Financing Settlement. Employee termination costs for 2011/12 were £996,000 compared with costs of £331,000 in 2010/11. There was no change in 2011/12 to the discount rate applied to the valuation of HRA dwellings, to reflect the secured tenancies on those dwellings, following the discount rate increase in 2010/11 which resulted in a £98.518 million charge in the 2010/11 accounts. The 2010/11 accounts also included a £20.800 million credit re past service cost pension adjustments, compared with a credit of £369,000 in 2011/12. Other than the employee termination costs all other material items above are reversed in the Movement in Reserves Statement and therefore have no impact on council tax, rents or reserves.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the Balance Sheet date that would affect the reported figures.

NOTES TO THE ACCOUNTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2011/12	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(7,409)	4,146	0	(4,197)	0	0	7,460
Self Financing Settlement		(142,704)	0	0	0		142,704
Movements in the market value of Investment Properties	0	0	0	0	0	0	0
Amortisation of intangible assets	(197)	0	0	0	0	0	197
Capital grants and contributions applied	3,181	600	0	0	0	0	(3,781)
Revenue expenditure funded from capital under statute	(1,419)	0	0	0	0	0	1,419
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	(14)	(700)	0	0	0	0	714
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Provision for the financing of capital investment	1,812	0	0	0	0	0	(1,812)
Capital expenditure charged against the General Fund and HRA balances	3,617	4,226	0	0	0	0	(7,843)
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	229	0	0	0	0	(229)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	332	(332)

NOTES TO THE ACCOUNTS

2011/12	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
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 (net of administration costs of disposal)	61	1,345	(1,406)	0	0	0	0
Transfer of cash proceeds from non PPE assets	13	0	(13)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	264	0	0	0	(264)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,009)	0	1,009	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(1)	0	0	0	1
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	0	(603)	0	603	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,594	0	0	(3,594)
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Proportion of premiums incurred in previous financial years to be charged against the HRA in accordance with statutory requirements	0	57	0	0	0	0	(57)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,459)	(735)	0	0	0	0	5,194
Employer's pensions contributions and direct payments to pensioners payable in the year	3,376	504	0	0	0	0	(3,880)

NOTES TO THE ACCOUNTS

2011/12	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
<i>Adjustments primarily involving the Collection Fund Adjustment Account:</i>							
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	45	0	0	0	0	0	(45)
<i>Adjustments primarily involving the Accumulated Absences Account:</i>							
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	49	4	0	0	0	0	(53)
Total Adjustments	(2,124)	(133,860)	(147)	0	0	103	136,028

NOTES TO THE ACCOUNTS

2010/11 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(6,808)	(96,371)	0	(4,026)	0	0	107,205
Movements in the market value of Investment Properties	3	20	0	0	0	0	(23)
Amortisation of intangible assets	(191)	0	0	0	0	0	191
Capital grants and contributions applied	2,408	0	0	0	0	0	(2,408)
Revenue expenditure funded from capital under statute	(1,869)	0	0	0	0	0	1,869
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	(215)	(1,076)	0	0	0	0	1,291
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Provision for the financing of capital investment	1,783	0	0	0	0	0	(1,783)
Capital expenditure charged against the General Fund and HRA balances	1,190	1,691	0	0	0	0	(2,881)

NOTES TO THE ACCOUNTS

2010/11 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,147	0	0	0	0	(1,147)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	441	(441)
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 (net of administration costs of disposal)	425	1,343	(1,768)	0	0	0	0
Transfer of cash proceeds from non PPE assets	23	0	(23)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	777	0	0	0	(777)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(549)	0	549	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(5)	0	0	0	5
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	0	(529)	0	529	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,497	0	0	(3,497)

NOTES TO THE ACCOUNTS

2010/11 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Proportion of premiums incurred in previous financial years to be charged against the HRA in accordance with statutory requirements	0	58	0	0	0	0	(58)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	14,849	(899)	0	0	0	0	(13,950)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,381	489	0	0	0	0	(3,870)
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	(28)	0	0	0	0	0	28
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(26)	(11)	0	0	0	0	37
Total Adjustments	15,523	(95,285)	(470)	0	0	(706)	80,938

NOTES TO THE ACCOUNTS

8. EARMARKED GENERAL FUND / HRA RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11 and 2011/12.

	Balance 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Quadrennial Election	(78)	0	(38)	(116)	116	0	0
Savings and Efficiency	(500)	0	0	(500)	0	0	(500)
Local Development Framework	(291)	12	0	(279)	28	0	(251)
Building Control Surplus	0	0	(31)	(31)	31	0	0
Historic Buildings	(6)	0	(9)	(15)	0	(2)	(17)
Lymington Synthetic Turf Pitch	(22)	3	(24)	(43)	0	(15)	(58)
Health Scheme	0	0	(8)	(8)	8	0	0
Committed Schemes	(73)	73	(38)	(38)	29	(108)	(117)
Sports, Arts, Youth and Community Grants	(24)	16	0	(8)	8	0	0
Private Housing Stock Condition Survey	0	0	(13)	(13)	0	(13)	(26)
Housing Needs Survey	0	0	(12)	(12)	0	(12)	(24)
Open Space Maintenance	0	0	0	0	0	(66)	(66)
General Fund	(994)	104	(173)	(1,063)	220	(216)	(1,059)
HRA ICT	(106)	0	(60)	(166)	0	(70)	(236)
Total Reserves	(1,100)	104	(233)	(1,229)	220	(286)	(1,295)

NOTES TO THE ACCOUNTS

9. CAPITAL PROGRAMME RESERVE

This note sets out the amounts set aside from the General Fund to provide for financing of future years' capital expenditure projects.

	Balance 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Capital Programme	(6,398)	179	(581)	(6,800)	2,606	(2,105)	(6,299)
	(6,398)	179	(581)	(6,800)	2,606	(2,105)	(6,299)

10. ANALYSIS OF SERVICE AREAS

2010/11		2011/12		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
	Central Services			
275	Elections	464	(76)	388
92	Emergency Planning	93	0	93
(116)	Local Land Charges	269	(409)	(140)
722	Local Tax Collection	11,076	(10,444)	632
347	General Grants, Bequests and Donations	349	0	349
1,021	Other *	3,095	(92)	3,003
2,341		15,346	(11,021)	4,325
	Cultural and Related Services			
92	Culture and Heritage	101	0	101
4,260	Recreation and Sport	10,444	(7,035)	3,409
252	Open Spaces	307	(28)	279
390	Tourism	824	(345)	479
4,994		11,676	(7,408)	4,268
	Environmental and Regulatory Services			
118	Cemetery, Cremation and Mortuary Services	237	(181)	56
1,831	Coast Protection	1,692	(3)	1,689
3,010	Environmental Health **	2,604	(480)	2,124
209	Community Safety (Crime Reduction)	195	0	195
370	CCTV	440	(61)	379
230	Flood Defence and Land Drainage	199	0	199
1,595	Recycling	1,949	(1,194)	755
1,307	Street Cleansing (Not chargeable to Highways)	1,482	(111)	1,371
2,284	Waste Collection	2,874	(297)	2,577
10,954		11,672	(2,327)	9,345

NOTES TO THE ACCOUNTS

2010/11		2011/12		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
	Planning Services			
139	Building Control	742	(506)	236
1,255	Development Control	1,827	(430)	1,397
947	Planning Policy	849	(4)	845
12	Environmental Initiatives	9	0	9
232	Economic Development	263	(9)	254
(348)	Business Support	41	(192)	(151)
2,237		3,731	(1,141)	2,590
	Highways and Transport Services			
135	Environmental, Safety and Routine Maintenance	108	0	108
202	Street Lighting (including energy costs)	192	0	192
134	Traffic Management and Road Safety	274	(156)	118
(711)	Parking Services	2,078	(2,386)	(308)
1,758	Public Transport	(95)	(72)	(167)
1,518		2,557	(2,614)	(57)
	Housing Services			
	Housing Revenue Account #			
98,518	- secure tenancy discount	0	0	0
0	- self financing settlement	142,704	0	142,704
(3,530)	- other	18,789	(24,244)	(5,455)
94,988		161,493	(24,244)	137,249
18	Housing Strategy	0	0	0
240	Enabling	270	(100)	170
190	Housing Advice	177	0	177
7	Housing Advances	0	0	0
693	Private Sector Housing Renewal	901	(514)	387
472	Homelessness	1,473	(926)	547
(237)	Housing Benefit Payments	41,368	(41,739)	(371)
527	Housing Benefit Administration	1,432	(1,026)	406
163	Contribution to HRA	166	0	166
(78)	Other Council Property	62	(136)	(74)
(50)	Other Welfare Services	323	(369)	(46)
1,945		46,172	(44,810)	1,362
96,933		207,665	(69,054)	138,611
	Adult Social Care			
31	Older People (Aged 65 or over) including older mentally ill	266	(218)	48
31		266	(218)	48

NOTES TO THE ACCOUNTS

2010/11		2011/12		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
	Corporate and Democratic Core			
1,973	Corporate Management	1,523	(87)	1,436
1,351	Democratic Representation and Management	1,344	(28)	1,316
3,324		2,867	(115)	2,752
	Non Distributed Costs			
(20,800)	- IAS19 past service pension adjustment	(369)	0	(369)
453	- other	457	(23)	434
(20,347)		88	(23)	65
101,985	Net Cost of Services	255,868	(93,921)	161,947

Some 2010/11 figures have been reclassified in accordance with the new Service Reporting Code of Practice requirements within Planning Services, Central Services and Cultural and Related Services. There has been no overall movement between Service Areas.

* Central Services Other includes expenditure not enhancing asset value to the Council's offices of £2.612 million in 2011/12 (£0.756 million in 2010/11).

** Environmental Health includes expenditure not enhancing value to the Council's public conveniences of £0.605 million in 2010/11.

The Housing Revenue Account is further analysed on pages 90 to 96.

NOTES TO THE ACCOUNTS

11. COMPREHENSIVE INCOME AND EXPENDITURE

Total Comprehensive Income and Expenditure in 2011/12 was £148.091 million, an increase of £74.586 million from 2010/11. The reasons for the variation are as follows:

	2010/11 £000	2011/12 £000	Variation £000
HRA Secure Tenancy Discount	98,518	0	(98,518)
HRA Self Financing Settlement	0	142,704	142,704
Capital Expenditure Not Enhancing Value	7,276	11,743	4,467
IAS19 Past Service Cost Pension Adjustment	(20,800)	(369)	20,431
IAS19 Other Service Cost Pension Adjustment	20	(267)	(287)
	2,960	1,950	(1,010)
Pensions Interest Cost and Expected Return on Assets			
Pension Fund Actuarial (Gains)/Losses	(5,320)	14,600	19,920
(Surplus)/deficit arising from the revaluation of Property, Plant and Equipment (Capital Adjustment Account)	(5,825)	(11,608)	(5,783)
(Surplus)/deficit arising from the revaluation of Property, Plant and Equipment (Revaluation Reserve)	(229)	(5,430)	(5,201)
Items Not Affecting Council Tax, Rents or Useable Reserves	76,600	153,323	76,723
Non-Ringfenced Government Grants	(11,709)	(9,760)	1,949
VAT Refund	0	(722)	(722)
Items Affecting Council Tax, Rents or Useable Reserves	(11,709)	(10,482)	1,227
Other (mainly affecting Council Tax, Rents or Useable Reserves)	8,614	5,250	(3,364)
Total Comprehensive Income and Expenditure	73,505	148,091	74,586

12. 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, note that this structure has changed and there is reclassification since the 2010/11 Statement of Accounts. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, amortisations and revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement)
- 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
- no charges are made for the cost of Revenue Expenditure Funded from Capital Under Statute or the associated grant funding

NOTES TO THE ACCOUNTS

	Finance and Efficiency	Leader's	Planning and Transportation	Environment	Housing and Communities	Health and Leisure	General Purposes and Licensing	Planning Development Control	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2011/12:										
Fees, charges and other service income	(992)	(353)	(3,467)	(1,805)	(1,711)	(6,075)	(395)	(430)	(24,244)	(39,472)
Government grants	(52,561)	0	0	(2)	0	0	0	0	0	(52,563)
Other grants and contribs.	0	0	0	(558)	0	(4)	0	0	0	(562)
Total Income	(53,553)	(353)	(3,467)	(2,365)	(1,711)	(6,079)	(395)	(430)	(24,244)	(92,597)
Employee expenses	5,582	709	2,357	5,548	1,478	5,327	675	1,435	3,603	26,714
Other service expenses	52,929	329	791	2,692	1,686	2,685	237	84	157,523	218,956
Support service recharges	253	84	276	250	170	329	80	170	363	1,975
Total Expenditure	58,764	1,122	3,424	8,490	3,334	8,341	992	1,689	161,489	247,645
Net Expenditure	5,211	769	(43)	6,125	1,623	2,262	597	1,259	137,245	155,048
Original Budget	5,253	718	227	6,385	1,739	2,277	633	1,086	(5,123)	13,195
(Saving)/Overspend	(42)	51	(270)	(260)	(116)	(15)	(36)	173	142,368	141,853
2010/11:										
Fees, charges and other service income	(1,038)	(355)	(3,473)	(1,847)	(1,470)	(6,155)	(314)	(559)	(22,786)	(37,997)
Government grants	(50,440)	0	(518)	0	(109)	(60)	0	(34)	0	(51,161)
Other grants and contribs.	0	0	0	(360)	0	0	0	0	0	(360)
Total Income	(51,478)	(355)	(3,991)	(2,207)	(1,579)	(6,215)	(314)	(593)	(22,786)	(89,518)
Employee expenses *	5,148	695	2,590	6,123	1,597	5,340	723	1,512	3,361	27,089
Other service expenses *	50,751	418	3,029	2,856	1,516	2,719	38	31	13,621	74,979
Support service recharges	314	88	345	304	206	353	97	194	381	2,282
Total Expenditure	56,213	1,201	5,964	9,283	3,319	8,412	858	1,737	17,363	104,350
Net Expenditure	4,735	846	1,973	7,076	1,740	2,197	544	1,144	(5,423)	14,832
Original Budget	4,907	846	1,676	7,194	1,954	2,844	697	1,159	(4,934)	16,343
(Saving)/Overspend	(172)	0	297	(118)	(214)	(647)	(153)	(15)	(489)	(1,511)

* Within the Housing Revenue Account for 2010/11 Other Service Expenses of £1.004 million have been reclassified within Employee Expenses.

NOTES TO THE ACCOUNTS

	2010/11	2011/12
	£000	£000
Net expenditure in the Portfolio Analysis	14,832	155,048
Amounts in the Comprehensive Income and Expenditure Statement not reported to management for decision making	87,153	6,899
Cost of Services in Comprehensive Income and Expenditure Statement	101,985	161,947

2011/12	Portfolio Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	(39,472)	0	(39,472)	0	(39,472)
Interest and investment income	0	0	0	1,363	1,363
Income from council tax	0	0	0	(16,225)	(16,225)
Government grants and contributions	(52,563)	(478)	(53,041)	(9,760)	(62,801)
Other grants and contributions	(562)	(846)	(1,408)	(2,766)	(4,174)
Total Income	(92,597)	(1,324)	(93,921)	(27,388)	(121,309)
Employee expenses	26,714	(847)	25,867	0	25,867
Other service expenses	218,956	1,418	220,374	0	220,374
Support Service recharges	1,975	0	1,975	0	1,975
Depreciation, amortisation and impairment	0	7,652	7,652	0	7,652
Interest Payments	0	0	0	59	59
Precepts and Levies	0	0	0	4,707	4,707
Payments to Housing Capital Receipts Pool	0	0	0	1,009	1,009
Gain or Loss on Disposal of Non-Current Assets	0	0	0	(691)	(691)
Fleming Claim Receipts	0	0	0	(722)	(722)
Total Expenditure	247,645	8,223	255,868	4,362	260,230
Surplus or deficit on the provision of services	155,048	6,899	161,947	(23,026)	138,921

NOTES TO THE ACCOUNTS

2010/11 Comparative Figures	Portfolio Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	(37,997)	0	(37,997)	0	(37,997)
Interest and investment income	0	0	0	2,411	2,411
Income from council tax	0	0	0	(16,134)	(16,134)
Government grants and contributions	(51,161)	(326)	(51,487)	(11,709)	(63,196)
Other grants and contributions	(360)	(979)	(1,339)	(2,271)	(3,610)
Total Income	(89,518)	(1,305)	(90,823)	(27,703)	(118,526)
Employee expenses	26,085	(20,748)	5,337	0	5,337
Other service expenses	75,983	1,821	77,804	0	77,804
Support Service recharges	2,282	0	2,282	0	2,282
Depreciation, amortisation and impairment	0	107,385	107,385	0	107,385
Interest Payments	0	0	0	13	13
Precepts and Levies	0	0	0	4,687	4,687
Payments to Housing Capital Receipts Pool	0	0	0	549	549
Gain or Loss on Disposal of Non-Current Assets	0	0	0	(477)	(477)
Total Expenditure	104,350	88,458	192,808	4,772	197,580
Surplus or deficit on the provision of services	14,832	87,153	101,985	(22,931)	79,054

NOTES TO THE ACCOUNTS

13. PROPERTY, PLANT AND EQUIPMENT ASSETS AND IMPAIRMENTS

Valuation of Property, Plant and Equipment

The Council operates a rolling programme of revaluations, which are carried out over a 5 year period. In 2011/12 the Council revalued its car parks and its mobile home park. The Council also revalued 20% of the stock of dwellings and uplifted the value of the remainder in line with current indices.

a) Analysis of Assets

The following list gives an indication of the range and number of assets owned/leased by the Council.

2010/11		2011/12
5,007	Council Dwellings	5,004
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	5
5	Health and Leisure Centres	5
52	Car Parks	52
8	Cemeteries	8
29	Public Conveniences	29
170	Vehicles	180
1,901	Garages	1,869

NOTES TO THE ACCOUNTS

b) Valuation of Property, Plant and Equipment Assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The valuations are carried out by the Council's Valuer A Groom FRICS. The basis for valuation is set out in the Statement of Accounting Policies.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure	Assets Under Construction	Total
	£000	£000	£000	£000		£000
Carried at Historic Cost (Net of Depreciation)			4,947	8,104	1,481	14,532
Valued at Fair Value as at:						
2011/12	8,323	3,901				12,224
2010/11	(94,277)	(3,723)				(98,000)
2009/10	21,119	11,745				32,864
2008/09	(58,553)	(6,965)				(65,518)
Prior to 2008/09	386,136	53,342				439,478
						0
Total Cost of Valuation	262,748	58,300	4,947	8,104	1,481	335,580

These valuations show the net current value after depreciation is applied.

NOTES TO THE ACCOUNTS

c) Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

Movements in 2011/12:	Council Dwellings	Other Land and Buildings	Vehicle, Plant, Furniture and Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2011	254,425	54,399	12,159	19,432	0	340,415
Additions	8,421	3,299	1,359	909	1,481	15,469
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	4,829	0	0	0	4,829
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	8,438	(422)	0	0	0	8,016
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(7,836)	(3,299)	(106)	(502)	0	(11,743)
Derecognition - disposals	(700)	(10)	(1,310)	0	0	(2,020)
Other movements in cost or valuation	0	0	(16)	0	0	(16)
At 31 March 2012	262,748	58,796	12,086	19,839	1,481	354,950
Accumulated Depreciation and Impairment						
At 1 April 2011	0	0	(6,690)	(10,873)	0	(17,563)
Depreciation charge	(4,197)	(497)	(1,832)	(862)	0	(7,388)
Depreciation written out to the Revaluation Reserve	603	0	0	0	0	603
Depreciation written out to the Surplus / Deficit on the Provision of Services	3,594	1	0	0	0	3,595
Derecognition - disposals	0	0	1,305	0	0	1,305
Other movements in depreciation and impairment	0	0	78	0	0	78
At 31 March 2012	0	(496)	(7,139)	(11,735)	0	(19,370)
Net Book Value						
at 31 March 2012	262,748	58,300	4,947	8,104	1,481	335,580
at 31 March 2011	254,425	54,399	5,469	8,559	0	322,852

NOTES TO THE ACCOUNTS

Comparative Movements in 2010/11:	Council Dwellings	Other Land and Buildings	Vehicle, Plant, Furniture and Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000		£000
Cost or Valuation						
At 1 April 2010	348,702	58,227	10,589	18,758	0	436,276
Additions	5,187	1,498	2,103	1,266	0	10,054
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,148	(1,505)	0	0	0	(357)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(94,632)	(2,252)	0	0	0	(96,884)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(5,187)	(1,498)		(592)	0	(7,277)
Derecognition - disposals	(664)	(200)	(533)	0	0	(1,397)
Other movements in cost or valuation	(129)	129	0	0	0	0
At 31 March 2011	254,425	54,399	12,159	19,432	0	340,415
Accumulated Depreciation and Impairment						
At 1 April 2010	0	(106)	(5,500)	(10,044)	0	(15,650)
Depreciation charge	(4,026)	(533)	(1,826)	(829)	0	(7,214)
Depreciation written out to the Revaluation Reserve	529	57	0	0	0	586
Depreciation written out to the Surplus / Deficit on the Provision of Services	3,497	582	0	0	0	4,079
Derecognition - disposals	0	0	547	0	0	547
Other movements in depreciation and impairment	0	0	89	0	0	89
At 31 March 2011	0	0	(6,690)	(10,873)	0	(17,563)
Net Book Value						
at 31 March 2011	254,425	54,399	5,469	8,559	0	322,852
at 31 March 2010	348,702	58,121	5,089	8,714	0	420,626

NOTES TO THE ACCOUNTS

d) Impairments

Impairments of Property, Plant and Equipment Assets and Investment Properties in 2011/12 were £892,000 (Sheltered Housing £439,000 and Car Parks £453,000) but revaluation increases, largely reversing previous years impairments, were £17.932 million (Council Dwellings £12.470 million, Garages £603,000, Car Parks £4.689 million and other assets £170,000).

Offsetting the net valuation increases of £17.040 million was non-enhancing capital expenditure of £7.836 million on Council Dwellings and £3.907 million on General Fund Assets (Office Optimisation £2.496 million, Recreation Facilities £606,000, Coast Protection £502,000 and Other Assets £303,000), which was impaired via the Comprehensive Income and Expenditure Account in the year.

e) Capital Expenditure Contract Commitments

As at 31 March 2012, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000	£000
Environment			
National (South East Region) Coastal Monitoring Programme	2012/13	158	
	2013/14	158	
	2014/15	158	
	2015/16	159	
	2016/17	159	792
Barton on Sea Coastal Defence Scheme	2012/13	13	
	2013/14	5	
	2014/15	19	37
Leisure, Culture and Youth Matters			
Applemore Health and Leisure Centre Capital Equipment	2012/13		8
Ringwood Health and Leisure Centre Dry Change	2012/13		1
Totton Health and Leisure Centre Bi-flow/Wet Change	2012/13		10
Totton Health and Leisure Centre Air Handling Unit	2012/13		2
Totton Health and Leisure Centre Capital Equipment	2012/13		13
Dibden Golf Centre Course Drainage	2012/13		1
Eling Tide Mill	2012/13		3
Finance and Efficiency			
Ringwood Gateway	2012/13		191
Office Optimisation	2012/13		131
Housing			
North Milton Estate	2012/13		3,150
Total			4,339

NOTES TO THE ACCOUNTS

14. INVESTMENT PROPERTIES

The following items of income and expense 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
(166)	Rental income from investment property	(119)
2	Direct operating expenses arising from investment property	2
(23)	Net (gains)/losses from fair value adjustments	0
(187)	Net (gain)/loss	(117)

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.

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

2010/11 £000		2011/12 £000
2,184	Balance at start of the year	2,207
23	Net gains/(losses) from fair value adjustments	0
2,207	Balance at end of the year	2,207

NOTES TO THE ACCOUNTS

15. INTANGIBLE ASSETS

Intangible assets consist of ICT software and software licences. The amounts carried in the Balance Sheet are based on historic cost and they are amortised to the service headings within the cost of services over an estimated useful life of 5 years.

The movement on intangible asset balances during the year is as follows:

2010/11 £000	Purchased Software	2011/12 £000
	Balance at start of the year:	
1,338	Gross carrying amounts	1,422
(808)	Accumulated amortisation	(890)
530	Net carrying amount at start of year	532
222	Purchases	135
(138)	Disposal - Gross carrying amount	(475)
109	Disposal - Amortisation written back	475
(191)	Amortisation for the period	(197)
0	Reclassification - Gross carrying amount previous year	16
0	Reclassification - Accumulated amortisation previous year	(17)
532	Net carrying amount at end of year	469
	Comprising:	
1,422	Gross carrying amounts	1,098
(890)	Accumulated amortisation	(629)
532		469

16. LONG-TERM INVESTMENTS

Money Market Investment

The Council is permitted to lend a proportion of its funds for more than 364 days. At 31 March 2012 the Council had no loans which had a remaining maturity term of more than one year.

NOTES TO THE ACCOUNTS

17. LONG-TERM DEBTORS

Long-term debtors include mortgages for house purchases, loans to local charitable trusts and staff car/cycle loans.

31 March 2011		31 March 2012
£000		£000
12	Council House Purchases	11
127	Car Loans	91
27	Trust Loans	24
3	Cycle Loans	2
169	Total	128

18. SHORT-TERM INVESTMENTS

Short-term investments include all deposits with a term of less than one year but not including Cash and Cash Equivalents.

31 March 2011		31 March 2012
£000		£000
21,000	Money Market Investments	10,500
101	Accrued Interest	46
21,101	Total	10,546

19. INVENTORIES

2010/11		2011/12
£000		£000
316	Balance outstanding at start of year	313
1,931	Purchases	2,030
(1,916)	Recognised as an expense in the year	(2,024)
(18)	Written off balances	(9)
313	Balance outstanding at year-end	310

The Consumable Stores figures in 2010/11 have been restated as they had previously been double counted.

NOTES TO THE ACCOUNTS

20. SHORT-TERM DEBTORS

An analysis of the Council's debtors and payments in advance as at 31 March is shown below:

31 March 2011		31 March 2012
£000		£000
4,518	Central Government Bodies *	647
	Other Local Authorities:	
645	Hampshire County Council	973
1	Hampshire Police Authority	0
12	New Forest National Park Authority **	30
234	Other	165
10	Public Corporations and Trading Funds	186
	Other Entities and Individuals:	
435	Council Tax Payers	429
497	Housing Tenants' Rents	553
2,737	Other Debtors and Payments in Advance	2,452
9,089	Total	5,435

* In 2010/2011 on account payments of Business Rates to the Government exceeded the actual amount due for the year by £3.862 million. In 2011/12 amounts due exceeded on account payments resulting in a creditor (note 22) rather than a debtor.

** New Forest National Park Authority for 2010/11 has been reclassified from Hampshire Fire and Rescue Authority.

The bad debts provision is shown below:

31 March 2011		31 March 2012
£000		£000
(185)	Council Tax Payers	(182)
(318)	Housing Tenants' Rents	(368)
(1,003)	Other Debtors	(1,151)
(1,506)	Total	(1,701)

21. CASH AND CASH EQUIVALENTS

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

2010/11		2011/12
£000		£000
60	Cash held by the Council	49
76	Bank current accounts	(392)
251	Short-Term deposits with building societies/banks	15,400
387		15,057

NOTES TO THE ACCOUNTS

22. SHORT-TERM CREDITORS

An analysis of the Council's creditors and receipts in advance as at 31 March is shown below:

31 March 2011 £000		31 March 2012 £000
(1,815)	Central Government Bodies *	(4,979)
	Other Local Authorities:	
(1,616)	Hampshire County Council	(1,577)
(74)	Hampshire Police Authority	(95)
(31)	Hampshire Fire and Rescue Authority	(40)
(13)	New Forest National Park Authority	0
(342)	Developers' Contributions Open Space Maintenance	(155)
(109)	Other	(24)
(4)	NHS Bodies	(1)
(86)	Public Corporations and Trading Funds	(85)
	Other Entities:	
(269)	Council Tax Payers	(252)
(4,266)	Other Creditors and Receipts in Advance	(4,187)
(8,625)	Total	(11,395)

* In 2011/12 on account payments of Business Rates to the Government were £4.091 million less than the actual amount due for the year, resulting in a year end creditor. In 2010/11 on account payments exceeded the amount due resulting in a year end debtor (note 19) rather than a creditor. Offsetting this movement is a creditor position of £867,000 with the Department of Work and Pensions re Housing/Council Tax Benefits at 31 March 2011 that has become a £90,000 debtor position at 31 March 2012.

23. DEVELOPERS' CONTRIBUTIONS – SHORT-TERM RECEIPTS IN ADVANCE

The Council has received capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor. The balances and movements on contributions were as follows:

2010/11 £000		2011/12 £000
(52)	Balance at 1 April	(84)
0	New Receipts	0
14	Financing of Capital Expenditure	93
(46)	Transfer to/(from) other Developers' Contribution Categories	(15)
(84)	Balance at 31 March	(6)

NOTES TO THE ACCOUNTS

24. LONG-TERM BORROWING

Long-term borrowing refers to loans that are repayable over a period in excess of 12 months.

At 1 April 2011 the Council was debt free. On 28 March 2012 long-term debt was raised for the HRA Self Financing Settlement payment to the Government.

2010/11 £000		2011/12 £000
0	Balance at 1 April	0
0	Loans Raised	(142,704)
0	Loans Repaid	0
0	Balance at 31 March	(142,704)

25. PROVISIONS

The Council maintains provisions to cover liabilities or losses that are anticipated to arise, but which cannot be quantified with certainty.

2010/11								2011/12						
Redundancy	Private Sector Leasing Dilapidations	Concessionary Travel	Legislation Changes	Insurance	Total		Redundancy	Private Sector Leasing Dilapidations	Concessionary Travel	Legislation Changes	Insurance	Total		
£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000		
(353)	(102)	0	0	0	(455)	Balance at 1 April	(510)	(102)	(457)	(285)	0	(1,354)		
(269)	0	(457)	(285)	0	(1,011)	Additional provision made	(146)	0	0	0	(300)	(446)		
112	0	0	0	0	112	Amounts used	267	0	109	0	0	376		
0	0	0	0	0	0	Unused amounts reversed	0	0	348	0	0	348		
(510)	(102)	(457)	(285)	0	(1,354)	Balance at 31 March	(389)	(102)	0	(285)	(300)	(1,076)		

Redundancy

The Redundancy provision is put in place once approval for the termination of employment has been agreed by the Council. As at 31 March 2012 provisions of £389,000 had been made for 5 new terminations in 2012/13 and for outstanding commitments from previous terminations. Payments are anticipated to be made during 2012/13.

Private Sector Leasing Dilapidations

The Council is responsible for ensuring the repair of private sector houses that are leased. The Council had possible obligations on 204 properties at 31 March 2012. A revenue budget of £54,000 exists in 2012/13 for dilapidation costs but a provision of £102,000 is also held to cover the potential for additional costs should a large number of dilapidations occur in any particular year.

NOTES TO THE ACCOUNTS

Concessionary Travel

Responsibility for reimbursing bus operators for 'income foregone' as the elderly and disabled may travel free on registered bus services transferred to Hampshire County Council on 1 April 2011. All outstanding liabilities for this Council were settled during 2011/12 and therefore the provision has now been removed.

Legislation Changes

The ability to fully recover the cost of providing property search information is currently subject to challenge nationally, as a consequence of conflicting legislation. It is possible that a future revenue loss may occur. At this stage the extent of any liability within the 2011/12 accounts has been estimated at £285,000.

Insurance

The Council was previously insured by Municipal Mutual Insurance Limited. Latest information received from the Company's Creditors' Committee is that the Company may no longer achieve a solvent run-off to its affairs. This raises a potential liability to the Council, which is currently estimated at £300,000.

26. CAPITAL GRANTS – RECEIPTS IN ADVANCE

The Council has received capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor. The balances and movements on contributions were as follows:

2010/11				2011/12		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000		£000	£000		
(317)	0	(317)	Balance at 1 April	(462)	0	(462)
(1,973)	(121)	(2,094)	New Receipts	(1,756)	(1,355)	(3,111)
1,828	121	1,949	Financing of Capital Expenditure	1,989	1,314	3,303
(462)	0	(462)	Balance at 31 March	(229)	(41)	(270)

NOTES TO THE ACCOUNTS

27. DEVELOPERS' CONTRIBUTIONS – LONG-TERM RECEIPTS IN ADVANCE

The Council has received capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor. The balances and movements on contributions were as follows:

2010/11 £000		2011/12 £000
(2,394)	Balance at 1 April	(2,345)
(442)	New Receipts	(392)
445	Financing of Capital Expenditure	386
46	Transfer to/(from) other Developers' Contribution Categories	(132)
(2,345)	Balance at 31 March	(2,483)

28. CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve principally reflects the proceeds from the disposal of Property, Plant and Equipment assets that have yet to be reutilised on new capital expenditure.

2010/11 £000		2011/12 £000
(1,932)	Balance at 1 April	(2,402)
(1,796)	New receipts (including interest)	(1,420)
549	Transfers to government	1,009
777	Financing of capital expenditure	264
(2,402)	Balance at 31 March	(2,549)

29. DEVELOPERS' CONTRIBUTIONS UNAPPLIED

The Developers' Contributions Unapplied account reflects S106 contributions which have no conditions attached to them and have therefore been credited to the Reserve via the Comprehensive Income and Expenditure Account.

2010/11 £000		2011/12 £000
(2,900)	Balance at 1 April	(3,606)
(1,147)	New Receipts	(403)
441	Financing of Capital Expenditure	332
0	Transfers to/(from) other Developers' Contribution Categories	174
(3,606)	Balance at 31 March	(3,503)

NOTES TO THE ACCOUNTS

30. REVALUATION RESERVE

This Reserve records the increase in the valuation of assets since 1 April 2007, under the system of capital accounting.

The Reserve is written down by any accumulated revaluation surplus of assets as they are disposed of and debited or credited with the deficits or surpluses arising on the year's revaluations.

2010/11				2011/12		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(11,111)	(2,572)	(13,683)	Balance at 1 April	(9,605)	(4,201)	(13,806)
(1,649)	(1,677)	(3,326)	Upward revaluation of assets	(4,828)	(603)	(5,431)
3,097	0	3,097	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	0	0	0
1,448	(1,677)	(229)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(4,828)	(603)	(5,431)
58	48	106	Accumulated gains on assets sold or scrapped	10	21	31
(9,605)	(4,201)	(13,806)	Balance at 31 March	(14,423)	(4,783)	(19,206)

NOTES TO THE ACCOUNTS

31. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing their acquisition or enhancement under statutory provisions. The account is debited with the costs of depreciation, impairment and amortisations as assets are consumed and credited with the amounts set aside by the Council for the financing of capital expenditure.

The account contains accumulated gains and losses on Investment Properties and gains on Property, Plant and Equipment assets arising before 1 April 2007.

The balance on the Capital Adjustment Account is matched by fixed assets within the Balance Sheet and does not represent actual funds available to the Council.

2010/11			2011/12	
£000	£000		£000	£000
	(403,462)	Balance 1 April		(304,822)
		Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:		
107,205		Charges for depreciation and impairment of non-current assets	7,460	
191		Amortisation of intangible assets	197	
1,869		Revenue expenditure funded from capital under statute	1,419	
0		Housing Revenue Account Self Financing Settlement	142,704	
1,185		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	683	
	110,450	Net written out amount of the cost on non-current assets consumed in the year		152,463
		Capital financing applied in the year:		
(777)		Use of the Capital Receipts Reserve to finance new capital expenditure	(264)	
(3,497)		Use of the Major Repairs Reserve to finance new capital expenditure	(3,594)	
(2,408)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,781)	
(441)		Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts	(332)	
(1,783)		Provision for the financing of capital investment charged against the General Fund and HRA balances	(1,812)	
(2,881)		Capital expenditure charged against the General Fund and HRA balances	(7,843)	
	(11,787)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(17,626)
	(23)			0
	(304,822)	Balance at 31 March		(169,985)

NOTES TO THE ACCOUNTS

32. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

When debt is repaid prior to the natural maturity of the loan, a discount is received or a penalty incurred. Penalties previously incurred by the Council are held in the Financial Instruments Adjustment Account and all relate to the Housing Revenue Account. The Council is required to write down the penalties incurred over the original life of the loans that have been rescheduled or repaid when they relate to the Housing Revenue Account but the write down is subject to a maximum period of 10 years.

2010/11		2011/12
£000		£000
223	Balance at 1 April	165
(58)	Proportion of premiums incurred in previous financial years charged against the Housing Revenue Account balance in accordance with statutory requirements	(56)
165	Balance at 31 March	109

33. DEFERRED CAPITAL RECEIPTS RESERVE

The deferred capital receipts reserve represents the amount of capital receipts owed to the Council that have not yet been received.

2010/11		2011/12
£000		£000
(17)	Balance at 1 April	(12)
5	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(12)	Balance at 31 March	(11)

NOTES TO THE ACCOUNTS

34. PENSIONS RESERVE

Full details of the Pension Scheme are set out in Note 46. The debit balance on the Reserve shows the shortfall in the benefits earned by past and current employees and the estimated resources in the Pension Fund. The statutory arrangements will ensure that funding will be set aside by the time the benefits come to be paid.

2010/11		2011/12
£000		£000
88,290	Balance at 1 April	65,150
(5,320)	Actuarial gains or losses on pensions assets and liabilities	14,600
(13,950)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,194
(3,870)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,880)
65,150	Balance at 31 March	81,064

35. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. The fund balance is allocated as follows:

31 March 2011		31 March 2012
£000		£000
(439)	Hampshire County Council	(649)
(62)	Hampshire Police Authority	(91)
(26)	Hampshire Fire and Rescue Authority	(38)
(527)		(778)
(93)	New Forest District Council	(138)
(620)		(916)

The balance on the fund will be taken into account in calculating the council tax in future years. £0.779 million was taken into account in setting the 2012/13 Council Tax Levels (£0.635 million for 2011/12).

NOTES TO THE ACCOUNTS

36. ACCUMULATED ABSENCES ACCOUNT

This account represents the reversal of the accrual for compensated absences. The accrual is required under the Code but under regulations is not allowed to count as expenditure against the General Fund or Housing Revenue Account.

2010/11		2011/12
£000		£000
317	Balance at 1 April	354
37	Increase / (Decrease) in year end entitlement	(53)
354	Balance at 31 March	301

37. NON-CASH MOVEMENTS

2010/11		2011/12
£000		£000
(107,205)	Depreciation/Impairments	(7,460)
(191)	Amortisations	(197)
23	Movements in the value of investment properties	0
2,271	Capital grants applied to the financing of capital expenditure /received to meet the principal repayments on borrowing	2,766
(1,291)	Carrying amount of non-current assets sold	(714)
(3)	Increase/(Decrease) in Inventories	(3)
2,416	Increase/(Decrease) in Debtors	(3,654)
(155)	Increase/(Decrease) in Investments Accrued Interest	(55)
(90)	(Increase)/Decrease in impairment for Provision for Bad Debts	(195)
(814)	(Increase)/Decrease in Creditors	(2,638)
122	Adjustment to Creditors re Capital Expenditure	(65)
(277)	Council Tax Adjustment	175
(3,862)	NNDR Adjustment	4,091
(60)	NNDR Creditor Movement	3,862
13,950	Pension Liability - reversal of current service cost, past service cost, settlements and curtailments, pensions interest cost and expected return on pensions assets	(5,194)
3,870	Pension Liability - addition of the cash paid out in the year in the form of Employers' contributions to pension funds and direct payments to pensioners	3,880
(899)	Comprehensive Income and Expenditure Account and replace	278
(92,195)	Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	(5,123)

NOTES TO THE ACCOUNTS

38. OPERATING ACTIVITIES

2010/11		2011/12
£000		£000
(502)	Investment interest received	(510)
5	Loan interest paid	2
(497)	Net cash flows from operating activities	(508)

39. INVESTING ACTIVITIES

2010/11		2011/12
£000		£000
10,152	Purchase of property, plant and equipment, investment property and intangible assets	15,669
132,750	Purchase of short-term and long-term investments	42,350
73	Other payments for investing activities	43
(1,768)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,406)
(130,250)	Proceeds from short-term and long-term investments	(52,850)
(2,350)	Other receipts from investing activities	(2,848)
8,607	Net cash flows from investing activities	958

40. FINANCING ACTIVITIES

2010/11		2011/12
£000		£000
(7,550)	Cash receipts of short- and long-term borrowing	(144,204)
0	Other receipts from financing activities	(8,128)
7,550	Repayments of short- and long-term borrowing	1,500
4,199	Other payments for financing activities	0
4,199	Net cash flows from financing activities	(150,832)

NOTES TO THE ACCOUNTS

41. ACQUIRED AND DISCONTINUED OPERATIONS

There have been no acquired or discontinued operations that have affected the 2011/12 Statement of Accounts.

42. AGENCY SERVICES

These figures include net expenditure on services that the Council provides on an agency basis for highways, disposal of waste and on-street parking enforcement. The Council's expenditure and income in respect of agency services is summarised below:

2010/11		2011/12		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
	Hampshire County Council			
9	- Highways	520	(508)	12
0	- Waste	43	(43)	0
146	- On-Street Parking	232	(82)	150
155	Agency Expenditure	795	(633)	162

NOTES TO THE ACCOUNTS

43. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital expenditure is paid for (financed) in various ways including borrowing, the use of internal resources, the receipt of grant and directly from revenue income. Capital expenditure on behalf of other authorities is recharged directly to them.

The Capital Financing Requirement shows the overall indebtedness of the Council. This debt need not be external loans that have been raised but can be internal funds that the Council has used temporarily instead of raising debt. The expectation is that borrowing may be required in the future.

This table sets out the transactions required for the financing of capital expenditure and permitted adjustments for each year.

	2010/11		2011/12	
	£000	£000	£000	£000
Opening Capital Financing Requirement		6,607		6,964
Capital Investment				
Property, Plant and Equipment Assets	10,053		15,469	
Intangible Assets	222		135	
REFCUS	1,869	12,144	1,419	17,023
HRA Self Financing Settlement		0		142,704
Sources of Finance				
Capital Receipts	(777)		(264)	
Government Grants	(1,949)		(3,303)	
Revenue Contributions	(2,881)		(7,842)	
Major Repairs Reserve	(3,497)		(3,594)	
Developers' Contributions	(900)	(10,004)	(810)	(15,813)
Other Adjustments for the Repayment of Debt				
Voluntary MRP		(1,783)		(1,812)
Closing Capital Financing Requirement		6,964		149,066

Explanation of movements in Year	2010/11	2011/12
	£000	£000
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by Government financial assistance)	2,140	143,914
Reduction (-)/increase in need to borrow because of voluntary MRP & adjustments	(1,783)	(1,812)
	357	142,102

NOTES TO THE ACCOUNTS

Where applicable the Council is required to set aside a revenue provision for the redemption of debt and for a future borrowing requirement if external debt has not actually been raised.

The Council has a choice in the method of calculating the provision and has chosen the one that represents the depreciation calculation of those assets financed by the debt. Therefore, when the value of the asset financed by debt has been fully depreciated the amount of the revenue provision that has been set aside will be sufficient to repay the loan for that asset.

New vehicles, plant and equipment, including ICT equipment, are funded by a future borrowing requirement. In order to make a provision to repay this future requirement a voluntary revenue provision is made. This sum was £1,811,521 in 2011/12 and was charged to the General Fund.

There is no requirement for a revenue provision to be charged on outstanding debt for the Housing Revenue Account (HRA).

44. CONTINGENT ASSETS

The Council is unaware of any Contingent Assets as at the Balance Sheet date.

45. CONTINGENT LIABILITIES

The Council is unaware of any Contingent Liabilities as at the Balance Sheet date.

NOTES TO THE ACCOUNTS

46. DEFINED BENEFIT PENSION SCHEME

a) Transactions Relating to Post-employment (Retirement) Benefits

As part of the terms and conditions of employment the Council offers retirement 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 the Hampshire County Council Pension Scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid out as pensions. However, the charge required to be made against the General Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Account via the Movement in Reserves statement. The following transactions have been made during the year:

	2010/11	2011/12
	£ million	£ million
Comprehensive Income and Expenditure Account		
Cost of Services:		
Current service cost	3.420	3.100
Past service cost	(20.330)	0.144
Financing and Investment Income and Expenditure		
Interest cost	8.980	8.640
Expected return on assets in the scheme	(6.020)	(6.690)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(13.950)	5.194
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	(5.320)	14.600
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(19.270)	19.794
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	23.140	(15.914)
Actual amount charged against the General Fund		
Balance for pensions in the year:		
Employers' contributions payable to scheme	3.870	3.880

In the UK budget statement on 22 June 2010 the Chancellor announced that, with effect from 1 April 2011, public service pensions would be uprated in line with the Consumer Prices Index (CPI) rather than the Retail Price Index. This had the effect of reducing the Council's liabilities in the Pension Fund and the credit was recognised as a past service gain in the Comprehensive Income and Expenditure Statement. The 2010/11 past service cost figure includes a credit adjustment of £20.800 million, which is principally due to the inflation index change.

NOTES TO THE ACCOUNTS

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £62.280 million. The Council's standard contribution rate in 2011/12 was 13.1% of current members' pay plus 6% of contributing members' pay as at 31 March 2010. The same rates apply for 2012/13. This will generate an estimated Council contribution to the Pension Scheme of £3.480 million. In addition, estimated Strain on Fund contributions will be £0.370 million.

b) Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

Assets and Liabilities	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
	£ million	£ million	£ million	£ million	£ million
Estimated liabilities in scheme	(123.950)	(130.540)	(179.340)	(160.910)	(180.134)
Estimated assets in scheme	86.650	69.350	91.050	95.760	99.070
Net assets/(liabilities)	(37.300)	(61.190)	(88.290)	(65.150)	(81.064)

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment retirement benefits. The total net liability of £81.064 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Reconciliation of Present Value of the Scheme Liabilities

	2010/11	2011/12
	£ million	£ million
Opening balance at 1 April	(179.340)	(160.910)
Current Service Cost	(3.420)	(3.100)
Interest Cost	(8.980)	(8.640)
Contributions by Participants	(1.170)	(1.140)
Actuarial Gains/(Losses) on Liabilities	6.050	(12.450)
Net Benefits Paid Out	5.620	6.250
Past Service Costs	20.330	(0.144)
Closing balance at 31 March	(160.910)	(180.134)

NOTES TO THE ACCOUNTS

Reconciliation of Fair Value of the Scheme Assets

	2010/11	2011/12
	£ million	£ million
Opening balance at 1 April	91.050	95.760
Expected Return on Assets	6.020	6.690
Actuarial Gains/(Losses) on Assets	(0.730)	(2.150)
Contributions by the Employer	3.500	3.510
Contributions by Participants	1.170	1.140
Net Benefits Paid Out	(5.250)	(5.880)
Closing balance at 31 March	95.760	99.070

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on assets in the year was a gain of £4.540 million (2010/11 gain was £5.290 million).

c) 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. The liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2011	31 March 2012
	%	%
Rate of inflation - RPI	3.7	3.5
- CPI	2.8	2.5
Rate of increase in salaries	5.2	5.0
Rate of increase in pensions	2.8	2.5
Rate of increase in deferred pensions	2.8	2.5
Proportion of employees opting to take a commuted lump sum:		
for pre 1/4/10 past service	25.0	25.0
for post 31/3/10 future service	75.0	75.0
Rate of discounting scheme liabilities	5.4	4.7

Mortality Assumptions	31 March 2011	31 March 2012
	Years	Years
Future lifetime from age 65 (currently aged 65)		
Males	23.8	23.9
Females	24.8	24.9
Future lifetime from age 65 (currently aged 45)		
Males	25.6	25.6
Females	26.7	26.8

NOTES TO THE ACCOUNTS

31 March 2011				31 March 2012		
£ million	%	Long-term Return %		£ million	%	Long-term Return %
4.12	4.3	1.5	Cash	4.06	4.1	1.8
60.71	63.4	8.4	Equity Investments	54.59	55.1	8.1
22.31	23.3	4.4	Government Bonds	26.75	27.0	3.1
1.63	1.7	5.1	Corporate Bonds	1.49	1.5	3.7
6.99	7.3	7.9	Property	7.63	7.7	7.6
0.00	0.0	8.4	Other Assets	4.55	4.6	8.1
		7.1	Average			6.4
95.76	100.0		Total	99.07	100.0	

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 within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2012.

d) History of Experience Gains and Losses

The actual gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories:

	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
	£ million	£ million	£ million	£ million	£ million
Experience gains/(losses) on assets	(6.660)	(23.520)	18.870	(0.730)	(2.150)
Experience gains/(losses) on liabilities	2.420	(0.500)	1.710	4.280	(1.270)
Liability gains/(losses) due to assumption changes	22.080	1.790	(44.110)	1.770	(11.180)
Total Actuarial Gain/(Loss)	17.840	(22.230)	(23.530)	5.320	(14.600)

NOTES TO THE ACCOUNTS

e) Movement in the Pensions Reserve

2010/11			2011/12	
£ million	£ million		£ million	£ million
	(88.290)	Net Liability at 1 April		(65.150)
		Movement in year:		
		Operating Charge		
(3.420)		Current Service Costs	(3.100)	
20.330	16.910	Past Service Costs	(0.144)	(3.244)
		Contributions		
3.500		Cash paid - Funded Liabilities	3.510	
0.370	3.870	- Unfunded Liabilities	0.370	3.880
		Finance Income		
6.020		Expected Return on Assets	6.690	
(8.980)	(2.960)	Interest on Liabilities	(8.640)	(1.950)
	5.320	Actuarial Gain/(Loss)		(14.600)
	(65.150)	Net Liability at 31 March		(81.064)

Further information on the Pension Fund can be obtained from:
Pensions Services
Hampshire County Council
The Castle
Winchester
SO23 8UB Telephone: (01962) 845588

47. EXTERNAL AUDIT COSTS

The following fees payable to the Audit Commission relating to external audit and inspection were incurred.

2010/11		2011/12
£000		£000
128	External audit services carried out by the appointed auditor	122
9	Statutory inspection	0
40	Certification of grant claims and returns	23
0	Audit Commission Rebate	(10)
177		135

NOTES TO THE ACCOUNTS

48. GRANTS INCOME

Details of the grants and contributions income credited to the Comprehensive Income and Expenditure Account are as follows:

2010/11		2011/12
£000	Service Specific Revenue Grants and Contributions (included in cost of services)	£000
	Department for Communities and Local Government	
(285)	NNDR Collection	(293)
(109)	Homelessness Initiatives	0
0	Housing Benefit Reforms Transition Fund	(19)
0	Preventing Repossession	(30)
(326)	Disabled Facilities	(478)
(2)	Local Public Service Agreements	0
(34)	Habitat Regulations	0
	Department for Work and Pensions	
(1,080)	Housing and Council Tax Benefit Administration	(1,005)
(39,220)	Housing Benefit Subsidy	(41,206)
(9,809)	Council Tax Benefit Subsidy	(9,962)
(46)	Discretionary Housing Payments	(46)
	Other Government Grants	
(518)	Concessionary Travel	0
(58)	Free Swimming	0
0	The Bathing Water Regulations	(2)
(51,487)	Total Government Grants	(53,041)
	Other Grants and Contributions	
(360)	Project Integra - Recycling	(558)
(900)	Developers' Contributions	(810)
(69)	Improvement Grants	(36)
0	Aiming High - Swimming Lessons and Equipment	(4)
(10)	Other	0
(1,339)	Total Other Grants and Contributions	(1,408)
(52,826)	Total Service Revenue Grants and Contributions	(54,449)
	Non-Ringfenced Revenue Government Grants	
	Department for Communities and Local Government	
(1,475)	Revenue Support Grant	(2,109)
(10,154)	Distribution from NNDR Pool	(6,821)
0	New Homes Grant	(467)
(4)	Local Public Service Agreements	0
(42)	Area Based Grant	0
0	Council Tax Freeze Grant	(285)
0	Local Services Support Grant	(78)
(34)	Land Charges	0
(11,709)	Total Non-Ringfenced Revenue Government Grants	(9,760)
	Capital Grants and Contributions	
(1,431)	Coast Protection	(885)
0	One Site	(689)
(706)	Developers' Contributions	36
(111)	Ringwood Gateway	(615)
(23)	Capital Receipts	(13)
0	Howards Mead	(600)
(2,271)	Total Capital Grants and Contributions	(2,766)
(66,806)	Total Grants and Contributions Income	(66,975)

NOTES TO THE ACCOUNTS

49. LEASES

Finance Leases with the Council acting as Lessee

In previous years the Council has obtained vehicles, plant and equipment through leasing. As at 31 March 2012 the Council had a small number of leases that under the Code would need to be accounted for as finance leases. However as the residual value of these leases was not material and is reducing, the Council has continued to account for them as operating leases. The value at 31 March 2012 was £10,179 (31 March 2011 £21,268). In 2011/12, the amount paid to lessors was £17,700.

The policy of the Council for future years is to purchase rather than lease all Vehicle, Plant and Equipment.

This table shows the £5,000 future liability of minimum lease rental payments split between leases that terminate in the period and those that are ongoing.

Lease Rental Payments for:	Ongoing Lease Rentals	Terminating Lease Rentals	Total Lease Rentals
	£000	£000	£000
Not later than one year	0	5	5
Later than one year but not later than 5 years	0	0	0
Later than 5 years	0	0	0
Total Lease Rentals	0	5	5

Operating Leases with the Council acting as Lessee

The Council has acquired 17 properties by entering into operating leases. The assets are not owned by the Council and no asset is recorded in the Council's accounts.

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

Lease Rental Payments for:	31 March 2011	31 March 2012
	£000	£000
Not later than one year	58	78
Later than one year but not later than 5 years	230	266
Later than 5 years	633	747
Total Lease Rentals	921	1,091

Expenditure of £76,605 was charged to the Comprehensive Income and Expenditure Statement during the year.

NOTES TO THE ACCOUNTS

Operating Leases with the Council acting as Lessor

The Council leases out property and equipment under operating leases for the provision of community services and economic development.

The future minimum lease payments receivable under the material leases in future years are:

Lease Rental Payments for:	31 March 2011 Original £000	31 March 2011 Restated £000	31 March 2012 £000
Not later than one year	282	434	561
Later than one year but not later than 5 years	1,482	1,737	2,142
Later than 5 years	25,723	33,637	35,119
Total Lease Rentals	27,487	35,808	37,822

The portion of the lease rental for Hythe Marina that is based on a profit share basis has not been included in this table. As the profit cannot be accurately projected over the 972 year term of the lease any estimate will be inaccurate and therefore has been omitted. The income for 2011/12 was £106,854 (2010/11 £128,174).

The figures for 31 March 2011 have been restated from the previous year's accounts to allow for the twenty leases not included in 2010/11. There was one significant lease that was overlooked and various leases of a smaller value. There are now 30 leases that are not included in this table; these have little or no value.

50. MEMBERS' ALLOWANCES

During 2011/12, payments to Members of the Council amounted to £488,607. For 2010/11 the equivalent amount was £499,529.

51. MINORITY INTEREST

At 31 March 2012, a New Forest District Council councillor was on the New Forest Enterprise Centre Ltd's board of 7 members with voting rights and therefore the Council had a minority interest.

NOTES TO THE ACCOUNTS

52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£000	£000	£000	£000
Financial liabilities (principal amount)	0	142,704	0	0
Accrued Interest	0	0	0	49
Trade Creditors	0	0	4,436	4,087
Total Borrowings	0	142,704	4,436	4,136
Loans and receivables (principal amount)	0	0	21,000	10,500
Accrued Interest	0	0	101	46
Trade Debtors	0	0	2,869	3,156
Loans and receivables at amortised cost	0	0	23,970	13,702
Financial Assets at fair value	0	0	0	0
Cash and Cash Equivalents	0	0	387	15,057
Total Investments	0	0	24,357	28,759

Accrued interest is already accounted for in the Comprehensive Income and Expenditure Account.

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments only are made up as follows:

	2010/11		2011/12	
	Financial Liabilities amortised cost	Loans and Receivables	Financial Liabilities amortised cost	Loans and Receivables
	£000	£000	£000	£000
Interest Expense	4	0	49	0
Impairment Losses	0	0	0	0
Interest Income	0	(323)	0	(454)
Net (Gain)/loss for the year	4	(323)	49	(454)

NOTES TO THE ACCOUNTS

Key Risks

As with any organisation, the Council's activities expose it to a variety of financial risks in the application of financial instruments. The key risks are:

- 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 want to renew a financial instrument on maturity when interest rates or terms may be less advantageous.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- By approving annually in advance prudential and treasury indicators for the following three years limiting:

The Council's overall borrowing.

Its maximum and minimum exposures to fixed and variable rates.

Its maximum and minimum exposures for the maturity structure of its debt.

Its maximum annual exposures to investments maturing beyond a year.

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

NOTES TO THE ACCOUNTS

These must be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Cabinet on 3 February 2011. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £26 million. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £0 million. This is the expected level of debt and other long-term liabilities during the year.

As the Council did not expect to raise any long-term loans during the year these limits were anticipated to apply to temporary debt only.

However, during the year it became apparent that long-term debt would need to be considered for the commutation of grant under the HRA Self Financing Settlement.

A revised treasury strategy was therefore approved on 1 February 2012 detailing the new limits required. These are:

- The Authorised Limit for 2011/12 was increased to £173.4 million.
- The Operational Boundary was increased to £143.4 million.

These policies are implemented by a central treasury team. 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). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

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 & Poors Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits that an investment can be placed with a financial institution located within each category of credit rating. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The key areas of the Investment strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short-Term of F1, Long Term A, Support C and Individual 3 (according to Fitch or an equivalent rating agency), with the lowest available rating being applied.
- UK institutions provided with support from the Government.
- Building Societies with assets in excess of £250 million.

NOTES TO THE ACCOUNTS

Although the Investment strategy was set prior to the beginning of the year, a treasury panel meets monthly to review strategy. In reality the practical investment criteria during 2011/12 was very much restricted in view of global economic concerns.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £26 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. 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 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions. The Council hold no bonds but receives income from Council Tax, Business Rates and for Housing Benefit overpayments. These are statutory debts and whilst the council endeavours to collect this income, it cannot choose who its counterparties are in relation to these debts. Such statutory debts are not classified as financial instruments, and for this reason no reference to statutory debts is contained within the following tables.

Bond Ratings	Amount at 31 March 2012	Historical experience of default	Market Conditions at 31 March 2012	Estimated maximum exposure to default
	£000	%	%	£000
Bonds	0	0.00%	0.00%	0
Trade Debtors	3,156	0.68%	0.13%	4
Total	3,156			4

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

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

Whilst the Council's deposits are made either through the London Money Markets or directly with the Counterparty the allocation of investments between institutions domiciled in foreign countries were as follows:

	31 March 2011		31 March 2012	
	£000	%	£000	%
UK	21,387	100	25,900	100
EU	0	0	0	0
Non EU	0	0	0	0
Total	21,387	100	25,900	100

NOTES TO THE ACCOUNTS

Trade Debtors

The Council does not generally allow credit for its trade debtors. The amount that is past its due date can be analysed by age as follows:

	31 March 2011	31 March 2012
	£000	£000
Less than three months	1,879	1,939
Three months to one year	303	425
More than one year	687	792
Total	2,869	3,156

The Council initiates a legal charge on property where, for instance, tenants have purchased their Council dwelling or have been granted a repayable renovation loan and cannot afford to pay immediately. The total collateral at 31 March 2012 was £10,696.

Sundry Debtors bad debt provisions are based upon service areas for invoices that are still unpaid 1 year after they fall due, then adjusted for known changes and experience. Housing Rents bad debt provisions are based on percentages of the value of arrears for current and former tenants.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), also through cash flow management procedures required by the CIPFA Code of Practice. This seeks to ensure that cash is available when 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, and the PWLB and money markets for access to longer-term funds. 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.

The maturity analysis of financial assets excluding sums due from customers is as follows:

	31 March 2011	31 March 2012
	£000	£000
Less than one year	21,387	25,900
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
Total	21,387	25,900

All trade and other payables (£3.156 million) are due to be paid in less than one year and are not shown in the table above.

NOTES TO THE ACCOUNTS

Refinancing and Maturity Risk

The Council maintains a significant debt and 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 both the maturing of longer term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of the debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies addresses the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient 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 maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period as approved by Council in the Revised Treasury Management Strategy:

	Approved minimum limits 2011/12		Approved maximum limits 2011/12		Actual 31 March 2011		Actual 31 March 2012	
	£m	%	£m	%	£m	%	£m	%
Less than one year	0	0	174	100	0	0	0.0	0
Between one and two years	0	0	174	100	0	0	0.0	0
Between two and five years	0	0	174	100	0	0	0.0	0
Between five and ten years	0	0	174	100	0	0	20.5	14
More than ten years	0	0	174	100	0	0	122.2	86
Total					0.0	0.0	142.7	100.0

The maximum approved limit is the same for all periods as the final strategy for raising the HRA settlement debt had still to be finalised at the setting of the Treasury Strategy Report.

Market Risk

Interest rate risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have an impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest charged to the Comprehensive Income and Expenditure Statement will rise. This Council undertook a very limited amount of very short term cash flow borrowing in 2011/12 and this can be classed as variable borrowing rates. This borrowing was so limited that applying the 1% variation would make little difference to the interest paid;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

NOTES TO THE ACCOUNTS

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Account and directly affect the General Fund Balance pound for pound. Movements in the fair value of any fixed rate investments that have a quoted market price will be reflected in the Movement of Reserves Statement on the line for 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 and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during 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 risk of interest rate loss is fully mitigated within the Housing Revenue Account by Government grant payable on housing financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2010/11	2011/12
	£000	£000
Increase in interest payable on variable rate borrowings	9	0
Increase in interest receivable on variable rate investments	(307)	(357)
Impact on Comprehensive Income and Expenditure Account	(298)	(357)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0	22,093

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Costs.

Price Risk – The Council has no equity shares or shareholdings. It therefore has no exposure to loss arising from movements in share prices.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Guarantor Risk – The Council acts as a guarantor to a loan held by the New Forest Enterprise Centre Ltd at Rushington. The current estimated guarantee is £2.22 million and has 8 years remaining on the initial 30 year guarantee. The Enterprise Centre's financial position is currently healthy, no payment has been made to date under the guarantee and the value of the building more than offsets the current loan liability. The Council therefore considers the guarantee risk to be very low and has made no charge against its Comprehensive Income and Expenditure Account.

NOTES TO THE ACCOUNTS

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long-term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or billed amount;

The fair values calculated are as follows:

	31/03/2011		31/03/2012	
	Carrying £000	Fair value £000	Carrying £000	Fair value £000
PWLB debt	0	0	(142,704)	(148,779)
Non-PWLB debt	0	0	0	0
Trade Creditors	(4,436)	(4,436)	(4,087)	(4,087)
Total Liabilities	(4,436)	(4,436)	(146,791)	(152,866)
Money market loans	21,101	21,101	10,546	10,546
Cash and Cash Equivalents	387	387	15,057	15,057
Trade Debtors	2,869	2,869	3,156	3,156
Total Assets	24,357	24,357	28,759	28,759

The fair value adjustment is a note to the accounts only; no accounting entry is required.

The fair value is calculated for loans with a maturity period of longer than 364 days at 31 March 2012 but only applies to loans and investments where the principal amount may vary with market conditions.

All loans and deposits of this Council are straight forward instruments and there is no market variation to calculate.

NOTES TO THE ACCOUNTS

53. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2011/12 were:

	Notes	Salary (Including fees and Allowances)	Bonuses	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2011/12	Pension contributions (note 53c)	Total Remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive	53a	143,927	0	0	4,881	148,808	18,831	167,639
Executive Director		87,829	0	0	6,485	94,314	11,506	105,820
Executive Director		87,829	0	0	3,909	91,738	11,506	103,244
Head of Legal and Democratic Services		63,906	0	0	8,529	72,435	8,372	80,807
Head of Housing		62,632	0	0	6,486	69,118	8,143	77,261
Head of Customer Services		63,906	0	0	3,690	67,596	8,372	75,968
Head of Leisure Services		64,928	1,000	0	1,724	67,652	8,143	75,795
Head of Planning and Transportation		62,164	0	0	5,047	67,211	8,143	75,354
Head of Communities and Employment		62,164	0	0	3,955	66,119	8,143	74,262
Head of Environment Services		62,164	0	0	2,803	64,967	8,143	73,110
Head of Information and Communication Technology		64,928	0	0	0	64,928	8,143	73,071
Head of Public Health and Community Safety		64,928	0	0	0	64,928	8,143	73,071
Head of Human Resources		64,928	0	0	0	64,928	8,143	73,071
Head of Property Services		63,403	0	0	0	63,403	8,143	71,546
Head of Performance and Strategic Development	53b	12,498	0	63,979	363	76,840	74,286	151,126
		1,032,134	1,000	63,979	47,872	1,144,985	206,160	1,351,145

- a) The Chief Executive figures include the Returning Officer salary and employer's pension contributions of £29,342 and £3,820 respectively.
- b) The Head of Performance and Strategic Development left the Council on 6 June 2011. The annual salary for the post was £60,482.
- c) The method of calculating the amount of the Council's pension contributions changed from 1 April 2011. In 2010/11 the cost was calculated as 19.1% of contributing individuals' pensionable pay. For 2011/12 the individual rate reduced to 13.1% but the Council also had to pay a fixed amount of £1.073 million, which was calculated as 6% of pensionable pay of contributing members as at 31 March 2010.

NOTES TO THE ACCOUNTS

For 2010/11 the comparative figures for those senior officers were:

	Notes	Salary (Including fees and Allowances)	Bonuses	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2010/11	Pension contributions (note 53c)	Total Remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive	53d	121,269	0	0	4,303	125,572	23,162	148,734
Executive Director		87,829	0	0	5,593	93,422	16,775	110,197
Executive Director		87,829	0	0	3,909	91,738	16,775	108,513
Head of Legal and Democratic Services		63,906	0	0	8,197	72,103	12,206	84,309
Head of Housing		62,164	0	0	6,581	68,745	11,873	80,618
Head of Customer Services		63,906	0	0	3,666	67,572	12,206	79,778
Head of Leisure Services		63,546	800	0	2,909	67,255	11,873	79,128
Head of Planning and Transportation		62,164	0	0	4,403	66,567	11,873	78,440
Head of Communities and Employment		62,164	0	0	3,285	65,449	11,873	77,322
Head of Environment Services		62,164	0	0	2,287	64,451	11,873	76,324
Head of Information and Communication Technology		64,928	0	0	0	64,928	11,873	76,801
Head of Public Health and Community Safety		65,178	0	0	0	65,178	11,873	77,051
Head of Human Resources		63,246	0	0	0	63,246	11,552	74,798
Head of Property Services		61,715	0	0	0	61,715	11,552	73,267
Head of Performance and Strategic Development		58,870	0	0	2,413	61,283	11,244	72,527
		1,050,878	800	0	47,546	1,099,224	198,583	1,297,807

d) The Chief Executive figures include the Returning Officer salary and employer's pension contributions of £6,684 and £1,277 respectively.

The other officers whose remuneration, including termination benefit costs and excluding pension contributions, above £50,000 were:

Remuneration Band	Number of Employees			
	2010/11		2011/12	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	1	9	4	10
£ 55,000 - £ 59,999	0	4	0	5
£ 65,000 - £ 69,999	0	0	2	2
£ 70,000 - £ 74,999	1	1	0	0
£ 80,000 - £ 84,999	1	1	2	2
	3	15	8	19

NOTES TO THE ACCOUNTS

54. TERMINATION BENEFITS

The Council terminated the contracts of 38 employees in 2011/12, incurring costs of £906,000 (14 employees, £331,000 in 2010/11), of which £850,000 was paid in the year and £56,000 provisions raised for payments due in 2012/13. In addition further provisions of £90,000 have been raised in 2011/12 for 5 employees whose terminations have been notified but for which payments will be incurred in 2012/13.

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 £
2011/12:				
£0 - £20,000	11	9	20	109,240
£20,001 - £40,000	12	0	12	365,178
£40,001 - £60,000	3	0	3	146,782
£60,001 - £150,000	3	0	3	285,081
Total	29	9	38	906,281
2010/11:				
£0 - £20,000	2	7	9	50,470
£20,001 - £40,000	3	0	3	146,358
£60,001 - £80,000	2	0	2	133,740
Total	7	7	14	330,568

55. 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 limit another party's ability to bargain freely with the Council.

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 funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in note 48 to the Accounts.

During 2011/12 the Council provided financial services and human resources support to New Forest National Park Authority including the roles of S151 Officer and Internal Audit. The total revenue from these services for 2011/12 was £127,500 (£90,000 in 2010/11, although additional services were provided in 2011/12) and total income for the year was approximately £172,000 (£121,000 in 2010/11).

NOTES TO THE ACCOUNTS

Members of the Council have direct control over the Council's financing and operating policies. The total of members' allowances paid in 2011/12 is shown in note 50. During 2011/12 works and services to the value of £3,600 were paid to companies in which 2 members had an interest. In addition, payments of £11,000 were paid to voluntary/charitable organisations in which members have an interest, but not as the Council's representative. There were no material transactions with any chief officers during the year.

56. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This note relates to capital expenditure that does not result in the Council owning tangible fixed assets. Such expenditure is required to be treated as revenue expenditure in accordance with the SORP but under statute can be funded from capital resources.

	Charged to revenue in year	Capital resource funding in year
	£000	£000
Housing		
- Improvement Grants	667	667
- Housing Associations	100	100
Other General Fund		
- Leisure Schemes	586	586
- Planning and Transportation	66	66
	1,419	1,419

57. HERITAGE ASSETS

The Code of Practice on Local Authority Accounting in the United Kingdom has for 2011/12 adopted FRS 30 Heritage Assets. The Council has considered its assets and identified 51 paintings and 37 other items of civic regalia which could fall within the definition of Heritage Assets. The Council believes that the value of these assets, which are insured for a sum up to £250,000, would not be material to the financial statements and that obtaining actual valuations for the assets would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. The assets have therefore not been recognised on the Balance Sheet. The Council has no intention of selling any of these assets.

58. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts was authorised for issue on 21 September 2012 by Cllr A O'Sullivan and Mr R Jackson. Events taking place after this date are not reflected in the financial statements or notes. There have been no post balance sheet events up to the authorised for issue date.

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT**

2010/11		2011/12
£000	Notes	£000
	Income	
(20,658)	Dwelling rents	(21,887)
(675)	Non-dwelling rents	(706)
(723)	Charges for services and facilities	(738)
(730)	Contributions towards expenditure	(913)
(22,786)		(24,244)
	Expenditure	
3,596	Repairs and maintenance 3	4,087
4,684	Supervision and management	4,745
12	Rents, rates, taxes and other charges	15
8,896	Negative HRA Subsidy payable 4	9,715
0	Self Financing Settlement 11	142,704
100,349	Depreciation and impairments of non-current assets 5	2
36	Debt Management Costs	87
68	Movement in the allowance for bad debts	46
59	Sums directed by Secretary of State - transfers to General Fund 6	18
117,700		161,419
94,914	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	137,175
74	HRA services' share of Corporate and Democratic Core	74
94,988	Net (Income) / Cost for HRA Services	137,249
	HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account	
(266)	(Gain) / Loss on sale of HRA non-current assets	(645)
8	Interest payable and similar charges	58
(31)	Interest and investment income	(32)
407	Pensions interest cost and expected return on pensions assets 7	275
(58)	Income and expenditure in relation to investment properties and changes in their fair value	(13)
0	Capital Grants and Contributions Receivable	(600)
95,048	(Surplus) or Deficit for the year on HRA services	136,292

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING REVENUE ACCOUNT ASSETS

a) Categorised by type of accommodation

31 March 2012	Houses	Bungalows	Flats	Total
Bedsits	0	0	208	208
1 Bedroom	1	360	743	1,104
2 Bedrooms	723	500	406	1,629
3 Bedrooms	1,915	18	4	1,937
4+ Bedrooms	125	1	0	126
Total	2,764	879	1,361	5,004

31 March 2011	Houses	Bungalows	Flats	Total
Bedsits	0	0	208	208
1 Bedroom	1	360	745	1,106
2 Bedrooms	720	500	406	1,626
3 Bedrooms	1,921	19	4	1,944
4+ Bedrooms	122	1	0	123
Total	2,764	880	1,363	5,007

b) Open Market Value with vacant possession

The following analysis shows the value of dwellings within the HRA if they were sold on the open market with vacant possession.

	1 April 2010	1 April 2011
	£000	£000
Council Housing Assets		
Standard Dwellings	679,867	684,466
Sheltered Housing	71,216	73,361
Special Housing	2,775	2,881
Garages	7,940	9,040
	761,798	769,748
Other Assets		
Investment Property	180	200
Asset Held For Disposal	412	0
Land	421	421
Community Centre	6	6
	1,019	627
	762,817	770,375

NOTES TO THE HOUSING REVENUE ACCOUNT

c) Gross Value and Number by Type of HRA Assets

This analysis shows the gross value and number by types of dwelling within the HRA. The Balance Sheet value differs from the open market value, reflecting the economic cost to the government of providing council housing at less than open market rents.

	1 April 2011		31 March 2012	
	Number of Units	Value £000	Number of Units	Value £000
Council Housing Assets				
Standard Dwellings	4,437	219,029	4,412	227,847
Sheltered Housing	547	23,476	569	23,037
Special Housing	23	2,880	23	2,977
Garages	1,901	9,040	1,869	8,887
	6,908	254,425	6,873	262,748
Other Assets				
Investment Property	1	200	1	200
Assets Held For Disposal	0	0	0	0
Land	7	421	7	421
Community Centre	1	6	1	6
	9	627	9	627
Total	6,917	255,052	6,882	263,375

d) Capital Expenditure

Housing Revenue Account capital expenditure in 2011/12, excluding the HRA Self Financing Settlement, amounted to £8.421 million and was applied to:

	2010/11	2011/12
	£000	£000
Planned Maintenance of Housing Revenue Account Properties	4,794	6,844
Environmental Enhancements	235	191
New Build	159	1,386
Total	5,188	8,421

e) Funding of HRA Capital Expenditure

	2010/11	2011/12
	£000	£000
Revenue Contributions	1,691	4,226
Major Repairs Reserve	3,497	3,594
Grant	0	600
Capital Receipts	0	1
Total	5,188	8,421

NOTES TO THE HOUSING REVENUE ACCOUNT

2. RENT ARREARS

	31 March 2011	31 March 2012
	£000	£000
Rent Arrears		
- current tenants	288	287
- former tenants	209	266
	497	553
Less provision for bad debts	(318)	(368)
Anticipated collectable arrears of rent	179	185

3. HOUSING REPAIRS

The following table shows expenditure for the different categories of work undertaken on housing repairs:

	2010/11	2011/12
	£000	£000
Cyclical Maintenance	1,236	1,394
Reactive Maintenance	1,899	2,196
Disabled Facilities Grants	461	497
Total	3,596	4,087

The Council also undertook £6.844 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, roof replacement, as well as kitchen and bathroom modernisations.

4. HRA SUBSIDY

This shows the amount of HRA subsidy in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of Housing Revenue Account Subsidy for the year.

	2010/11	2011/12
	£000	£000
Management	(2,378)	(2,433)
Maintenance	(5,046)	(5,077)
Capital Charges	(157)	(223)
Guideline Rent	19,980	21,132
Self Financing Interest	0	(51)
Major Repairs Allowance	(3,497)	(3,594)
Prior Year Adjustment	(6)	(39)
	8,896	9,715

NOTES TO THE HOUSING REVENUE ACCOUNT

5. HRA DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

a) Depreciation

The figures below show the depreciation charged to the Housing Revenue Account analysed over type of asset.

	2010/11	2011/12
	£000	£000
Standard Dwellings	3,139	3,208
Sheltered Housing	329	344
Special Housing	29	42
	3,497	3,594
Garages	529	603
	4,026	4,197
Offices	47	49
Total	4,073	4,246

b) Impairment

In 2010/11 there was an overall reduction in HRA asset (excluding investment properties) values of £94.626 million, principally due to an increase in the discount factor used to reflect dwelling occupation with secured tenancies. After allowing for increased garages values, £1.677 million was credited to the Revaluation Reserve and £96.323 million was debited to the Capital Adjustment Account via the Housing Revenue Account. In 2011/12 there has been a net increase in asset values of £12.634 million, offset by capital expenditure not enhancing value of £7.836 million. Of the net increase in value of £4.798 million, £603,000 has been credited to the Revaluation Reserve and £4.195 million credited to the Capital Adjustment Account via the Housing Revenue Account.. The Housing Revenue Account debit in 2010/11 compared with the credit in 2011/12 is a movement of £100.518 million and is reflected in the Net Cost of HRA Services.

6. SUMS DIRECTED BY THE SECRETARY OF STATE

In accordance with the Housing Revenue Account (Rent Rebate Subsidy Deductions) Direction 2003, an amount of £18,000 has been transferred from the Housing Revenue Account to the General Fund. This is in lieu of subsidy limitation costs borne by the General Fund.

	2010/11	2011/12
	£000	£000
Sums directed by the Secretary of State	59	18

NOTES TO THE HOUSING REVENUE ACCOUNT

7. HRA CONTRIBUTION TO/FROM THE PENSION RESERVE

The Council has applied IAS19 to the Housing Revenue Account. This means that service expenditure reflects the appropriate allocation of retirement costs earned in the year rather than actual employer's contributions made. An appropriation has been made from the Pensions Reserve to negate the impact on the Housing Revenue Account balance of all items. The following transactions have been made in the HRA for the year:

	2010/11 £000	2011/12 £000
Net Cost of Services:		
Current service cost	470	438
Past service cost	22	22
Net Operating Expenditure:		
Interest cost	1,235	1,219
Expected return on assets in the scheme	(828)	(944)
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	(410)	(231)
Actual amount charged against dwelling rents for pensions in the year:		
Employers' contributions payable to scheme	489	504

8. AMORTISATION OF PREMIUMS AND DISCOUNTS

Deferred premiums attributable to the HRA were £57,000 in 2011/12 (£58,000 2010/11). These were funded from subsidy.

9. MAJOR REPAIRS RESERVE

The following table shows the movements on the Major Repairs Reserve in 2011/12

	2010/11 £000	2011/12 £000
Balance 1 April	0	0
Transferred to Reserve	4,026	4,197
Transferred from Reserve to HRA	(529)	(603)
Debits in respect of capital expenditure on land, houses and other property	(3,497)	(3,594)
Balance 31 March	0	0

NOTES TO THE HOUSING REVENUE ACCOUNT

10. CAPITAL RECEIPTS

Total Capital Receipts in respect of the Housing Revenue Account in 2011/12 amounted to £1.346 million (2010/11 was £1.352 million) after adjusting for administration and other costs.

The amount that was due to be paid over to the DCLG under the Local Government Act 2003, and included in this total, amounted to £1.009 million (2010/11 was £0.549 million), leaving Usable Capital Receipts of £0.337 million (2010/11 was £0.803 million).

	2010/11	2011/12
	£000	£000
Sale of Land	621	0
Sale of Council Houses	722	1,345
Discount Repaid	4	0
Mortgages Repaid	5	1
Total	1,352	1,346

11. HOUSING REVENUE ACCOUNT SELF FINANCING SETTLEMENT

In 2011/12 the Council paid £9.715 million to the Government as its required contribution under the existing Housing Subsidy System. For 2012/13 the subsidy system has been withdrawn, removing the Council's need to make future annual payments, but the Council was required to make a one off payment of £142.704 million to the Government on the 28 March 2012, in order to remove the future years' liabilities. The payment has been treated as capital expenditure and has been financed by long term borrowing of an equivalent amount from the Public Works Loans Board. The impacts of the transactions are shown in the 2011/12 accounts and are referenced as "HRA Self Financing Settlement".

COLLECTION FUND

This account shows the Collection Fund, in which billing authorities record the transactions relating to Council Tax and Business Rates. The Collection Fund is consolidated within the Council's accounts.

New Forest District Council is a billing authority and collects council tax for its own spending needs, plus the council tax required by Hampshire County Council, Hampshire Police Authority, Hampshire Fire and Rescue Authority and local town and parish councils. As a billing authority, the Council also collects business rates on behalf of the Government.

2010/11			2011/12	
£000	£000		£000	£000
		Income		
	(97,950)	Income from Council Tax		(98,392)
		Transfers from General Fund:		
(9,714)		Council Tax Benefits	(9,827)	
<u>1</u>	(9,713)	Transitional Relief	<u>1</u>	(9,826)
	(51,965)	Income collectable from Business Ratepayers		(57,165)
	<u>(159,628)</u>	Total income		<u>(165,383)</u>
		Expenditure		
		Precepts:		
75,585		Hampshire County Council	75,815	
10,651		Hampshire Police Authority	10,683	
4,470		Hampshire Fire And Rescue Authority	4,484	
16,031		New Forest District Council (including town and parish council requirements)	16,086	
	<u>106,737</u>			<u>107,068</u>
		Business Rate:		
51,251		Payment to National Pool	56,826	
<u>285</u>	51,536	Costs of Collection	<u>286</u>	57,112
		Impairment of debts/appeals:		
		Write-offs		
145		- Council Tax	183	
312		- Business Rates	285	
		Increase / (decrease) in provisions		
90		- Council Tax	37	
<u>117</u>	664	- Business Rates	<u>(233)</u>	272
		Contributions:		
	874	Previous year's estimated council tax surplus		635
	<u>159,811</u>	Total expenditure		<u>165,087</u>
	<u>183</u>	Movement on fund balance		<u>(296)</u>
	(803)	Surplus at 1 April		(620)
	183	Movement on fund balance		(296)
	<u>(620)</u>	Surplus at 31 March		<u>(916)</u>

NOTES TO THE COLLECTION FUND

1. GENERAL

Any surplus or deficit in respect of Council Tax at the end of the year is, during the next year distributed between the billing authority and major precepting authorities in proportion to their precepts in the year the surplus or deficit occurred.

2. CALCULATION OF THE TAX BASE

The Council Tax charge for the year is calculated by dividing the council's budget requirement by the Council's tax base.

The tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

New Forest District Council's tax base for tax setting purposes was calculated as follows:

Band	Estimated number of Taxable Properties *	Ratio	Number of Band D Equivalent Properties
Disabled A	15.75	5/9	8.80
A	5,262.90	6/9	3,508.60
B	10,119.75	7/9	7,870.90
C	15,769.30	8/9	14,017.20
D	17,164.85	9/9	17,164.90
E	12,091.30	11/9	14,778.30
F	6,153.00	13/9	8,887.70
G	4,021.45	15/9	6,702.40
H	508.65	18/9	1,017.30
Total	71,106.95		73,956.10
Less: Adjustment for collection rates			908.50
Council Tax Base			73,047.60

* after adjusting for the effects of discounts and anticipated changes during the year for new properties, demolitions, disabled persons relief, exempt properties and successful appeals against valuations.

By the end of 2011/2012, the tax base had risen to 73,274.3 band D equivalent properties.

3. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate determined by the Government. The total amount, less certain reliefs and other reductions, is paid into a central pool (the NNDR pool) managed by Central Government, which in turn pays back to the authorities their share of the pool based on a standard amount per head of population.

The total non-domestic rateable value at 31 March 2012 was £158.259 million. The national non-domestic multiplier was 43.3p. This gave a potential business rate yield of £68.526 million. After allowing for items such as rateable value amendments, empty properties, small property reductions and transitional and charitable reliefs, the net amount of business rates collectable was £57.165 million.

NOTES TO THE COLLECTION FUND

4. ACCOUNTING FOR THE COLLECTION FUND BALANCE

The opening balance on the Collection Fund for 2011/12 was a £620,000 surplus. The surplus at the end of the year is split between Hampshire County Council, New Forest District Council, Hampshire Police Authority and Hampshire Fire and Rescue Authority.

In the Balance Sheet at 31 March 2012, the Council included the £916,000 surplus on a disaggregated basis as a creditor of £778,000 and a £138,000 attributable surplus on the Collection Fund balance alongside the General Fund balance.

5. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

2010/11				2011/12		
Precept £000	Share of Surplus £000	Total £000		Precept £000	Share of Surplus £000	Total £000
75,585	439	76,024	Hampshire County Council	75,815	649	76,464
10,651	62	10,713	Hampshire Police Authority	10,683	91	10,774
4,470	26	4,496	Hampshire Fire and Rescue Authority	4,484	38	4,522
16,031	93	16,124	New Forest District Council (including town and parish council requirements)	16,086	138	16,224
106,737	620	107,357		107,068	916	107,984

GLOSSARY OF TERMS

Budget

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared, and are used to control and monitor expenditure and performance.

Capital Expenditure

Expenditure on the purchase of assets, which will be of use or benefit to the Council/Community for longer than one year.

Capital Financing

The raising of money to pay for capital expenditure.

Capital Receipts

Proceeds from the sale of long-term assets e.g. land or buildings.

Direct Revenue Financing

Financing of capital expenditure by a direct charge to a revenue account. This method of finance avoids borrowing.

Financial Reporting Standards (FRS)

Accounting practices recommended by the major accounting bodies.

General Fund

The section of the Council's accounts that covers services paid for by the Council Tax, Non-Domestic Rate and Revenue Support Grant.

Housing Revenue Account

The account, which records all of the income and expenditure relating to the provision of council housing.

Impairment

At the end of each year each asset is reviewed. Impairment is accounted for if there is evidence that there has been a reduction in value.

Lease

A method of financing capital expenditure where a rental charge is paid for the use of an asset over a specified period of time. This rental covers a proportion of the capital cost of the asset, together with a return on the finance provided by the leasing company.

Long term Assets

An asset that has a life of more than one year.

GLOSSARY OF TERMS

Long-term Investments

Loans that the Council has given that are repayable after 364 days of the start of the financial year.

Money Market Investment

An investment with a maturity date that is more than 364 days from the original investment date. This Category will include loans that are for longer periods than 364 days but can be repaid earlier if the borrower wishes.

PWLB Debt

Borrowing that is raised from the Public Works Loan Board, a UK Central Government organisation.

Revenue Support Grant (RSG)

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.

Revenue Expenditure/Income

The costs or income relating to the day-to-day provision of services.

Short-term Loans

Loans that the Council has raised that are repayable within 364 days of the start of the financial year.

Support Services

The costs of professional, administrative and technical support given to the departments that provides services to the public.

Temporary Investments

Investments that the Council has made that are repayable within 364 days from the date of the original investment.