

**1. INTRODUCTION**

- 1.1 The Council's statutory Annual Financial Report, which includes six Statements of Account, will be presented to this Committee in September, after the completion of the external audit. Prior to audit the Report needs to be certified by the Responsible Financial (s151) Officer, as complete and presenting the position of the Council, as at 31<sup>st</sup> March 2014. This must be done by the end of June.

**2. PURPOSE OF THIS REPORT**

- 2.1 The purpose of this report is to update Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members approval for any change to Accounting Policy.

**3. STATEMENT OF ACCOUNTS POSITION**

- 3.1 The Council is required to include the following accounting statements within the Annual Financial Report,
- A) Comprehensive Income and Expenditure Statement
  - B) Movement in Reserves
  - C) Balance Sheet
  - D) Housing Revenue Account
  - E) Collection Fund
  - F) Cash Flow Statement

The draft Accounting Statements for 2013/14, prior to external audit, are set out in Appendices 1-7.

**4. ACCOUNTING POLICY CHANGES AND OTHER KEY ISSUES**

- 4.1 The Business Rates Retention Scheme was introduced on 1 April 2013. This has resulted in major changes to the way that business rates need to be accounted for and reflected in the Collection Fund and the Council's accounting statements. It includes a requirement to make provision for anticipated successful appeals against rating assessments that are backdated, in most cases to 2010, and in exceptional cases to 2005. The Council has made an overall provision of £7.15 million against the 2013/14 annual income of £63.5 million. Officers have been advised by the external auditor that business rates and the appeals provision will form a major part of their audit for the year.
- 4.2 Following changes to International Accounting Standard 19, the Council has had to amend its accounting policy for Post Employment Benefits, to reflect the creation of some new classes of defined benefit costs and the re-measurement of the net defined benefit liability. This has necessitated a restatement of pension figures for 2012/13 which has resulted in presentational changes within the Comprehensive Income and Expenditure Statement and associated notes but has not affected the Council's Balance Sheet or overall revenue account position.

## 5. SUMMARY OF FINANCIAL POSITION

- 5.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the Council's net worth to have increased by £41.9 million during 2013/14. The principal reasons for this are summarised as follows:

	<b>£m</b>
Increase in valuation of Housing Assets	12.3
Increase in valuation of Health and Leisure Centres	3.3
Reduction in net Pension Liability	18.3
Increase in Deferred Capital Receipts	0.5
Increase in Housing Revenue Account/ Housing Acquisitions & Development Reserve	5.4 *
Increase in Capital Programme Reserve	1.2 *
Increase in other Earmarked Reserves	0.9 *
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	41.9

Of the £41.9m, £7.5 million (asterisked) are usable resources and £34.4 million are unusable resources.

- 5.2 The Council's original General Fund budget allowed for a transfer from the Capital Programme Reserve of £427,000 into the General Fund. The outturn position shows a contribution of £1.205 million into the Capital Programme Reserve. The movement of £1.632million is consistent with the overall General Fund saving of £939,000 reported to Cabinet in June, together with other new identified items, principally being additional Government Grant of £28,000, a movement of £241,000 from previously set aside provisions and the recognition of £388,000 of income that is being recovered from ongoing benefits payment that has not previously been included in the Council's accounts.
- 5.3 The Performance report presented to Cabinet identified a provisional Housing Revenue Account surplus of £2.281million for 2013/14. In order to ensure the optimum use of capital resources, capital receipts and S106 contributions totalling £2.961 million have been used to part finance the capital programme rather than revenue resources. This, together with further identified savings of £164,000 has increased the outturn surplus to £5.406 million. In accordance with the budget report presented to Cabinet in February 2014, £9.5 million of resources has been transferred to the newly created Housing Acquisitions and Developments Reserve.

## 6. RECOMMENDATIONS

- 6.1 That Members note the draft Accounting Statements set out in Appendix A and approve the change in the Post employments Accounting Policy to reflect the updated requirements of the Accounting Standard.

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**Background Papers:**  
June Cabinet 2014 Report C  
February Cabinet 2014 Report B

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13				2013/14		
Gross Expend £000	Income £000	Net Expend £000	Note	Gross Expend £000	Income £000	Net Expend £000
13,278	(10,749)	2,529	Central Services	3,002	(1,041)	1,961
10,667	(7,043)	3,624	Cultural and Related Services	6,823	(7,397)	(574)
11,825	(2,273)	9,552	Environmental and Regulatory Services	13,294	(3,089)	10,205
3,138	(1,478)	1,660	Planning Services	4,175	(1,472)	2,703
2,719	(3,188)	(469)	Highways and Transport Services	2,698	(3,391)	(693)
12,694	(25,176)	(12,482)	Housing Revenue Account Services	5,582	(26,681)	(21,099)
48,297	(46,707)	1,590	Other Housing Services	48,494	(46,984)	1,510
119	(130)	(11)	Adult Social Care	20	(7)	13
2,597	(108)	2,489	Corporate and Democratic Core	2,516	(113)	2,403
38	(24)	14	Non Distributed Costs	40	(25)	15
<b>105,372</b>	<b>(96,876)</b>	<b>8,496</b>	<b>Cost of Services</b>	<b>86,644</b>	<b>(90,200)</b>	<b>(3,556)</b>
			<b>Other Operating Expenditure</b>			
4,776			Town and Parish Council Precepts	4,433		
405			Payments to the Government Housing Capital Receipts Pool	533		
	(614)		(Gains)/Losses on the disposal of Non-Current Assets		(1,224)	
	2,420		Property, Plant and Equipment Policy Change		0	
	(170)		VAT Refund		0	
		<b>6,817</b>	<b>Total Other Operating Expenditure</b>			<b>3,742</b>
			<b>Financing and Investment Income and Expenditure</b>			
			Interest Payable and Similar Charges:			
2			- General Fund	2		
4,468			- HRA	4,467		
	(592)		Interest Receivable and Similar Income:			
			- Other Investment Income		(316)	
2,190			Pensions Interest Cost and Expected Return on Pensions Assets	0		
0			Net interest on the net defined benefit liability (asset)	3,760		
	(301)		Income, expenditure and changes in the fair value of Investment Properties		(226)	
		<b>5,767</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>7,687</b>
			<b>Taxation and Non-Specific Grant Income</b>			
(16,340)			Council Taxpayers Income (incl. Parish precepts)		(15,229)	
(7,912)			Non Domestic Rates Income and Expenditure		(3,230)	
(1,192)			Non-Ringfenced Government Grants	46	(6,472)	
(1,258)			Capital Grants and Contributions	46	(1,794)	
		<b>(26,702)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(26,725)</b>
		<b>(5,622)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>(18,852)</b>
(1,794)			(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets		(560)	
4,890			Actuarial (gains)/losses on Pension Fund Assets and Liabilities	44	0	
0			Re-measurement of the defined benefit liability (asset)	44	(22,520)	
		<b>3,096</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(23,080)</b>
		<b>(2,526)</b>	<b>Total Comprehensive Income and Expenditure</b>	5		<b>(41,932)</b>

## 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
<b>Balance at 31 March 2012</b>	(2,036)	(1,295)	(5,485)	(6,299)	(2,549)	0	(3,503)	(21,167)	(107,866)	(129,033)
<b><i>Movement in reserves during 2012/13</i></b>										
(Surplus) or deficit on the provision of services	2,831	0	(8,453)	0	0	0	0	(5,622)	0	(5,622)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	3,096	3,096
<b>Total Comprehensive Income and Expenditure</b>	<b>2,831</b>	<b>0</b>	<b>(8,453)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,622)</b>	<b>3,096</b>	<b>(2,526)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(3,686)	0	8,581	0	(1,150)	0	(472)	3,273	(3,273)	0
<b>Net Increase/Decrease Before Transfers to Earmarked Reserves</b>	<b>(855)</b>	<b>0</b>	<b>128</b>	<b>0</b>	<b>(1,150)</b>	<b>0</b>	<b>(472)</b>	<b>(2,349)</b>	<b>(177)</b>	<b>(2,526)</b>
Transfers to/from earmarked reserves (note 8)	855	340	44	(1,239)	0	0	0	0	0	0
<b>Increase / Decrease in Year</b>	<b>0</b>	<b>340</b>	<b>172</b>	<b>(1,239)</b>	<b>(1,150)</b>	<b>0</b>	<b>(472)</b>	<b>(2,349)</b>	<b>(177)</b>	<b>(2,526)</b>
<b>Balance at 31 March 2013</b>	<b>(2,036)</b>	<b>(955)</b>	<b>(5,313)</b>	<b>(7,538)</b>	<b>(3,699)</b>	<b>0</b>	<b>(3,975)</b>	<b>(23,516)</b>	<b>(108,043)</b>	<b>(131,559)</b>
<b><i>Movement in reserves during 2013/14</i></b>										
(Surplus) or deficit on the provision of services	(1,104)	0	(17,748)	0	0	0	0	(18,852)	0	(18,852)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(23,080)	(23,080)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,104)</b>	<b>0</b>	<b>(17,748)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(18,852)</b>	<b>(23,080)</b>	<b>(41,932)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(1,023)	0	12,406	0	(1,380)	0	1,189	11,192	(11,192)	0
<b>Net Increase/Decrease Before Transfers to Earmarked Reserves</b>	<b>(2,127)</b>	<b>0</b>	<b>(5,342)</b>	<b>0</b>	<b>(1,380)</b>	<b>0</b>	<b>1,189</b>	<b>(7,660)</b>	<b>(34,272)</b>	<b>(41,932)</b>
Transfers to/from earmarked reserves (note 8)	2,127	(10,358)	9,436	(1,205)	0	0	0	0	0	0
<b>Increase / Decrease in Year</b>	<b>0</b>	<b>(10,358)</b>	<b>4,094</b>	<b>(1,205)</b>	<b>(1,380)</b>	<b>0</b>	<b>1,189</b>	<b>(7,660)</b>	<b>(34,272)</b>	<b>(41,932)</b>
<b>Balance at 31 March 2014</b>	<b>(2,036)</b>	<b>(11,313)</b>	<b>(1,219)</b>	<b>(8,743)</b>	<b>(5,079)</b>	<b>0</b>	<b>(2,786)</b>	<b>(31,176)</b>	<b>(142,315)</b>	<b>(173,491)</b>

## BALANCE SHEET AS AT 31 MARCH 2014

2012/13			2013/14	
£000	£000	Notes	£000	£000
		<b>Long-Term Assets</b>		
		Property, Plant and Equipment:		
270,735		Council Dwellings	11	282,952
58,917		Other Land and Buildings	11	63,355
3,942		Vehicles, Plant and Equipment	11	3,797
7,241	340,835	Infrastructure Assets	11	6,358
				356,462
	2,384	Investment Properties	12	2,476
	108	Long-Term Debtors	15	2,356
	<u>343,327</u>	<b>Total Long-Term Assets</b>		<u>361,294</u>
		<b>Current Assets</b>		
750		Surplus Assets Held For Disposal	56	0
21,409		Short-Term Investments	16	25,105
327		Inventories	17	343
6,333		Short-Term Debtors	18	7,137
(1,714)		Bad Debt Provision	18	(2,219)
4,131		Cash and Cash Equivalents	19	16,614
	<u>31,236</u>	<b>Total Current Assets</b>		<u>46,980</u>
	<b>374,563</b>	<b>Total Assets</b>		<b>408,274</b>
		<b>Current Liabilities</b>		
0		Short-Term Borrowing		(252)
(8,760)		Short-Term Creditors	20	(14,988)
(37)		Developers' Contributions - Receipts in Advance	21	(13)
	<u>(8,797)</u>	<b>Total Current Liabilities</b>		<u>(15,253)</u>
		<b>Long-Term Liabilities</b>		
(142,704)		Long-Term Borrowing	22	(144,510)
(815)		Provisions	23	(3,329)
(692)		Capital Grants - Receipts in Advance	24	(335)
(2,176)		Developers' Contributions - Receipts in Advance	25	(1,883)
(87,820)		Net Pensions Liability	44	(69,473)
	<u>(234,207)</u>	<b>Total Long-Term Liabilities</b>		<u>(219,530)</u>
	<b>131,559</b>	<b>Net Assets</b>		<b>173,491</b>
		<b>Usable Reserves</b>		
2,036		General Fund Balance		2,036
955		Earmarked General Fund / HRA Reserves	8	11,313
5,313		Housing Revenue Account Balance		1,219
7,538		Capital Programme Reserve	9	8,743
3,699		Capital Receipts Reserve	26	5,079
3,975	23,516	Developers' Contributions Unapplied	27	2,786
				31,176
		<b>Unusable Reserves</b>		
20,798		Revaluation Reserve	28	21,069
175,187		Capital Adjustment Account	29	190,208
(52)		Financial Instruments Adjustment Account	30	0
9		Deferred Capital Receipts Reserve	31	493
(87,820)		Pensions Reserve	32	(69,473)
172		Collection Fund Adjustment Account	33	290
(251)	108,043	Accumulated Absences Account	34	(272)
	<u>131,559</u>	<b>Total Reserves</b>		<u>142,315</u>
				<b>173,491</b>

**HOUSING REVENUE ACCOUNT  
INCOME AND EXPENDITURE ACCOUNT**

2012/13		2013/14
£000		£000
	<b>Notes</b>	
	<b>Income</b>	
(23,468)	Dwelling rents	(24,941)
(718)	Non-dwelling rents	(720)
(717)	Charges for services and facilities	(727)
(273)	Contributions towards expenditure	(293)
<b>(25,176)</b>		<b>(26,681)</b>
	<b>Expenditure</b>	
4,023	Repairs and maintenance	4,240
4,275	Supervision and management	4,761
9	Rents, rates, taxes and other charges	14
(9)	Negative HRA Subsidy payable	0
4,202	Depreciation and impairments of non-current assets	(3,764)
29	Debt Management Costs	34
85	Movement in the allowance for bad debts	80
6	Sums directed by Secretary of State - transfers to General Fund	143
<b>12,620</b>		<b>5,508</b>
<b>(12,556)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(21,173)</b>
74	HRA services' share of Corporate and Democratic Core	74
<b>(12,482)</b>	<b>Net Expenditure for HRA Services</b>	<b>(21,099)</b>
	<b>HRA share of the Operating Income and Expenditure included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services</b>	
(585)	(Gain) / Loss on sale of HRA non-current assets	(1,117)
4,468	Interest payable and similar charges	4,467
(22)	Interest and investment income	(21)
300	Pensions interest cost and expected return on pensions assets	0
0	Net interest on the net defined benefit liability (asset)	610
5	Income and expenditure in relation to investment properties and changes in their fair value	(13)
(137)	Capital Grants and Contributions Receivable	(575)
<b>(8,453)</b>	<b>(Surplus) or Deficit for the year on HRA services</b>	<b>(17,748)</b>

## COLLECTION FUND – COUNCIL TAX

2012/13		COUNCIL TAX	2013/14	
£000	£000		£000	£000
	(98,927)	<b>Income</b>		
		Income from Council Tax		(101,465)
		Transfers from General Fund:		
(9,690)		Council Tax Benefits	0	
2	(9,688)	Transitional Relief	1	1
	<b>(108,615)</b>	<b>Total income</b>		<b>(101,464)</b>
		<b>Expenditure</b>		
		Precepts:		
76,050		Hampshire County Council	70,267	
10,716		Hampshire Police	10,240	
4,498		Hampshire Fire And Rescue Authority	4,155	
16,189	107,453	New Forest District Council (including town and parish council requirements)	14,978	99,640
		Bad and Doubtful Debts		
117		Write-offs	151	
40	157	Increase / (decrease) in provisions	8	159
		Contributions:		
	779	Previous year's estimated council tax surplus		876
	<b>108,389</b>	<b>Total expenditure</b>		<b>100,675</b>
	<b>(226)</b>	<b>Movement on fund balance</b>		<b>(789)</b>
	(916)	Surplus at 1 April		(1,142)
	(226)	Movement on fund balance		(789)
	<b>(1,142)</b>	<b>Surplus at 31 March</b>		<b>(1,931)</b>

## COLLECTION FUND – BUSINESS RATES

2012/13		BUSINESS RATES	2013/14	
£000	£000		£000	£000
		<b>Income</b>		
		Income collectable from Business Ratepayers		
	0	Current System		(62,326)
	(60,213)	Old System		(102)
	0	Transitional Protection Payments		(1,158)
	<b>(60,213)</b>	<b>Total income</b>		<b>(63,586)</b>
		<b>Expenditure</b>		
59,363		Payments to National Pool (Old System)	102	
0		Payments to DCLG - Business Rates Retention	28,282	
0		New Forest District Council Precept	22,625	
0		Hampshire County Council Precept	5,091	
0		Hampshire Fire And Rescue Authority	566	
287		Costs of Collection	286	
	59,650			56,952
		Bad and Doubtful Debts		
		Write-offs	270	
371		Increase / (decrease) in provisions	53	
192		Appeals Provision	7,149	
0	563			7,472
	<b>60,213</b>	<b>Total expenditure</b>		<b>64,424</b>
	<b>0</b>	<b>Movement on fund balance</b>		<b>838</b>
	0	(Surplus) / Deficit at 1 April		0
	0	Movement on fund balance for year		838
	0	Government safety net contribution - New Forest District Council		(335)
	<b>0</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>503</b>



## CASH FLOW STATEMENT

2012/13			2013/14
£000		Notes	£000
(5,622)	Net (surplus) or deficit on the provision of services		(18,852)
(11,678)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(4,349)
1,838	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,150
(15,462)	Net cash flows from Operating Activities		(19,051)
23,579	Investing Activities	37	12,382
2,809	Financing Activities	38	(5,814)
10,926	Net (increase) or decrease in cash and cash equivalents		(12,483)
(15,057)	Cash and cash equivalents at the beginning of the reporting period		(4,131)
(4,131)	<b>Cash and cash equivalents at the end of the reporting period</b>	19	(16,614)