

Dear Member

**AUDIT COMMITTEE - FRIDAY, 26TH JULY 2019**

Please find attached, for consideration at the next meeting of the Audit Committee on Friday, 26 July 2019, the following report which was unavailable when the agenda was printed.

Please bring this document with you to the meeting.

**Agenda No    Item**

6.        **Annual Financial Report 2018/19 (Pages 1 - 104)**

To consider the Annual Financial Report for 2018/19.

Yours sincerely

**Andy Rogers**  
**Committee Administrator**

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Annual  
Financial  
Report  
**2018/2019**



**NEW FOREST DISTRICT COUNCIL**  
**ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2019**

**CHAIRMAN OF THE COUNCIL**

Councillor A Glass

**LEADER OF THE COUNCIL**

Councillor B Rickman

**CHIEF EXECUTIVE** Mr R Jackson

**RESPONSIBLE FINANCIAL (S151) OFFICER** Mr A Bethune

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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 Responsible Financial (s151) Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

***I confirm that these accounts were approved by Members of the Audit Committee at the meeting held on 26 July 2019.***

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

**26 July 2019**

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

The Responsible Financial (s151) Officer 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 Responsible Financial (s151) Officer has:

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

The Responsible Financial (s151) Officer has also:

- kept proper accounting records which were up to date; and
- 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 2019 and the income and expenditure for that year ended.***

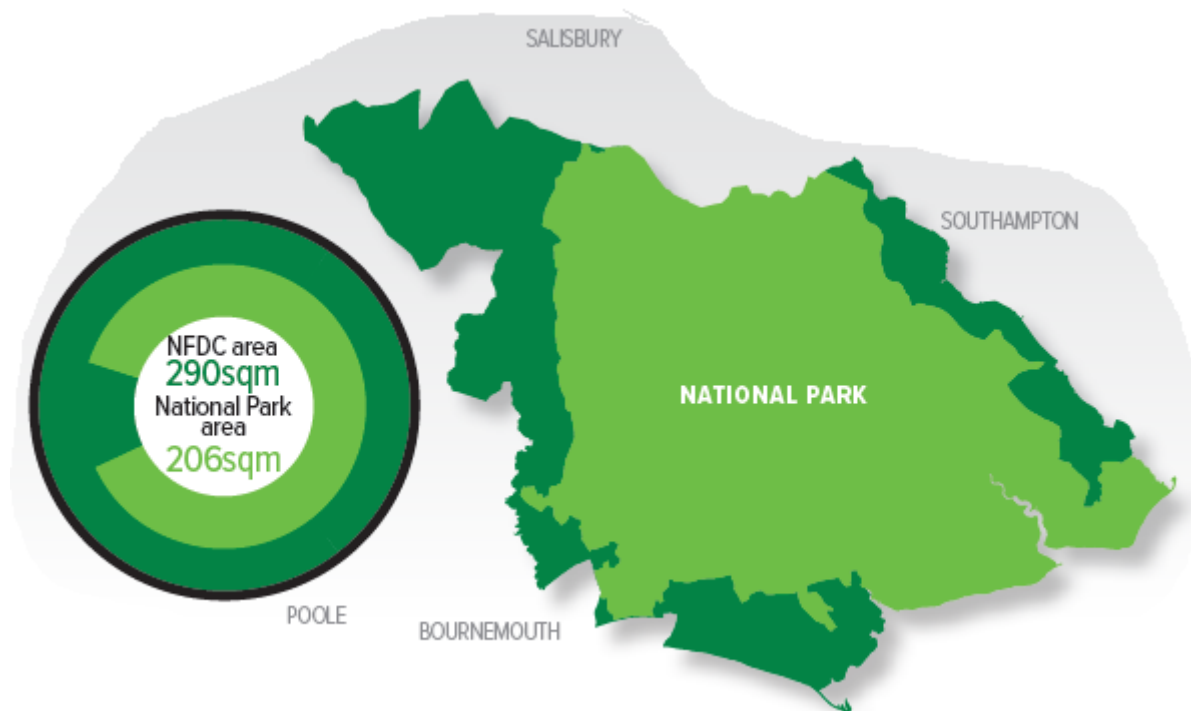
**Mr A Bethune FCCA – Responsible Financial (s151) Officer    26 July 2019**

## NARRATIVE STATEMENT

### 1. Foreword from the Council's Responsible Financial Officer

#### The New Forest

The local government administrative area of New Forest District Council (290 square miles) includes the New Forest National Park (206 square miles).



Within the district there are 145 square miles of Crown land, managed by the Forestry Commission. The district is one of the most populated in England (circa 180,000) not to be a unitary authority and within its boundaries there are 37 active Town and Parish Councils. Hampshire County Council is responsible for upper tier services.

The New Forest is home to the third largest economy in Hampshire, with a total Gross Value Added of £4.4billion. The district contains over 9,000 businesses in total, which is more than any other local authority in Hampshire, including the cities of Southampton and Portsmouth. 85% of businesses in the district are micro in size employing fewer than 10 people. Self-employment is relatively high at over 19% and unemployment is consistently lower than in the rest of the country. Leisure, tourism and marine along with their associated supply chains are significant employment and economic sectors within the district. The council works closely with the New Forest Business Partnership and 'Helping local business grow' is a priority.

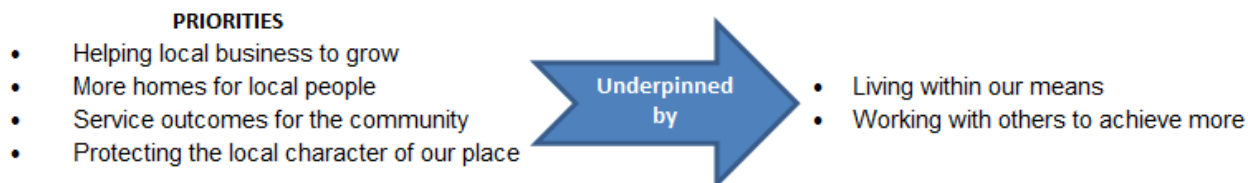
Average earnings are low with 60% of the working population earning less than the UK average. This, and the high average house price, results in significant cross commuting between those who work in the forest but can't afford to live there, and those who can afford to live within the district but work elsewhere. The district council is located between the two major conurbations of Southampton and Bournemouth.

Housing, and particularly affordable housing, for local people is a particular issue in the district. The district council manages its own housing stock (over 5,000 properties) and there are in excess of 3,000 people on the housing waiting list.

## NARRATIVE STATEMENT

### Corporate Plan and Council Priorities

The Council is led by 60 Councillors, and in February 2016 agreed its Corporate Plan that aligned to the priorities of the, then new, administration. The Corporate Plan, entitled 'Delivering for our Communities' set out to be a real working document that addressed the needs of the special place which is the wider New Forest district.



The vision is to secure a better future for the New Forest by:

- Supporting local businesses to prosper for the benefit of the community
- Assisting the wellbeing of those who live and work within the District
- Protecting the special and unique character of the New Forest

Key Achievements realised during 2018/19 against the priorities are outlined in the Annual Performance Report, reported to Cabinet in July 2018.

### Future Financial Outlook

The Council continues to deliver essential front line services to the c180,000 residents of the New Forest, despite significant funding reductions from Central Government since austerity measures were introduced, some 9 years ago. Significant efficiencies have been realised over the period and income generation has increased. This Council has an excellent track record of delivering the same, or in some instances improved services, at a lower overall cost.

The latest Medium Term Financial Plan highlighted the likely impact that the Fair Funding Review and the potential that a 'hard' Business Rates reset will have on the Council's finances. Despite this, the Council has proposals in place to address the funding gap and demonstrate a balanced budget through to 2022. Proposals include efficiency savings, a service delivery review and the generation of new additional income through the Commercial and Residential Property Strategies.

The Council also has a new Housing Strategy, in which the Council has targeted the ownership of 600 additional homes by 2026 and is prepared to spend circa £100 million over this period in delivering this target. The Council has a well-established Housing Revenue Account, which is well placed to support and manage additional stock numbers. As the largest registered provider of social housing in the district, the Council recognises it has an important role to play in the delivery of new affordable homes to those wanting to work and live in the New Forest.



## NARRATIVE STATEMENT

### 2. The Statement of Accounts

The accounts for 2018/19 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 raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation and rents position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**Expenditure and Funding Analysis  
(supporting note to the Comprehensive Income and Expenditure Statement)**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Movement in Reserves Statement**

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and that statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

- **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 the 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. This category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

## NARRATIVE STATEMENT

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of 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 (i.e. borrowing) to the Council.

- **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 of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates, due to the complexity of non-domestic rates transactions under the Retention Scheme that was introduced in 2013/14.

## NARRATIVE STATEMENT

### 3. Financial Performance during the Year

As at 31 March 2019 the Council had net assets of £280 million.

The majority of this net worth is in the Portfolio of Council Dwellings, valued at £370 million, offset with a debt liability of £136 million. Operational Land and Buildings total £70 million, Investment Properties £5 million, and other long-term assets and investments total £46 million. Cash and short-term investments total £35 million. The council has a net pension liability of £93 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £55 million, an increase of £1.6 million from 2017/18, with £4 million of the total being earmarked to support the visible delivery of the General Fund (£3 million) and Housing Revenue Account (£1 million).

- **General Fund**

This section provides a summary of General Fund performance for the year in a simplified format that is consistent with the Council's published revenue budget and in a format used for operational budget monitoring throughout the year. All actual figures are included within the Comprehensive Income and Expenditure Statement.

The 2018/19 original net budget requirement for the General Fund was £17.243 million, an increase of £656,000 from 2017/18. The Council's budget anticipated utilising £891,000 from Reserves (principally to fund the anticipated ICT 'Protect and Maintain Frontline Services' programme) and provided for a £5 increase in Council Tax.

Net savings, efficiencies and improved income in Services in the year were £1.136 million, a one-off business rates refund of £720,000 was received and Interest Earnings were £246,000 ahead of the original target. Retained business rates were £602,000 ahead of the original budget; this has been credited to the Business Rates Equalisation Reserve. Overall the net savings enabled a transfer into the Capital Programme Reserve of £901,000 (a difference of £1.605 million from the £704,000 originally anticipated to be utilised from the Capital Reserve).

	<b>Original Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Service Expenditure	18,362	17,226	(1,136)
Car Parks Non Domestic Rates Refund	0	(720)	(720)
Revenue Financing of Capital	1,198	1,203	5
Interest Earnings (Net)	(730)	(976)	(246)
Other Unringfenced Government Grants	(696)	(703)	(7)
<b>Net Budget Requirement</b>	<b>18,134</b>	<b>16,030</b>	<b>(2,104)</b>
Transfer to/(from) Earmarked Revenue Reserves	(187)	312	499
Transfer to/(from) Capital Programme Reserve	(704)	901	1,605
Contributions to/(from) Reserves	(891)	1,213	2,104
<b>General Fund Budget</b>	<b>17,243</b>	<b>17,243</b>	<b>0</b>
Council Taxpayers	(11,890)	(11,890)	0
Collection Fund adjustment from previous years	(236)	(236)	0
Non-Domestic Rates Redistribution	(5,865)	(6,467)	(602)
Transfer to/(from) Business Rates Equalisation Reserve	840	1,442	602
Revenue Support Grant	(92)	(92)	(0)
<b>(Increase)/Decrease in General Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NARRATIVE STATEMENT

- **Housing Revenue Account**

The Housing Revenue account surplus for 2018/19 was £69,000 compared with an originally budgeted break-even position. Income was £162,000 higher than originally budgeted, and Repairs and Maintenance spend £151,000 higher than original budgeted. There was a reduced level of Supervision & Management expenditure in comparison to the original budget. The balance on the account as at 31 March 2019 was £1 million, after allowing for the transfer of £69,000 to the earmarked Housing Acquisitions and Developments Reserve. The budget for 2019/20 anticipates a break-even position for the year.

	<b>Original Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	(27,667)	(27,829)	(162)
Expenditure:			
Repairs and Maintenance	4,144	4,295	151
Supervision and Management	5,391	5,341	(50)
Capital Financing Costs	8,528	8,526	(2)
Other Expenditure	188	182	(6)
	(9,416)	(9,485)	(69)
Revenue Financing of Capital	9,416	9,416	0
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>(69)</b>	<b>(69)</b>
Transfer to/(from) Earmarked Revenue Reserves	0	69	69
<b>(Increase)/Decrease in Housing Revenue Account Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £93.092 million, a decrease of £1.932 million from 31 March 2018. 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.

## NARRATIVE STATEMENT

### 5. Long Term Asset Impairments/Revaluations

In 2018/19 net increases in asset values credited to the Income and Expenditure Statement were £8.494 million, but these were offset by capital expenditure not enhancing value of £11.398 million, to arrive at a net impairment of £2.904 million. This compares with a net impairment debit of £2.075 million in 2017/18. These items are reflected in the Net Cost of Services. In addition, a net £4.230 million was credited to the Revaluation Reserve (£2.684 million in 2017/18), within this £2.858 million is in relation to standard dwellings and hostel housing and £653,000 is for Health and Leisure Centres as at 31 March 2019.

	2017/18	2018/19
	£000	£000
<b>Income and Expenditure Statement / Capital Adjustment Account</b>		
Revaluation Increases	(10,562)	(9,634)
Revaluation Decreases	107	1,140
Net Revaluation (Increases)/Decreases	(10,455)	(8,494)
Capital Expenditure not enhancing asset value	12,530	11,398
<b>Total Income and Expenditure Statement Impairments</b>	<b>2,075</b>	<b>2,904</b>
<b>Revaluation Reserve</b>		
Revaluation Increases	(2,970)	(4,356)
Revaluation Decreases	286	126
<b>Total Revaluation Reserve</b>	<b>(2,684)</b>	<b>(4,230)</b>
<b>Total Impairments/Revaluations</b>	<b>(609)</b>	<b>(1,326)</b>

## NARRATIVE STATEMENT

### 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 Capital Programme for 2018/19 (including the gross value of the Coastal Regional Monitoring Programme) was £26.225 million. This was initially supplemented by rephasings of £1.760 million from 2017/18. A review of the programme during the year as reported through Financial Monitoring decreased the approved budget to £23.226 million. Actual expenditure of £22.617 million was £609,000 less than the last approved budget, predominately in relation to scheme rephasings to 2019/20.

	Original Budget	Expenditure	Variance
	£000	£000	£000
<b>Housing Revenue Account</b>			
Major Repairs	6,150	5,101	(1,049)
Public Sector Disabled Adaptations	750	758	8
Environmental Enhancements	300	278	(22)
General Acquisitions	3,780	4,370	590
New Build	4,692	4,155	(537)
S106 Acquisitions	2,880	3,072	192
	<b>18,552</b>	<b>17,734</b>	<b>(818)</b>
<b>Environment and Regulatory Services</b>			
Coast Protection*	1,725	1,483	(242)
Foreshores and Beach Huts	0	(1)	(1)
Cemeteries	0	89	89
Public Conveniences	0	1	1
	<b>1,725</b>	<b>1,572</b>	<b>(153)</b>
<b>Finance, Corporate Services and Improvement</b>			
Depots	2,100	11	(2,089)
Smarter Working	500	729	229
Vehicles, Plant and Equipment	860	757	(103)
	<b>3,460</b>	<b>1,497</b>	<b>(1,963)</b>
<b>Housing Services</b>			
Housing Private Sector Disabled Adaptations/ Home Repair Loans	870	1,114	244
Enabling Activities	100	0	(100)
	<b>970</b>	<b>1,114</b>	<b>144</b>
<b>Leisure and Wellbeing</b>			
Eling Tide Mill	669	204	(465)
	<b>669</b>	<b>204</b>	<b>(465)</b>
<b>Planning and Infrastructure</b>			
Transportation	189	74	(115)
Open Space	660	422	(238)
	<b>849</b>	<b>496</b>	<b>(353)</b>
	<b>26,225</b>	<b>22,617</b>	<b>(3,608)</b>
Less:			
Coastal Regional Monitoring Programme*	(1,725)	(1,346)	379
	<b>24,500</b>	<b>21,271</b>	<b>(3,229)</b>

## NARRATIVE STATEMENT

The actual expenditure of £21.271 million was financed by:

	£000	%
Capital Reserve	3,401	15.99
Revenue Contributions to Capital	3,851	18.11
Loan - General	757	3.56
Capital Receipts	4,829	22.70
Grant	2,062	9.69
Developers' Contributions	806	3.79
Other (HRA Repairs and Maintenance)	5,565	26.16
	<b>21,271</b>	<b>100.00</b>

### 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 2019 the Council had reserves/receipts in advance of £47.313 million for capital expenditure purposes (Earmarked Reserves £32.911 million, Developers' Contributions and Community Infrastructure Levy £8.433 million, Capital Receipts Reserve £5.801 million and Capital Grants £168,000). These reserves may be supplemented by loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts.

The approved original capital expenditure budget for 2019/20 is £27.919 million, including £19.415 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2019/20 will be sufficient to finance the Council's planned expenditure.

During 2016/17, the Council approved a strategy to invest in commercial property. The strategy set out a £30 million fund and an initial intention to invest within the District, for the purpose of economic redevelopment and regeneration, or for the purposes of income generation or a mixture of both. The timing of prospective purchases is not known, and so the original budgets do not currently allow for any of this expenditure. During 2017/18, the Council approved a strategy to invest in residential property, giving the Council the opportunity to become a private sector landlord with the benefit of a proven track record in rental property management. The financing of the future capital expenditure in relation to the roll-out of both investment strategies will be an appropriate mix of use of capital reserves, internal and prudential borrowing.

## NARRATIVE STATEMENT

### 8. Current Economic Climate / Future Service Delivery

The Council's general fund balance reserve is £3 million and is available to support future funding level and the delivery of visible services. It is supported by the continual development of the Council's Medium Term Financial Plan. Other General Fund earmarked reserves total £4.439 million and the Housing Revenue Account balance is £1 million, after transferring £69,000 into the earmarked Housing Acquisitions and Development reserve in 2018/19. In addition, the Housing Revenue Account ICT reserve is £366,000 as at 31 March 2019.

Service Managers across the Council, supported by the Executive Management Team are aware of their responsibilities to secure value for money in all that they do. Reviews are constantly being conducted with the view to realising on-going savings to be fed into the budget setting process.

Despite a reduction in government funding of £261,000 in 2019/20 in comparison to 2018/19, and cost increases due to pay and prices of £1.009 million the Council was able to set a balanced budget for 2019/20. Analysis of on-going savings from the previous outturn and a management led review of the Health and Leisure Centres both played a significant part in the balancing of the 2019/20 budget, supported by the Council's proactive approach in identifying and realising efficiency savings across all services. The annual Council Tax was increased by £5 per band D property, resulting in annual Council Tax for 2019/20 for an average Band D property of £173.36 for the services provided by the District Council.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. Key officers are keeping up to date with the progression of business rate retention and the fair funding review. The Council's current strong financial position and on-going efficiencies programme (including the development of new income generation), underpinned by the healthy General Fund reserve will enable the Council to respond to changes accordingly.



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18				2018/19			
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
2,064	(561)	1,503	Community Affairs		2,354	(505)	1,849
12,650	(3,245)	9,405	Environment and Regulatory Services		12,465	(3,328)	9,137
44,309	(41,158)	3,151	Finance, Corporate Services and Improvement		46,650	(38,986)	7,664
5,255	(3,500)	1,755	Housing Services		6,544	(5,053)	1,491
53	0	53	Leader and Corporate Affairs		44	0	44
11,343	(7,368)	3,975	Leisure and Wellbeing		8,488	(7,251)	1,237
546	(405)	141	Local Economic Development, Property and Innovation		637	(392)	245
6,696	(5,070)	1,626	Planning and Infrastructure		6,514	(5,556)	958
82,916	(61,307)	21,609	General Fund		83,696	(61,071)	22,625
19,212	(28,389)	(9,177)	Housing Revenue Account		22,324	(27,641)	(5,317)
<b>102,128</b>	<b>(89,696)</b>	<b>12,432</b>	<b>Cost of Services</b>	5	<b>106,020</b>	<b>(88,712)</b>	<b>17,308</b>
			<b>Other Operating Expenditure</b>				
5,469			Town and Parish Council Precepts		5,738		
574			Payments to the Government Housing Capital Receipts Pool		574		
	(2,064)		(Gains)/Losses on the disposal of Non-Current Assets			(1,231)	
	0		Car Parks Non Domestic Rates Refund		80	(800)	
		<b>3,979</b>	<b>Total Other Operating Expenditure</b>				<b>4,361</b>
			<b>Financing and Investment Income and Expenditure</b>				
			Interest Payable and Similar Charges:				
			- General Fund		40		
35			- HRA		4,411		
4,466			Expected Credit Loss on Investments		9		
0			Changes in the fair value of Investments			(108)	
	(866)		Other Investment Income			(1,192)	
2,190			Net interest on the net defined benefit liability/(asset)	42	2,410		
	(134)		Income, expenditure and changes in the fair value of Investment Properties	12		(788)	
		<b>5,691</b>	<b>Total Financing and Investment Income and Expenditure</b>				<b>4,782</b>
			<b>Taxation and Non-Specific Grant Income</b>				
	(17,150)		Council Tax Income (incl. Parish precepts)			(17,851)	
	(4,648)		Non-Domestic Rates Income and Expenditure	44		(5,903)	
	(2,331)		Unringfenced Government Grants	44		(795)	
	(2,940)		Capital Grants and Contributions	44		(3,686)	
		<b>(27,069)</b>	<b>Total Taxation and Non-Specific Grant Income</b>				<b>(28,235)</b>
114,862	(119,829)	<b>(4,967)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>		119,282	(121,066)	<b>(1,784)</b>
	(2,684)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(4,230)	
	180		(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			0	
4,920			Re-measurement of the defined benefit liability/(asset)	42	(8,540)		
		<b>2,416</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(12,770)</b>
		<b>(2,551)</b>	<b>Total Comprehensive Income and Expenditure</b>	5			<b>(14,554)</b>

Total Comprehensive Income and Expenditure has moved by £12.003 million between 2017/18 and 2018/19. The reasons for this are detailed in Note 6.

**EXPENDITURE AND FUNDING ANALYSIS**  
(supporting note to the Comprehensive Income and Expenditure Statement)

	<b>2018/19</b>		
	Income and Expenditure chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure for the equivalent amounts in the Comprehensive Income and Expenditure State
<b>2018/19:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community Affairs	1,772	77	1,849
Environment and Regulatory Services	8,653	484	9,137
Finance, Corporate Services and Improvement	4,697	2,967	7,664
Housing Services	1,394	97	1,491
Leader and Corporate Affairs	43	1	44
Leisure and Wellbeing	1,692	(455)	1,237
Local Economic Development, Property and Innovation	(9)	254	245
Planning and Infrastructure	689	269	958
<b>General Fund</b>	<b>18,931</b>	<b>3,694</b>	<b>22,625</b>
<b>Housing Revenue Account</b>	<b>(9,690)</b>	<b>4,373</b>	<b>(5,317)</b>
<b>Cost of Services</b>	<b>9,241</b>	<b>8,067</b>	<b>17,308</b>
Total Other Operating Expenditure	5,018	(657)	4,361
Total Financing and Investment Income and Expenditure	3,260	1,522	4,782
Total Taxation and Non-Specific Grant Income	(24,549)	(3,686)	(28,235)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(7,030)</b>	<b>5,246</b>	<b>(1,784)</b>
Other Comprehensive Income and Expenditure	7,709	(20,479)	(12,770)
<b>Total Comprehensive Income and Expenditure</b>	<b>679</b>	<b>(15,233)</b>	<b>(14,554)</b>
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	679		
Transfer to/ (from) Earmarked Reserves	(679)		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		
	Income and Expenditure chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure for the equivalent amounts in the Comprehensive Income and Expenditure State
<b>2017/18:</b>			
Community Affairs	1,284	219	1,503
Environment and Regulatory Services	7,999	1,406	9,405
Finance, Corporate Services and Improvement	4,448	(1,297)	3,151
Housing Services	1,491	264	1,755
Leader and Corporate Affairs	49	4	53
Leisure and Wellbeing	2,098	1,877	3,975
Local Economic Development, Property and Innovation	43	98	141
Planning and Infrastructure	989	637	1,626
<b>General Fund</b>	<b>18,401</b>	<b>3,208</b>	<b>21,609</b>
<b>Housing Revenue Account</b>	<b>(9,495)</b>	<b>318</b>	<b>(9,177)</b>
<b>Cost of Services</b>	<b>8,906</b>	<b>3,526</b>	<b>12,432</b>
Total Other Operating Expenditure	5,469	(1,490)	3,979
Total Financing and Investment Income and Expenditure	3,636	2,055	5,691
Total Taxation and Non-Specific Grant Income	(24,129)	(2,940)	(27,069)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(6,118)</b>	<b>1,151</b>	<b>(4,967)</b>
Other Comprehensive Income and Expenditure	4,668	(2,252)	2,416
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,450)</b>	<b>(1,101)</b>	<b>(2,551)</b>
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	(1,450)		
Transfer to/ (from) Earmarked Reserves	1,450		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		

See Note 5 for further analysis

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Community Infrastructure Levy Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 31 March 2017</b>	<b>(3,000)</b>	<b>(24,726)</b>	<b>(1,000)</b>	<b>(12,076)</b>	<b>(7,561)</b>	<b>(774)</b>	<b>(3,264)</b>	<b>(52,401)</b>	<b>(210,992)</b>	<b>(263,393)</b>
<b><i>Movement in reserves during 2017/18</i></b>										
(Surplus)/deficit on the provision of services	1,303	0	(6,270)	0	0	0	0	(4,967)	0	(4,967)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	2,416	2,416
<b>Total Comprehensive Income and Expenditure</b>	<b>1,303</b>	<b>0</b>	<b>(6,270)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,967)</b>	<b>2,416</b>	<b>(2,551)</b>
Adjustments between accounting basis and funding basis under regulations (note 8)	(941)	0	4,458	0	1,646	(1,503)	175	3,835	(3,835)	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>362</b>	<b>0</b>	<b>(1,812)</b>	<b>0</b>	<b>1,646</b>	<b>(1,503)</b>	<b>175</b>	<b>(1,132)</b>	<b>(1,419)</b>	<b>(2,551)</b>
Transfers to/(from) earmarked reserves (notes 9/10)	(362)	(1,117)	1,812	(333)	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>(1,117)</b>	<b>0</b>	<b>(333)</b>	<b>1,646</b>	<b>(1,503)</b>	<b>175</b>	<b>(1,132)</b>	<b>(1,419)</b>	<b>(2,551)</b>
<b>Balance at 31 March 2018</b>	<b>(3,000)</b>	<b>(25,843)</b>	<b>(1,000)</b>	<b>(12,409)</b>	<b>(5,915)</b>	<b>(2,277)</b>	<b>(3,089)</b>	<b>(53,533)</b>	<b>(212,411)</b>	<b>(265,944)</b>
<b><i>Movement in reserves during 2018/19</i></b>										
(Surplus)/deficit on the provision of services	1,029	0	(2,813)	0	0	0	0	(1,784)	0	(1,784)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(12,770)	(12,770)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,029</b>	<b>0</b>	<b>(2,813)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,784)</b>	<b>(12,770)</b>	<b>(14,554)</b>
Adjustments between accounting basis and funding basis under regulations (note 8)	(2,787)	0	5,250	0	114	(1,817)	(437)	323	(323)	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>(1,758)</b>	<b>0</b>	<b>2,437</b>	<b>0</b>	<b>114</b>	<b>(1,817)</b>	<b>(437)</b>	<b>(1,461)</b>	<b>(13,093)</b>	<b>(14,554)</b>
Transfers to/(from) earmarked reserves (notes 9/10)	1,758	685	(2,437)	(6)	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>685</b>	<b>0</b>	<b>(6)</b>	<b>114</b>	<b>(1,817)</b>	<b>(437)</b>	<b>(1,461)</b>	<b>(13,093)</b>	<b>(14,554)</b>
<b>Balance at 31 March 2019</b>	<b>(3,000)</b>	<b>(25,158)</b>	<b>(1,000)</b>	<b>(12,415)</b>	<b>(5,801)</b>	<b>(4,094)</b>	<b>(3,526)</b>	<b>(54,994)</b>	<b>(225,504)</b>	<b>(280,498)</b>

## BALANCE SHEET AS AT 31 MARCH

2017/18		Notes	2018/19	
£000	£000		£000	£000
		<b>Long-Term Assets</b>		
		Property, Plant and Equipment:		
366,652		Council Dwellings	370,038	
66,755		Other Land and Buildings	69,791	
4,378		Vehicles, Plant and Equipment	3,852	
4,047		Infrastructure	3,712	
3,046	444,878	Assets Under Construction	6,673	454,066
	4,695	Investment Property		5,181
	21,180	Long-Term Investments		28,786
	1,564	Long-Term Debtors		1,368
	472,317	<b>Total Long-Term Assets</b>		489,401
		<b>Current Assets</b>		
2,493		Assets Held For Sale - Property	0	
36,731		Short-Term Investments	28,808	
340		Inventories	338	
11,236		Short-Term Debtors	10,510	
(2,447)		Bad Debt Provision	(2,429)	
4,552		Cash and Cash Equivalents	5,874	
	52,905	<b>Total Current Assets</b>		43,101
	525,222	<b>Total Assets</b>		532,502
		<b>Current Liabilities</b>		
(4,350)		Short-Term Borrowing	(4,349)	
(19,741)		Short-Term Creditors	(18,109)	
(127)		Developers' Contributions - Receipts in Advance	(62)	
	(24,218)	<b>Total Current Liabilities</b>		(22,520)
		<b>Long-Term Liabilities</b>		
(135,507)		Long-Term Borrowing	(131,207)	
(3,608)		Provisions	(4,266)	
(133)		Capital Grants - Receipts in Advance	(168)	
(788)		Developers' Contributions - Receipts in Advance	(751)	
(95,024)		Net Pensions Liability	(93,092)	
	(235,060)	<b>Total Long-Term Liabilities</b>		(229,484)
	265,944	<b>Net Assets</b>		280,498
		<b>Usable Reserves</b>		
3,000		General Fund Balance	3,000	
25,843		Earmarked Reserves	25,158	
1,000		Housing Revenue Account Balance	1,000	
12,409		Capital Programme Reserve	12,415	
5,915		Capital Receipts Reserve	5,801	
2,277		Community Infrastructure Levy Unapplied	4,094	
3,089	53,533	Developers' Contributions Unapplied	3,526	54,994
		<b>Unusable Reserves</b>		
36,099		Revaluation Reserve	38,327	
269,967		Capital Adjustment Account	279,466	
73		Available For Sale Financial Instruments Reserve	0	
0		Financial Instruments Revaluation Reserve	172	
554		Deferred Capital Receipts Reserve	555	
(95,024)		Pensions Reserve	(93,092)	
946		Collection Fund Adjustment Account	369	
(204)	212,411	Accumulating Absences Adjustment Account	(293)	225,504
	265,944	<b>Total Reserves</b>		280,498

## CASH FLOW STATEMENT

2017/18		Notes	2018/19
£000			£000
(4,967)	Net (surplus) or deficit on the provision of services		(1,784)
(15,541)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	34	(22,344)
4,683	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	5,200
(15,825)	Net cash flows from Operating Activities		(18,928)
21,360	Investing Activities	35	11,024
1,763	Financing Activities	36	6,582
7,298	Net (increase) or decrease in cash and cash equivalents		(1,322)
(11,850)	Cash and cash equivalents at the beginning of the reporting period		(4,552)
(4,552)	<b>Cash and cash equivalents at the end of the reporting period</b>	18	(5,874)

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. 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 2018/19 and the Service Reporting Code of Practice 2018/19 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, housing rents, 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.

#### 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.



## NOTES TO THE ACCOUNTS

### 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.
- \* 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 the following components:
- \* **Service cost comprising**
  - **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment 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.
  - **Net interest on the net defined benefit liability (asset)** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

## NOTES TO THE ACCOUNTS

### Re-measurements comprising

- **Return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset), charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial Gains and Losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **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.

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.

## NOTES TO THE ACCOUNTS

### xi) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

**Financial liabilities** are obligations to transfer economic benefits controlled by the Council and can be represented by contractual obligations to deliver cash or financial assets or obligations to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost.

**Financial Assets** are rights to future economic benefits controlled by the Council that are represented by cash, equity instruments or contractual rights to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council are accounted for under the following classifications:

**Amortised Cost** – where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows

**Fair value through other comprehensive income** – where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument and equity investments that the Council has elected into this category

**Fair value through profit and loss** – all other financial assets

### 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**

The Council accounts for expenditure on Intangible Assets, such as software licences and website development, as revenue expenditure and therefore there is no asset recognition on the Balance Sheet.

### **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.

## NOTES TO THE ACCOUNTS

### **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 the Capital Receipts Reserve.

### **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.

## NOTES TO THE ACCOUNTS

### The Council as Lessor

#### Finance Leases

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

### **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 2018/19 (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) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale).

### **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 over a number of years and the cost of the item can be measured reliably. This determination will be made by the Responsible Financial Officer based upon a reasonable and prudent judgement. Leisure and ICT equipment will generally not be capitalised. 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	£10,000
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:

- \* Non-HRA dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- \* HRA Dwellings – componentisation applied and depreciated according to the average remaining useful life expectancies.
- \* 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

### 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 of asset lives within each category.

Type of Asset	Remaining Useful Asset Life at 31 March 2019
Council Dwellings	Up to 60 years
Council Garages	60 years
Depots	60 years
Public Conveniences	Between 1 and 60 years
Offices	Between 50 and 60 years
Cemeteries	An average of 60 years
Health and Leisure Centres	60 years
Equipment	Between 0 and 30 years
Coastal Protection Works	Up to 10 years
Land Drainage Works	Up to 26 years
Public Lighting Works	Up to 25 years
Residential Dwellings	An average of 46 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 a proportion 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 Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **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 show 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 Council 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. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities (these is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020.

**IAS 40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies

**IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment

**IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on any future group accounts.

**IFRS 9 Financial Instruments: prepayment features with negative compensation** amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

### 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.

## NOTES TO 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).

**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.

**IFRS9** – The 2018/19 Code of Practice on Local Authority Accounting introduced some changes as a result of two new International Reporting Standards (IFRS). IFRS9 relates to how financial instruments are accounted for. These are now valued, depending upon the type of instrument, at amortised cost or fair value.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Doubtful Debt Allowances	The Council has made allowances for doubtful debts of £2.429 million in 2018/19 (£2.447 million in 2017/18) based on what it believes to be a prudent but realistic level. The allowances are based on: Council Tax and Non-domestic rate payers – ranges from 5% of debts at bill stage to 50% of debts at Liability Order stage. Sundry Debtors including Overpaid Housing Benefits -100% of debts over 1 year. Housing Rents - Former tenants 95%, current tenants various percentages ranging from 0% on debts up to £100 and 95% on debts over £1,000.	If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment of £121,000 (£122,000 in 2017/18).

## NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
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.</p> <p>Liabilities were increased as a result of the McCloud judgement. The figures are based on a worst case scenario and are approximate based on an estimate of the LGPS liabilities as a whole. The actual impact will depend on the proportion of the active liabilities and the active membership profile, with the cost being higher for younger members.</p>	<p>The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 42.</p> <p>During 2018/19, the Council's actuaries advised that the net pension liability for funded benefits had decreased by £450,000 due to estimates being corrected, as a result of experience and decreased by £2.930 million due to updating of the assumptions used in the calculations. The effect of the McCloud judgement based on the worst case is £3M.</p>
Accumulating Absences	<p>The calculated figure is comprised of annual leave entitlement and accrued flexi/lieu time. 54% 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.</p>	<p>The accumulated absences amount recorded for 2018/19 is £293,000. A 5% increase in the accrual would amount to £15,000. This would not impact on the usable reserves of the Council.</p>
Business Rates Appeals Provision	<p>The provision of £3.990 million made by the Council is its 40% share of an overall provision of £9.975 million provision made in the Collection Fund. The overall figure is based on a national estimate of 3.6% successful appeals on the gross rateable value, less appeals already settled and adjusted for major appeals that have been notified by the Valuation Office as being in hand and likely to be successful, but not yet settled.</p>	<p>The Council would be impacted by circa 20% of any under or over provision, but any loss would be restricted to a reduction in resources of £1.847 million before Safety Net Grant arrangements apply.</p>

## NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Housing Stock Valuation	The Council adopts the Beacon methodology to annually revalue the Housing stock owned by the Council. The method adopted divides Towns and Parishes across the District into 5 pools, with a single pool being used to inform the Beacon indices each year on a cyclical basis. The pools were revised during 2017/18 to include Towns and Parishes across the District, rather than being too heavily weighted to a specific geographical area. Each year, it is recognised that the Beacon indices may well result in differing valuations when making a comparison against the national house price benchmark.	Over the 5 year period of valuation, the methodology does result in a fair market average valuation being carried in the Council's balance sheet. In any one year however, depending on the pool used to inform the Beacon indices, a variation can occur against the Land Registry house price benchmark. In 2018/19, the NFDC Beacon indices totaled 0.24%, whereas the South East benchmark totaled -0.4%. The resultant difference in these figures equates to circa £2 million.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

## NOTES TO THE ACCOUNTS

### 5. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and Housing Revenue Account balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

#### **Adjustments for Capital Purposes**

- Depreciation, impairment and revaluation gains/losses on Property, Plant and Equipment and Investment Properties.
- Gains/losses on the Disposal of Non-Current Assets.
- Payments to the Government Housing Capital Receipts Pool.
- Capital grants, income and contributions.
- Provision for the financing of Capital Investment.
- Capital expenditure charged against the General Fund and Housing Revenue Account balances.

#### **Net Change for Pensions Adjustments**

- Replacement of employer pension contributions allowed by statute with current and past service costs.
- Net interest on the net defined benefit liability/(asset).
- Re-measurement of the defined benefit liability/(asset).

#### **Other Differences**

- Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements.
- Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the amount chargeable in the year in accordance with statutory requirements.



## NOTES TO THE ACCOUNTS

### Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts:

Adjustment between Funding and Accounting Basis 2018/19				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
<b>2018/19:</b>				
Community Affairs	0	73	4	77
Environment and Regulatory Services	232	237	15	484
Finance, Corporate Services and Improvement	412	2,546	9	2,967
Housing Services	0	88	9	97
Leader and Corporate Affairs	0	1	0	1
Leisure and Wellbeing	(650)	180	15	(455)
Local Economic Development, Property and Innovation	(66)	26	294	254
Planning and Infrastructure	0	250	19	269
<b>General Fund</b>	(72)	3,401	365	3,694
<b>Housing Revenue Account</b>	3,548	797	28	4,373
<b>Net Cost of Services</b>	<b>3,476</b>	<b>4,198</b>	<b>393</b>	<b>8,067</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(17,346)	(6,130)	176	(23,300)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(13,870)</b>	<b>(1,932)</b>	<b>569</b>	<b>(15,233)</b>
<b>2017/18:</b>				
Community Affairs	0	219	0	219
Environment and Regulatory Services	741	661	4	1,406
Finance, Corporate Services and Improvement	(68)	(1,226)	(3)	(1,297)
Housing Services	72	193	(1)	264
Leader and Corporate Affairs	0	4	0	4
Leisure and Wellbeing	1,430	449	(2)	1,877
Local Economic Development, Property and Innovation	(105)	42	161	98
Planning and Infrastructure	(9)	649	(3)	637
<b>General Fund</b>	2,061	991	156	3,208
<b>Housing Revenue Account</b>	45	265	8	318
<b>Net Cost of Services</b>	<b>2,106</b>	<b>1,256</b>	<b>164</b>	<b>3,526</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(11,388)	7,110	(349)	(4,627)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(9,282)</b>	<b>8,366</b>	<b>(185)</b>	<b>(1,101)</b>

## NOTES TO THE ACCOUNTS

### Expenditure and Income Analysed by Nature:

2017/18		2018/19
<b>£000</b>	<b>Expenditure</b>	<b>£000</b>
26,941	Employee benefits expenses	31,567
59,944	Other services expenses	58,257
2,020	Support Service recharges	3,050
13,223	Depreciation, amortisation and impairment	13,226
6,691	Interest Payments	6,870
5,469	Precepts and Levies	5,738
574	Payments to Housing Capital Receipts Pool	574
<b>114,862</b>	<b>Total Expenditure</b>	<b>119,282</b>
	<b>Income</b>	
(46,111)	Fees, charges and other service income	(49,130)
(2,064)	Gain on the disposal of assets	(1,231)
(1,000)	Interest and investment income	(2,088)
(17,150)	Income from council tax	(17,851)
(53,504)	Government grants and contributions	(50,766)
<b>(119,829)</b>	<b>Total Income</b>	<b>(121,066)</b>
<b>(4,967)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,784)</b>

### Segmental Income:

	Government Grant and Other Income	Fees, Charges and Other Service Income	Total
	£000	£000	£000
<b>2018/19:</b>			
Community Affairs	(22)	(483)	(505)
Environment and Regulatory Services	(447)	(2,881)	(3,328)
Finance, Corporate Services and Improvement	(37,600)	(1,385)	(38,985)
Housing Services	(1,647)	(3,406)	(5,053)
Leisure and Wellbeing	(398)	(6,853)	(7,251)
Local Economic Development, Property and Innovation	0	(392)	(392)
Planning and Infrastructure	(268)	(5,288)	(5,556)
<b>General Fund</b>	<b>(40,382)</b>	<b>(20,688)</b>	<b>(61,070)</b>
<b>Housing Revenue Account</b>	<b>0</b>	<b>(27,641)</b>	<b>(27,641)</b>
	<b>(40,382)</b>	<b>(48,329)</b>	<b>(88,711)</b>
<b>2017/18:</b>			
Community Affairs	(27)	(534)	(561)
Environment and Regulatory Services	(467)	(2,778)	(3,245)
Finance, Corporate Services and Improvement	(40,225)	(933)	(41,158)
Housing Services	(1,213)	(2,287)	(3,500)
Leisure and Wellbeing	(845)	(6,523)	(7,368)
Local Economic Development, Property and Innovation	0	(405)	(405)
Planning and Infrastructure	(268)	(4,802)	(5,070)
<b>General Fund</b>	<b>(43,045)</b>	<b>(18,262)</b>	<b>(61,307)</b>
<b>Housing Revenue Account</b>	<b>(540)</b>	<b>(27,849)</b>	<b>(28,389)</b>
	<b>(43,585)</b>	<b>(46,111)</b>	<b>(89,696)</b>

## NOTES TO THE ACCOUNTS

### 6. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Total Comprehensive Income and Expenditure Statement has a net income position of £14.554 million in 2018/19, a movement of £12.003 million from the £2.551 million net income position in 2017/18. The main reasons for the variation, most of which do not impact on usable resources, are as follows:

	2017/18	2018/19	Variation
	£000	£000	£000
Depreciation and Revaluation/Impairment of Non Current Assets	3,725	5,099	(1,374)
Capital Grants and Contributions	(5,147)	(5,289)	142
Revenue Expenditure Funded from Capital	2,277	1,611	666
Payments to the Housing Pooled Capital Receipts	574	574	0
(Gains)/Losses on Non Current Asset Disposals	(2,064)	(1,231)	(833)
Pension Fund Actuarial (Gains)/Losses	4,920	(8,540)	13,460
Other IAS19 Pension Adjustments	3,448	6,608	(3,160)
(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment (Revaluation Reserve)	(2,684)	(4,230)	1,546
Other Items	209	(505)	714
<b>Items Not Affecting Council Tax / Housing Rents</b>	<b>5,258</b>	<b>(5,903)</b>	<b>11,161</b>
Equipment Purchases	818	1,632	(814)
Dwellings Depreciation	9,497	8,127	1,370
Non-Ringfenced Government Grants	(6,979)	(6,698)	(281)
Interest Payable and Similar Charges	4,501	4,451	50
Investment Income	(866)	(1,192)	326
Other Items	(14,780)	(14,971)	191
<b>Items Affecting Council Tax / Housing Rents</b>	<b>(7,809)</b>	<b>(8,651)</b>	<b>842</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,551)</b>	<b>(14,554)</b>	<b>12,003</b>

### 7. EVENTS AFTER THE REPORTING PERIOD

The Council has adjusted its 2018/19 financial statements using an updated report from the actuary following the McCloud judgement relating to IAS19. This has therefore been treated as a material Post Balance Sheet Event.

## NOTES TO THE ACCOUNTS

### 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2018/19	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(1,705)	(3)	0	(8,127)	0	0	9,835
Revaluation Gains / (Losses) on Property, Plant and Equipment	998	7,010	0	0	0	0	(8,008)
Capital Expenditure not enhancing value	(840)	(10,558)	0	0	0	0	11,398
Movements in the market value of Investment Properties	486	0	0	0	0	0	(486)
Expected Credit Loss on Investments	(9)	0	0	0	0	0	9
Movement in the Fair Value of Investments	108	0	0	0	0	0	(108)
Capital grants and contributions applied	1,664	600	0	0	0	0	(2,264)
Revenue expenditure funded from capital under statute	(1,612)	0	0	0	0	0	1,612
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	(2,495)	(1,473)	0	0	0	0	3,968
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	1,203	1,538	0	0	0	0	(2,741)
Capital expenditure charged against the General Fund and HRA balances	894	6,357	0	0	0	0	(7,251)
<b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,465	394	0	0	(1,898)	(961)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	81	524	(605)

## NOTES TO THE ACCOUNTS

2018/19	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
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)	2,582	2,618	(5,200)	0	0	0	0
Transfer of cash proceeds from non PPE assets	89	0	(89)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,829	0	0	0	(4,829)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(574)	0	574	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	2	0	0	0	0	(2)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	5,565	0	0	(5,565)
Use of the Major Repairs Reserve to finance debt repayment	0	0	0	2,562	0	0	(2,562)
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,767)	(1,985)	0	0	0	0	11,752
Employer's pensions contributions and direct payments to pensioners payable in the year	4,378	766	0	0	0	0	(5,144)

## NOTES TO THE ACCOUNTS

2018/19	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(578)	0	0	0	0	0	578
<b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>							
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	(74)	(16)	0	0	0	0	90
<b>Total Adjustments</b>	<b>(2,787)</b>	<b>5,250</b>	<b>114</b>	<b>0</b>	<b>(1,817)</b>	<b>(437)</b>	<b>(323)</b>

## NOTES TO THE ACCOUNTS

2017/18 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(1,685)	(7)	0	(9,497)	0	0	11,189
Revaluation Gains / (Losses) on Property, Plant and Equipment	243	10,254	0	0	0	0	(10,497)
Capital Expenditure not enhancing value	(2,231)	(10,299)	0	0	0	0	12,530
Movements in the market value of Investment Properties	(42)	0	0	0	0	0	42
Capital grants and contributions applied	2,759	540	0	0	0	0	(3,299)
Revenue expenditure funded from capital under statute	(1,738)	(540)	0	0	0	0	2,278
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	(28)	(2,591)	0	0	0	0	2,619
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Provision for the financing of capital investment	1,099	953	0	0	0	0	(2,052)
Capital expenditure charged against the General Fund and HRA balances	1,584	2,372	0	0	0	0	(3,956)
<b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,715	89	0	0	(1,503)	(301)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	476	(476)

## NOTES TO THE ACCOUNTS

2017/18 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
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)	337	4,346	(4,683)	0	0	0	0
Transfer of cash proceeds from non PPE assets	56	0	(56)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	5,812	0	0	0	(5,812)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(574)	0	574	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(13)	(1)	0	0	0	14
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,350	0	0	(6,350)
Use of the Major Repairs Reserve to finance debt repayment	0	0	0	3,147	0	0	(3,147)
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,764)	(1,371)	0	0	0	0	8,135
Employer's pensions contributions and direct payments to pensioners payable in the year	3,967	720	0	0	0	0	(4,687)



## NOTES TO THE ACCOUNTS

2017/18 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	352	0	0	0	0	0	(352)
<b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>							
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	9	5	0	0	0	0	(14)
<b>Total Adjustments</b>	<b>(941)</b>	<b>4,457</b>	<b>1,647</b>	<b>0</b>	<b>(1,503)</b>	<b>175</b>	<b>(3,835)</b>

## NOTES TO THE ACCOUNTS

### 9. EARMARKED 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 2017/18 and 2018/19.

	Balance 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Building Control Surplus	(100)	100	0	0	0	(3)	(3)
Business Rates Equalisation	0	0	(113)	(113)	0	(1,441)	(1,554)
Committed Schemes	(1,483)	1,483	(834)	(834)	834	(1,045)	(1,045)
Community Housing Fund	(976)	11	0	(965)	29	0	(936)
Historic Buildings	(7)	0	0	(7)	0	0	(7)
Housing Needs Survey	(84)	0	(12)	(96)	0	(12)	(108)
Local Development Framework	(359)	126	0	(233)	101	(75)	(207)
Lymington Synthetic Turf Pitch	(139)	0	(12)	(151)	0	(17)	(168)
Open Space Maintenance	(56)	3	0	(53)	3	(70)	(120)
Private Housing Stock Condition Survey	(91)	0	(13)	(104)	0	(13)	(117)
Quadrennial Election	(86)	0	(44)	(130)	0	(44)	(174)
<b>General Fund</b>	<b>(3,381)</b>	<b>1,723</b>	<b>(1,028)</b>	<b>(2,686)</b>	<b>967</b>	<b>(2,720)</b>	<b>(4,439)</b>
HRA ICT	(302)	0	(64)	(366)	0	0	(366)
Housing Acquisitions and Development	(21,043)	0	(1,748)	(22,791)	2,507	(69)	(20,353)
<b>Total Reserves</b>	<b>(24,726)</b>	<b>1,723</b>	<b>(2,840)</b>	<b>(25,843)</b>	<b>3,474</b>	<b>(2,789)</b>	<b>(25,158)</b>

### 10. CAPITAL PROGRAMME RESERVE

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

	Balance 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Capital Programme	(12,076)	1,261	(1,594)	(12,409)	1,838	(1,844)	(12,415)
	<b>(12,076)</b>	<b>1,261</b>	<b>(1,594)</b>	<b>(12,409)</b>	<b>1,838</b>	<b>(1,844)</b>	<b>(12,415)</b>

## NOTES TO THE ACCOUNTS

### 11. PROPERTY, PLANT AND EQUIPMENT ASSETS AND IMPAIRMENTS

#### Valuation of Property, Plant and Equipment

The Council operates a rolling programme of property revaluations, which are carried out over a 5 year period. In 2018/19 this work was carried out by the Council's valuer, S. Yeo, MRICS. The revaluation programme for 2018/19 principally comprised the majority of the Council's non-operational land and buildings, as well as 20% of dwellings using the Beacon method of valuation. The remainder of dwellings' values were uplifted in line with the resultant Beacon indices.

#### a) Analysis of Assets

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

2017/18		2018/19
5,016	Council Dwellings	5,054
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	5
5	Health and Leisure Centres	5
51	Car Parks	50
8	Cemeteries	8
24	Public Conveniences	24
200	Vehicles	207
1,800	Garages	1,800

#### 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 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	£000
<b>Carried at Historic Cost (Net of Depreciation)</b>			3,852	3,712	6,673	14,237
<b>Valued at Fair Value as at:</b>						
2018/19	369,926	37,593				407,519
2017/18		8,569				8,569
2016/17		21,056				21,056
2015/16		2,328				2,328
Prior to 2014/15	112	245				357
<b>Total Cost or Valuation</b>	<b>370,038</b>	<b>69,791</b>	<b>3,852</b>	<b>3,712</b>	<b>6,673</b>	<b>454,066</b>

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:

<b>Movements in 2018/19:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2018	366,652	66,938	10,274	19,839	3,046	<b>466,749</b>
Additions	12,690	1,878	757	135	4,198	<b>19,658</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,858	1,372	0	0	0	<b>4,230</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(332)	997	0	0	(784)	<b>(119)</b>
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(10,558)	(705)	0	(135)	0	<b>(11,398)</b>
Derecognition - disposals	(1,473)	0	(695)	0	0	<b>(2,168)</b>
Other movements in cost or valuation	201	(414)	0	0	213	<b>0</b>
<b>At 31 March 2019</b>	<b>370,038</b>	<b>70,066</b>	<b>10,336</b>	<b>19,839</b>	<b>6,673</b>	<b>476,952</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2018	0	(183)	(5,895)	(15,792)	0	<b>(21,870)</b>
Depreciation charge	(8,127)	(92)	(1,282)	(335)	0	<b>(9,836)</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,127	0	0	0	0	<b>8,127</b>
Derecognition - disposals	0	0	693	0	0	<b>693</b>
<b>At 31 March 2019</b>	<b>0</b>	<b>(275)</b>	<b>(6,484)</b>	<b>(16,127)</b>	<b>0</b>	<b>(22,886)</b>
<b>Net Book Value</b>						
<b>at 31 March 2019</b>	<b>370,038</b>	<b>69,791</b>	<b>3,852</b>	<b>3,712</b>	<b>6,673</b>	<b>454,066</b>
<b>at 31 March 2018</b>	<b>366,652</b>	<b>66,755</b>	<b>4,378</b>	<b>4,047</b>	<b>3,046</b>	<b>444,878</b>

## NOTES TO THE ACCOUNTS

<b>Comparative Movements in 2017/18:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2017	367,521	66,211	10,020	19,838	0	<b>463,590</b>
Additions	11,220	1,797	1,664	742	3,332	<b>18,755</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(223)	2,723	0	0	0	<b>2,500</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	738	220	0	0	0	<b>958</b>
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(10,012)	(1,490)	0	(742)	(286)	<b>(12,530)</b>
Derecognition - disposals	(2,592)	(30)	(1,409)	0	0	<b>(4,031)</b>
Assets classified (to) / from Held for Sale	0	(2,493)	0	0	0	<b>(2,493)</b>
Other movements in cost or valuation	0	0	0	1	0	<b>1</b>
<b>At 31 March 2018</b>	<b>366,652</b>	<b>66,938</b>	<b>10,275</b>	<b>19,839</b>	<b>3,046</b>	<b>466,750</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2017	0	(279)	(6,094)	(15,444)	0	<b>(21,817)</b>
Depreciation charge	(9,491)	(142)	(1,209)	(348)	0	<b>(11,190)</b>
Depreciation written out to the Revaluation Reserve	0	185	0	0	0	<b>185</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	9,491	48	0	0	0	<b>9,539</b>
Derecognition - disposals	0	5	1,406	0	0	<b>1,411</b>
<b>At 31 March 2018</b>	<b>0</b>	<b>(183)</b>	<b>(5,897)</b>	<b>(15,792)</b>	<b>0</b>	<b>(21,872)</b>
<b>Net Book Value</b>						
<b>at 31 March 2018</b>	<b>366,652</b>	<b>66,755</b>	<b>4,378</b>	<b>4,047</b>	<b>3,046</b>	<b>444,878</b>
<b>at 31 March 2017</b>	<b>367,521</b>	<b>65,932</b>	<b>3,926</b>	<b>4,394</b>	<b>0</b>	<b>441,773</b>

## NOTES TO THE ACCOUNTS

### d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2018/19 were £1.266 million (Council Dwellings £1.112 million and General Fund Assets £154,000), but valuation increases were £13.990 million (Council Dwellings £10.985 million, Other HRA Properties £204,000 and other General Fund Assets £2.801 million)

Offsetting the net valuation increases was non-enhancing capital expenditure of £10.558 million on Council Dwellings, and £840,000 on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

Net valuation increases of Investment Properties in 2018/19 were £486,000.

### e) Capital Expenditure Contract Commitments

As at 31 March 2019, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000
<b>Environment and Regulatory Services</b>		
National Coastal Monitoring Programme (per annum)	2019/20-2020/21	260
Vehicles	2019/20	548
<b>Housing Revenue Account</b>		
Low Maintenance Eaves	2019/20	20
Bathrooms	2019/20	1,400
Windows	2019/20	830
Roofing	2019/20	635
<b>Leisure and Wellbeing</b>		
Eling Experience	2019/20	18
<b>Finance, Corporate Services and Improvement</b>		
Smarter Working	2019/20-2020/21	10
<b>Total</b>		<b>3,721</b>

## NOTES TO THE ACCOUNTS

### 12. INVESTMENT PROPERTIES

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

2017/18		2018/19
£000		£000
(179)	Rental income from investment property	(318)
3	Direct operating expenses arising from investment property	16
42	Net (gains)/losses from fair value adjustments	(486)
<b>(134)</b>	<b>Net (gain)/loss</b>	<b>(788)</b>

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:

2017/18		2018/19
£000		£000
<b>2,533</b>	<b>Balance at start of the year</b>	<b>4,695</b>
	Additions:	
2,204	Purchases	0
(42)	Net gains/(losses) from fair value adjustments	486
<b>4,695</b>	<b>Balance at end of the year</b>	<b>5,181</b>

#### Fair Value Hierarchy and Valuation Techniques

All of the Council's investment properties are commercial properties classed at level 2 in the fair value hierarchy. There were no transfers between levels during the year.

The fair value of investment properties has been measured using the investment method of valuation. Valuations have taken into account existing lease terms and rentals from the tenancy schedule, research into market evidence, market rentals and yields. In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

There has been no change in the valuation techniques used during the year for investment properties.

## NOTES TO THE ACCOUNTS

### 13. LONG-TERM INVESTMENTS

The Council is permitted to invest and lend a proportion of its funds for more than 364 days. At 31 March 2019 the Council had 18 loans which had a remaining maturity term of more than one year.

2017/18		2018/19
£000		£000
20,074	<b>Opening Balance</b>	21,180
13,045	Purchases	12,503
57	Revaluations Gains	216
(271)	Revaluations Losses	(85)
(5,205)	Repayments	(10)
0	Expected Credit Loss	(3)
(6,520)	Transfers to Short-Term Investments	(5,015)
<b>21,180</b>	<b>Closing Balance</b>	<b>28,786</b>

### 14. LONG-TERM DEBTORS

Long-term debtors includes deferred capital receipts for house purchases, loans to local trusts/organisations and staff car/cycle loans. During 2013/14 a long-term loan of £2.007 million was made to Lymington Harbour Commissioners. Of this £1.004 million was outstanding as at 31 March 2019, but £200,700 is due within 12 months and is therefore included within short-term debtors.

31 March 2018		31 March 2019
£000		£000
8	Car Loans	14
3	Trust Loans	0
1,004	Lymington Harbour Commissioners - Principal	803
549	Rent to Mortgages House Purchases	551
<b>1,564</b>	<b>Total</b>	<b>1,368</b>

### 15. SHORT-TERM INVESTMENTS

Short-term investments include all deposits with a term of less than one year other than Cash and Cash Equivalents.

2017/18		2018/19
£000		£000
29,459	<b>Opening Balance</b>	36,731
61,690	Purchases	51,723
(13)	Revaluations Gains/(Losses)	0
14	Movement in Accrued Interest	37
(60,939)	Repayments	(64,693)
0	Expected Credit Loss	(5)
6,520	Transfers from Long-Term Investments	5,015
<b>36,731</b>	<b>Closing Balance</b>	<b>28,808</b>



## NOTES TO THE ACCOUNTS

### 16. INVENTORIES

Inventories are goods that are acquired in advance of their use in the provision of services or their resale. They are charged to the Comprehensive Income and Expenditure Statement in the year that they are consumed or sold.

2017/18		2018/19
£000		£000
371	<b>Balance at 1 April</b>	340
1,794	Purchases	1,682
(1,788)	Recognised as an expense in the year	(1,652)
(37)	Written off balances	(32)
<b>340</b>	<b>Balance at 31 March</b>	<b>338</b>

### 17. SHORT-TERM DEBTORS

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

31 March 2018		31 March 2019
£000		£000
2,281	Central Government Bodies (a)	907
	Local Authorities:	
675	Hampshire County Council (b)	542
0	Police and Crime Commissioner for Hampshire	37
21	New Forest National Park Authority	24
101	Other Local Authorities	129
89	Public Corporations and Trading Funds	75
	Other Entities and Individuals:	
408	Council Tax Payers	426
454	Business Rate Payers	304
639	Housing Tenants' Rents	682
6,568	Other Debtors and Payments in Advance (c)	7,384
<b>11,236</b>	<b>Total</b>	<b>10,510</b>

Short-term debtors were lower at the 31 March 2019 by £726,000 when compared to 31 March 2018, the main contributing factors to this were:

- (a) Central Government Bodies debtors decreased by £1.374 million. As at 31 March 2019 £485,000 less was due from the Heritage Lottery Fund for the Eling Experience and payments of £740,000 from the Ministry of Communities, Housing and Local Government.
- (b) Hampshire County Council debtors was lower by £133,000. This was due to £99,000 less being accrued for Project Integra and glass income due being £19,000 lower.
- (c) Other Debtors and Payments in Advance have increased by £816,000. This is due to outstanding invoices regarding Homelessness being higher by £521,000 and a payment in advance of £230,000 regarding a property acquisition.

## NOTES TO THE ACCOUNTS

The bad debts provision is shown below:

31 March 2018		31 March 2019
£000		£000
(172)	Council Tax Payers	(171)
(146)	Business Rate Payers	(112)
(437)	Housing Tenants' Rents	(523)
(1,692)	Other Debtors	(1,623)
<b>(2,447)</b>	<b>Total</b>	<b>(2,429)</b>

### 18. CASH AND CASH EQUIVALENTS

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

31 March 2018		31 March 2019
£000		£000
7	Cash held by the Council	10
(696)	Bank current accounts	(967)
5,241	Short-Term deposits with building societies/banks and other financial institutions	6,831
<b>4,552</b>	<b>Total</b>	<b>5,874</b>

### 19. SHORT-TERM BORROWING

Short-term borrowing refers to loans that are repayable over a period of less than 12 months.

The Council has no short-term loans, but its long-term loans are repayable by equal instalments of principal. In 2012/13 the Council borrowed £142.7 million for the Housing Revenue Account financing settlement. The first £4.1 million principal repayment instalment of this borrowing was paid in 2017/18. The annual HRA settlement repayment of £4.1 million together with the next instalment for the Lymington Harbour Commissioners' loan of £200,700 is transferred each year from long term to short term borrowing as the total of £4.301 million is payable within 12 months.

In addition, total accrued interest of £48,400 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

2017/18		2018/19
£000		£000
<b>(4,351)</b>	<b>Balance at 1 April</b>	<b>(4,350)</b>
4301	Loans Repaid	4,301
(4,301)	Transferred from Long-Term Borrowing	(4,301)
1	Movement in accrued interest on all Borrowing	1
<b>(4,350)</b>	<b>Balance at 31 March</b>	<b>(4,349)</b>

## NOTES TO THE ACCOUNTS

### 20. SHORT-TERM CREDITORS

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

31 March 2018 £000		31 March 2019 £000
(8,491)	Central Government Bodies (a)	(6,271)
	Local Authorities:	
(2,535)	Hampshire County Council	(2,333)
(179)	Police and Crime Commissioner for Hampshire	(170)
(188)	Hampshire Fire and Rescue Authority	(170)
(45)	New Forest National Park Authority	(2)
(164)	Developers' Contributions Open Space Maintenance (b)	(568)
(261)	Other Local Authorities (c)	(760)
(2)	NHS Bodies	(2)
(67)	Public Corporations and Trading Funds	(20)
	Other Entities:	
(260)	Council Tax Payers	(279)
(1,085)	Business Rate Payers (d)	(373)
(6,464)	Other Creditors and Receipts in Advance (e)	(7,161)
<b>(19,741)</b>	<b>Total</b>	<b>(18,109)</b>

Short term creditors have decreased by £1.632 million from 2017/18 to 2018/19:

- (a) The Central Government Bodies balance is £2.102 million lower mainly due to £705,000 with regard to a lower Collection Fund surplus and £1.396 million re S31 grant from the Ministry for Housing, Communities and Local Government.
- (b) Developers' Contributions Open Space Maintenance creditors had increased by £404,000.
- (c) Other Local Authorities is higher due to the regional coastal monitoring programme moving from a debtor of £76,000 at the end of 2017/18 to a creditor of £570,000 at 31 March 2019.
- (d) Business Rate Payers receipts in advance have fallen by £712,000 in comparison to the end of 2017/18.
- (e) Other Creditors and Receipts in Advance have increased by £698,000. This was due in the main to movement on accruals regarding Coastal Monitoring of £137,000, Smarter Working of £134,000, Information Communications and Technology of £59,000, Health and Leisure Centres £60,000 and increased accruals regarding the Pension Scheme of £264,000.

## NOTES TO THE ACCOUNTS

### 21. DEVELOPERS' CONTRIBUTIONS – SHORT-TERM RECEIPTS IN ADVANCE

The Council has received Developers' 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.

2017/18		2018/19
£000		£000
(50)	<b>Balance at 1 April</b>	(127)
50	Financing of Capital Expenditure	118
(127)	Transfer to/(from) other Developers' Contribution Categories	(53)
<b>(127)</b>	<b>Balance at 31 March</b>	<b>(62)</b>

### 22. LONG-TERM BORROWING

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

At 1 April 2018 the Council was holding long-term debt of £135.507 million. This included the sum borrowed in 2012/13 relating to the refinancing of the Housing Revenue Account as well as a loan raised in March 2014 to finance an equivalent loan made in 2013/14 to the Lymington Harbour Commissioners. At 31 March 2019 £200,700 relating to the Harbour Commissioners' loan was repayable within 12 months, as well as the annual repayment of £4.1 million of the loan taken regarding the Housing Revenue Account financing settlement. Therefore a balance of long-term debt of £131.207 million was outstanding at the year end.

2017/18		2018/19
£000		£000
(139,808)	<b>Balance at 1 April</b>	(135,507)
4,301	Transferred to Short-Term Borrowing	4,300
<b>(135,507)</b>	<b>Balance at 31 March</b>	<b>(131,207)</b>

## NOTES TO THE ACCOUNTS

### 23. PROVISIONS

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

	Balance 1 April 2017	Additional Provisions Made 2017/18	Amounts Used 2017/18	Unused Amounts Reversed 2017/18	Balance 31 March 2018	Additional Provisions Made 2018/19	Amounts Used 2018/19	Unused Amounts Reversed 2018/19	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Rates	(2,386)	(1,240)	260	0	<b>(3,366)</b>	(1,356)	732	0	<b>(3,990)</b>
Legislation Changes	(17)	0	0	0	<b>(17)</b>	0	0	17	<b>0</b>
Private Sector Leasing Dilapidations	(102)	0	0	0	<b>(102)</b>	0	0	0	<b>(102)</b>
Redundancy	(408)	(19)	299	5	<b>(123)</b>	(174)	119	4	<b>(174)</b>
<b>Total Provisions</b>	<b>(2,913)</b>	<b>(1,259)</b>	<b>559</b>	<b>5</b>	<b>(3,608)</b>	<b>(1,530)</b>	<b>851</b>	<b>21</b>	<b>(4,266)</b>

#### Business Rates

On 1 April 2013 the Government introduced the Business Rates Retention Scheme, which required the Council to make a provision in the Collection Fund for successful appeals against rating valuations. The total provision made at 31 March 2019 was £9.975 million, of which £3.990 million relates to this Council's share of anticipated refunds.

#### Legislation Changes

The ability to fully recover the cost of providing property search information was subject to challenge nationally, as a consequence of conflicting legislation. This legal claim and related costs have been fully settled.

#### 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 122 properties at 31 March 2019. A revenue budget of £109,000 exists in 2019/20 for repairs and 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.

#### Redundancy

The Redundancy provision is put in place once approval for the termination of employment has been agreed by the Council.

## NOTES TO THE ACCOUNTS

### 24. 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:

2017/18				2018/19		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000	£000		£000	£000	£000
(341)	0	(341)	Balance at 1 April	(95)	(38)	(133)
(2,488)	(42)	(2,530)	New Receipts	(2,093)	(4)	(2,097)
2,734	4	2,738	Financing of Capital Expenditure	2,020	42	2,062
(95)	(38)	(133)	Balance at 31 March	(168)	0	(168)

### 25. DEVELOPERS' CONTRIBUTIONS – LONG -TERM RECEIPTS IN ADVANCE

The Council has received Developers' 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.

2017/18		2018/19
£000		£000
(1,352)	Balance at 1 April	(788)
(74)	New Receipts	(100)
511	Financing of Capital Expenditure	84
127	Transfer to/(from) other Developers' Contribution Categories	53
(788)	Balance at 31 March	(751)

### 26. 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 utilised on new capital expenditure.

2017/18		2018/19
£000		£000
(7,561)	Balance at 1 April	(5,915)
(4,740)	New Receipts (including interest)	(5,289)
574	Transfers to Government	574
5,812	Financing of Capital Expenditure	4,829
(5,915)	Balance at 31 March	(5,801)

## NOTES TO THE ACCOUNTS

### 27. DEVELOPERS' CONTRIBUTIONS / COMMUNITY INFRASTRUCTURE LEVY UNAPPLIED

The Developers' Contributions (DCs) and Community Infrastructure Levy (CIL) Unapplied accounts reflect contributions which have no conditions attached to them and have therefore been credited to the Reserve via the Comprehensive Income and Expenditure Account.

2017/18			2018/19	
CIL	DCs		CIL	DCs
£000	£000		£000	£000
(774)	(3,264)	<b>Balance at 1 April</b>	<b>(2,277)</b>	<b>(3,089)</b>
(1,764)	(434)	New Receipts	(2,350)	(1,077)
0	477	Financing of Capital Expenditure	81	524
93	132	Financing of Revenue Expenditure	130	116
168	0	Payments to Town and Parish Councils	322	0
<b>(2,277)</b>	<b>(3,089)</b>	<b>Balance at 31 March</b>	<b>(4,094)</b>	<b>(3,526)</b>

### 28. 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 non-current assets as they are disposed of and debited or credited with deficits or surpluses arising on the year's revaluations.

2017/18				2018/19		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(17,830)	(15,707)	(33,537)	<b>Balance at 1 April</b>	<b>(20,750)</b>	<b>(15,349)</b>	<b>(36,099)</b>
(2,923)	(47)	(2,970)	Upward revaluation of assets	(1,294)	(3,062)	(4,356)
3	283	286	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	126	0	126
(2,920)	236	(2,684)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,168)	(3,062)	(4,230)
0	0	0	Movement of property	(75)	75	0
0	122	122	Accumulated gains on assets sold or scrapped	1,921	81	2,002
<b>(20,750)</b>	<b>(15,349)</b>	<b>(36,099)</b>	<b>Balance at 31 March</b>	<b>(20,072)</b>	<b>(18,255)</b>	<b>(38,327)</b>

## NOTES TO THE ACCOUNTS

### 29. 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 non-current assets within the Balance Sheet and does not represent actual funds available to the Council.

2017/18			2018/19	
£000	£000		£000	£000
	(262,914)	<b>Balance at 1 April</b>		(269,967)
		<b>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</b>		
11,189		Charges for depreciation and impairment of non-current assets	9,835	
(10,496)		Revaluation (Gains) / Losses on Property, Plant and Equip.	(8,008)	
12,530		Capital Expenditure not enhancing value	11,398	
2,278		Revenue expenditure funded from capital under statute	1,612	
2,497		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	1,968	
	17,998	Net written out amount of the cost on non-current assets consumed in the year		16,805
		<b>Capital financing applied in the year:</b>		
(5,812)		Use of the Capital Receipts Reserve to finance new capital expenditure	(4,829)	
(6,350)		Use of the Major Repairs Reserve to finance new capital expenditure	(5,565)	
(3,147)		Use of the Major Repairs Reserve to finance debt repayment	(2,562)	
(3,299)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,264)	
(477)		Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts	(605)	
(1,099)		Provision for the financing of capital investment charged against the General Fund balance	(1,203)	
(953)		Provision for the financing of capital investment charged against the HRA balance	(1,538)	
(3,956)		Capital expenditure charged against the General Fund and HRA balances	(7,252)	
	(25,093)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(25,818)
	42			(486)
	<b>(269,967)</b>	<b>Balance at 31 March</b>		<b>(279,466)</b>



## NOTES TO THE ACCOUNTS

### 30. FINANCIAL INSTRUMENTS RESERVES

The Available for Sale Financial Instruments Reserve contained the gains made by the Council that arose from increases in the value of its investments that had quoted market prices or otherwise did not have fixed or determinable payments.

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through the Surplus or Deficit on the Provision of Services.

The Balances are reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost, or disposed of and the gains are realised.

2017/18			2018/19	
Available for Sale Financial Instruments	Financial Instruments Revaluation		Available for Sale Financial Instruments	Financial Instruments Revaluation
£000	£000		£000	
(253)	0	<b>Balance at 1 April</b>	(73)	0
0	0	Reclasification re IFRS 9	70	(70)
0	0	Remeasurement re re IFRS 9	3	0
(49)	0	Upward revaluation of investments	0	(197)
229	0	Downward revaluation of investments	0	86
0	0	Expected credit loss on investments	0	9
180	0	(Surplus) or deficit on revaluation of investments	73	(172)
<b>(73)</b>	<b>0</b>	<b>Balance at 31 March</b>	<b>0</b>	<b>(172)</b>

### 31. 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. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18		2018/19
£000		£000
(567)	<b>Balance at 1 April</b>	(554)
13	New Receipts/Revaluations	(1)
<b>(554)</b>	<b>Balance at 31 March</b>	<b>(555)</b>

## NOTES TO THE ACCOUNTS

### 32. PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Full details of the Pension Scheme are set out in Note 42.

2017/18		2018/19
£000		£000
86,656	<b>Balance at 1 April</b>	95,024
4,920	Remeasurement of the net defined liability / (asset)	(8,540)
8,135	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	11,752
(4,687)	Employer's pensions contributions and direct payments to pensioners payable in the year	(5,144)
<b>95,024</b>	<b>Balance at 31 March</b>	<b>93,092</b>

### 33. 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 2018				31 March 2019		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
(898)	0	(898)	Central Government	(194)	0	(194)
(162)	(1,067)	(1,229)	Hampshire County Council	(35)	(1,030)	(1,065)
0	(156)	(156)	Police and Crime Commissioner for Hampshire	0	(152)	(152)
(18)	(60)	(78)	Hampshire Fire and Rescue Authority	(4)	(56)	(60)
(1,078)	(1,283)	(2,361)		(233)	(1,238)	(1,471)
(719)	(227)	(946)	New Forest District Council	(154)	(214)	(368)
<b>(1,797)</b>	<b>(1,510)</b>	<b>(3,307)</b>		<b>(387)</b>	<b>(1,452)</b>	<b>(1,839)</b>

The balances on each fund will be taken into account when calculating the council tax and business rates in future years. A £1.494 million surplus was taken into account in setting the 2019/20 Council Tax Levels (£1.567 million surplus for 2018/19), and a £0.415 million surplus for Business Rate Levels (£1.671 million surplus for 2018/19).

## NOTES TO THE ACCOUNTS

### 34. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2017/18		2018/19
£000		£000
(11,189)	Charges for depreciation and impairment	(9,835)
10,497	Revaluation Gains/(Losses) on Property, Plant and Equipment	8,008
(4)	Revaluation/Movement in Deferred Debtors	1
(46)	Revaluation Gains/(Losses) on Investments	122
(12,530)	Capital Expenditure not enhancing value	(11,398)
(42)	Movements in the value of Investment Properties	486
2,939	Capital grants applied to the financing of Capital Expenditure	3,687
(2,619)	Carrying amount of Non-Current Assets sold	(3,968)
(31)	Increase/(Decrease) in Inventories	(2)
1,441	Increase/(Decrease) in Debtors	(726)
14	Increase/(Decrease) in Investments Accrued Interest	37
(209)	(Increase)/Decrease in impairment for Provision for Bad Debts	18
31	(Increase)/Decrease in Creditors	(586)
350	Adjustment to Creditors re Capital Expenditure	(922)
(3,448)	Movement in Pension Liability	(6,608)
(695)	Other non-cash items charged to the net surplus or deficit on the provision of services	(658)
<b>(15,541)</b>	<b>Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(22,344)</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18		2018/19
£000		£000
4,683	Proceeds adjustment from the sale of property, plant and equipment and investment property	5,200
<b>4,683</b>	<b>Net cash flows from operating activities</b>	<b>5,200</b>

The cash flows for operating activities include the following items:

2017/18		2018/19
£000		£000
(957)	Investment interest received	(1,100)
4,495	Loan interest paid	4,439
<b>3,538</b>	<b>Net cash flows from operating activities</b>	<b>3,339</b>

## NOTES TO THE ACCOUNTS

### 35. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2017/18		2018/19
£000		£000
20,609	Purchase of property, plant and equipment, investment property and intangible assets	20,582
74,735	Purchase of short-term and long-term investments	64,227
10	Other payments for investing activities	15
(4,683)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,199)
(66,144)	Proceeds from short-term and long-term investments	(64,703)
(3,167)	Other receipts from investing activities	(3,898)
<b>21,360</b>	<b>Net cash flows from investing activities</b>	<b>11,024</b>

### 36. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2017/18		2018/19
£000		£000
(2,538)	Other receipts from financing activities	0
4,301	Repayments of short- and long-term borrowing	4,301
0	Other payments for financing activities	2,281
<b>1,763</b>	<b>Net cash flows from financing activities</b>	<b>6,582</b>

### 37. ACCUMULATING ABSENCES ADJUSTMENT 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.

2017/18			2018/19	
£000	£000		£000	£000
	217	<b>Balance at 1 April</b>		204
(217)		Settlement or cancellation of accrual made at the end of the preceding year	(204)	
204		Amounts accrued at the end of the current year	293	
	(13)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		89
	<b>204</b>	<b>Balance at 31 March</b>		<b>293</b>

## NOTES TO THE ACCOUNTS

### 38. AGENCY SERVICES

These figures include net expenditure on services that the Council provides on an agency basis for highways and on-street parking enforcement.

2017/18		2018/19		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
23	Hampshire County Council - Highways	474	(485)	(11)
134	- On-Street Parking	256	(207)	49
<b>157</b>	<b>Agency Expenditure</b>	<b>730</b>	<b>(692)</b>	<b>38</b>

### 39. CONTINGENT ASSETS

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

### 40. CONTINGENT LIABILITIES

In April 2012 the Dibden Golf Course staff transferred to Mytime Active, who gained admitted body status to the Hampshire County Council Government Pension Scheme. New Forest District Council is the sponsoring body, acting as guarantor for any contributions to the Pension Fund should they not be paid by Mytime Active. As at 31 March 2019 no such guarantee has been exercised.

The Council is aware of a potential claim relating to an employment matter. This is being defended and no financial provision has been made in the accounts.

### 41. 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.

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.

## NOTES TO THE ACCOUNTS

New vehicles, plant and equipment, above a de minimis level of £10,000, 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 £1.161 million in 2018/19 and was charged to the General Fund together with £42,000 in relation to an investment property acquired during 2017/18. In addition £4.1 million for the next principal repayment was made regarding the Housing Revenue Account Self-Financing Settlement.

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

	2017/18		2018/19	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		147,855		146,000
<b>Capital Investment</b>				
Property, Plant and Equipment Assets	20,959		19,660	
REFCUS	2,278	23,237	1,611	21,271
<b>Sources of Finance</b>				
Capital Receipts	(5,812)		(4,829)	
Government Grants	(2,737)		(2,062)	
Revenue Contributions	(3,956)		(7,252)	
Major Repairs Reserve	(6,350)		(5,565)	
Developers' Contributions	(1,038)	(19,893)	(806)	(20,514)
<b>Other Adjustments for the Repayment of Debt</b>				
Repayment of Loan Principal		(4,100)		(4,100)
Voluntary Revenue Provision		(1,099)		(1,203)
<b>Closing Capital Financing Requirement</b>		<b>146,000</b>		<b>141,454</b>

Explanation of movements in Year	2017/18	2018/19
	£000	£000
Increase in underlying need to borrow (unsupported by Government financial assistance)	3,344	757
Reduction (-)/increase in need to borrow because of:		
- Repayment of Loan Principal	(4,100)	(4,100)
- Voluntary Revenue Provision	(1,099)	(1,203)
	(1,855)	(4,546)

## 42. DEFINED BENEFIT PENSION SCHEME

### a) Post Balance Sheet Event

The Council has reflected the McCloud judgement in its 2018/19 financial statements and the notes below. These are based on IAS19 and the updated report from the actuary.

### b) Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

## NOTES TO THE ACCOUNTS

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.

### c) Transactions Relating to Post-employment (Retirement) Benefits

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:

	2017/18	2018/19
	£ million	£ million
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
<b>Service cost comprising:</b>		
Current service cost	5.787	6.189
Past service cost	0.158	3.152
<b>Financing and Investment Income and Expenditure</b>		
Net Interest expense	2.190	2.410
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	8.135	11.751
<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(0.770)	(11.920)
Actuarial (Gains) / Losses arising on changes in demographic assumptions	0.000	(11.360)
Actuarial (Gains) / Losses arising on changes in financial assumptions	4.270	14.290
Actuarial (Gains) / Losses due to liability experience	1.420	0.450
<b>Total Net Defined Benefit Liability Re-measured</b>	4.920	(8.540)
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	13.055	3.211
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(8.368)	1.933
<b>Actual amount charged against the General Fund</b>		
<b>Balance for pensions in the year</b>		
Employer's contributions payable to scheme	<b>4.687</b>	<b>5.144</b>

## NOTES TO THE ACCOUNTS

### d) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Assets and Liabilities	31 March 2018	31 March 2019
	£ million	£ million
Present value of the defined benefit obligation	(263.614)	(276.162)
Fair value of plan assets	168.590	183.070
<b>Net liability arising from defined benefit obligation</b>	<b>(95.024)</b>	<b>(93.092)</b>

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment retirement benefits. The total net liability 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 (Defined Benefit Obligation)

	2017/18	2018/19
	£ million	£ million
<b>Opening balance at 1 April</b>	(252.006)	(263.614)
Current Service Cost	(5.820)	(6.190)
Past Service Cost	(0.158)	(3.148)
Interest Cost	(6.470)	(6.770)
Contributions from scheme Participants	(1.210)	(1.270)
Remeasurement (Gains) and Losses:		
Actuarial Gains/(Losses) arising from changes in financial assumptions	(4.270)	(14.290)
Actuarial Gains/(Losses) due to liability experience	(1.420)	(0.450)
Actuarial Gains/(Losses) arising from changes in demographic assumptions	0.000	11.360
Benefits Paid	7.740	8.210
<b>Closing balance at 31 March</b>	<b>(263.614)</b>	<b>(276.162)</b>



## NOTES TO THE ACCOUNTS

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

	2017/18	2018/19
	£ million	£ million
<b>Opening fair value of scheme assets at 1 April</b>	165.350	168.590
Interest Income	4.280	4.360
<b>Remeasurement gain/(loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	0.770	11.920
Contributions from employer	4.720	5.140
Contributions from employees into the scheme	1.210	1.270
Benefits paid	(7.740)	(8.210)
<b>Closing fair value of scheme assets at 31 March</b>	<b>168.590</b>	<b>183.070</b>

### e) Local Government Pension Scheme assets (fair value) comprised

31 March 2018		Assets	31 March 2019	
£ million	%		£ million	%
4.38	2.6	Cash and Cash Equivalents	4.21	2.3
105.54	62.6	Equity Investments	110.57	60.4
39.96	23.7	Government Bonds	41.56	22.7
1.68	1.0	Corporate Bonds	9.52	5.2
11.80	7.0	Property	13.91	7.6
5.23	3.1	Other Assets	3.30	1.8
<b>168.59</b>	100.0	<b>Total Assets</b>	<b>183.07</b>	100.0

## NOTES TO THE ACCOUNTS

### f) 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 2016.

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2018	31 March 2019
	%	%
Rate of inflation - RPI	3.2	3.3
- CPI	2.1	2.2
Rate of increase in salaries	3.6	3.7
Rate of increase in pensions	2.1	2.1
Rate of increase in deferred pensions	2.1	2.1
Rate of discounting scheme liabilities	2.6	2.4

Mortality Assumptions	31 March 2018	31 March 2019
	Years	Years
Longevity at 65 for current pensioners		
Males	24.1	23.3
Females	27.2	26.1
Longevity at 65 for future pensioners		
Males	26.2	24.9
Females	29.4	27.8

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption	Decrease in Assumption
	£ million	£ million
Longevity (increase or decrease in 1 year)	8.50	(8.43)
Rate of inflation (increase or decrease by 0.1%)	3.98	(3.91)
Rate of increase in salaries (increase or decrease by 0.1%)	0.98	(0.97)
Rate of increase in pensions (increase or decrease by 0.1%)	3.98	(3.91)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(4.88)	4.97

## NOTES TO THE ACCOUNTS

### g) Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The latest triennial valuation was due to be completed on 31 March 2019 but is not reflected in these figures.

The Council anticipates paying standard contributions of £5.08 million to the fund for the accounting period ending 31 March 2020. In addition, estimated Strain on Fund contributions will be £381,000.

The weighted average duration of the defined benefit obligation for scheme members is 18.4 years (18.4 years 2017/18).

Further information on the Pension Fund can be obtained from:

Pensions Services

Hampshire County Council

The Castle

Winchester

SO23 8UB Telephone: (01962) 845588

### 43. EXTERNAL AUDIT COSTS

The following fees payable to the external auditors, Ernst & Young LLP, relating to external audit and inspection were incurred.

2017/18		2018/19
£000		£000
55	External audit services carried out by the appointed auditor	43
6	Certification of grant claims and returns	12
(7)	Public Sector Audit Appointments Refund	0
<b>54</b>		<b>55</b>

## NOTES TO THE ACCOUNTS

### 44. GRANTS INCOME

Details of income credited to the Comprehensive Income and Expenditure Statement are as follows:

2017/18		2018/19
<b>£000</b>	<b>Service Specific Revenue Grants and Contributions (included in cost of services)</b>	<b>£000</b>
	Ministry of Housing, Communities and Local Government (formerly Department for Communities and Local Government)	
(156)	Council Tax Benefits Admin	(148)
(1,254)	Disabled Facilities Grants	(1,110)
(58)	Family Annex Grant	(62)
(396)	Flexible Homelessness Support	(475)
(57)	New Burdens Homelessness Reduction Act	(56)
(278)	NNDR Collection	(277)
(57)	Other MHCLG	(100)
	Department for Work and Pensions	
(402)	Housing and Council Tax Benefit Administration	(375)
(38,885)	Housing Benefit Subsidy	(36,300)
(325)	Discretionary Housing Payments	(279)
(110)	Other DWP	(136)
	Other Government Grants	
(28)	Individual Electoral Registration	(22)
(32)	Apprenticeship Levy	(87)
<b>(42,038)</b>	<b>Total Government Grants</b>	<b>(39,427)</b>
	Other Grants and Contributions	
(467)	Project Integra - Recycling	(366)
(1,081)	Developers' Contributions	(537)
(4)	Improvement Grants	(4)
(27)	Other	(111)
<b>(1,579)</b>	<b>Total Other Grants and Contributions</b>	<b>(1,018)</b>
<b>(43,617)</b>	<b>Total Service Revenue Grants and Contributions</b>	<b>(40,445)</b>

## NOTES TO THE ACCOUNTS

2017/18		2018/19
<b>£000</b>	<b>Non-Ringfenced Revenue Government Grants</b>	<b>£000</b>
	Non Domestic Rates Income and Expenditure	
22,576	Tariff	22,965
(23,069)	Retention Scheme Income	(23,849)
(1,487)	Surplus Business Rates Distributed from Pool	(1,788)
(2,668)	S31 Grant	(3,231)
<b>(4,648)</b>		<b>(5,903)</b>
	Department for Communities and Local Government	
(723)	Revenue Support Grant	(92)
(1,489)	New Homes Grant	(695)
(111)	Transition Grant	0
(8)	Transparency Code Grant	(8)
<b>(2,331)</b>		<b>(795)</b>
<b>(6,979)</b>	<b>Total Non-Ringfenced Revenue Government Grants</b>	<b>(6,698)</b>
	<b>Capital Grants and Contributions</b>	
(212)	Coast Protection	(137)
(1,267)	Eling Tide Mill	(181)
0	Homes England Stocklands	(600)
0	Lymington Town Hall	(30)
85	Developers' Contributions	(829)
(1,503)	Community Infrastructure Levy	(1,817)
(43)	Capital Receipts	(92)
<b>(2,940)</b>	<b>Total Capital Grants and Contributions</b>	<b>(3,686)</b>
<b>(53,536)</b>	<b>Total Grants and Contributions Income</b>	<b>(50,829)</b>

### 45. LEASES

#### Finance Leases with the Council acting as Lessee

In 2018/19 there were no rental payments to lessors for Finance Leases.

#### Operating Leases with the Council acting as Lessee

The Council has acquired 18 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 2018	31 March 2019
	£000	£000
Not later than one year	107	106
Later than one year but not later than 5 years	362	358
Later than 5 years	533	623
<b>Total Lease Rentals</b>	<b>1,002</b>	<b>1,087</b>

Expenditure of £107,030 was charged to the Comprehensive Income and Expenditure Statement during the year (£120,142 in 2017/18).

## 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:

<b>Lease Rental Payments for:</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	700	765
Later than one year but not later than 5 years	2,716	2,913
Later than 5 years	29,469	28,923
<b>Total Lease Rentals</b>	<b>32,885</b>	<b>32,601</b>

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 2018/19 was £164,400 (2017/18 £127,004).

There are 12 leases that are not included in this table, that have little value or contain an immediate break clause.

### 46. MEMBERS' ALLOWANCES

During 2018/19, payments to Members of the Council amounted to £514,973. For 2017/18 the equivalent amount was £486,722.

### 47. SIGNIFICANT INTEREST

The Council has opted to take up its full member rights of three board members, out of seven, at the New Forest Enterprise Centre. This is classified as significant interest, but financial consolidation with the Council's accounts has not been applied, as the relationship does not meet the criteria of a Joint Venture, Associate or Subsidiary, nor is the turnover material.

## NOTES TO THE ACCOUNTS

### 48. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

**IFRS9** – The 2018/19 Code of Practice on Local Authority Accounting introduced some changes as a result of two new International Reporting Standards (IFRS). IFRS9 relates to how financial instruments are accounted for. These are now valued, depending upon the type of instrument, at amortised cost or fair value.

The Financial Liabilities and Financial Assets disclosed in the Balance Sheet are analysed across the following categories:

#### Financial Liabilities

The financial liabilities held by the Council during the year were long-term loans from the Public Works Loan Board and are measured at amortised cost.

FINANCIAL LIABILITIES	Long-Term		Short-Term	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB principal sum borrowed	135,508	131,207	4,301	4,301
Accrued Interest	0	0	49	48
<b>Total Borrowing</b>	<b>135,508</b>	<b>131,207</b>	<b>4,350</b>	<b>4,349</b>
Liabilities at amortised cost:				
Trade Creditors	0	0	6,542	6,460
<b>Total Financial Liabilities</b>	<b>135,508</b>	<b>131,207</b>	<b>10,892</b>	<b>10,809</b>

#### Financial Assets

The financial assets held by the Council during the year are held under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- Cash
- Bank current and notice accounts
- Fixed term deposits with banks and building societies
- Loans to other Local Authorities
- Loans to Housing Associations
- Certificates of deposit and covered bonds issued by banks and building societies

Fair value through profit and loss (all other financial assets) comprising:

- Managed money market funds
- Pooled equity and property funds

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

## NOTES TO THE ACCOUNTS

FINANCIAL ASSETS	Long-Term		Short-Term	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
At amortised cost:				
Principal	2,000	15,054	26,000	26,714
Accrued Interest	0	0	66	104
Credit Loss Allowance	0	(3)	0	(6)
At fair value through other comprehensive income:				
Principal at amortised cost	19,180	0	10,665	0
At fair value through profit & loss:				
Fair value	0	13,735	0	1,996
<b>Total Investments</b>	<b>21,180</b>	<b>28,786</b>	<b>36,731</b>	<b>28,808</b>
At amortised cost				
Cash	0	0	(688)	(957)
Cash equivalents	0	0	3,040	0
Accrued interest	0	0	0	1
At fair value through other comprehensive income:				
Cash equivalents at fair value	0	0	2,200	0
At fair value through profit & loss:				
Fair value	0	0	0	6,830
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>4,552</b>	<b>5,874</b>
Loans and receivables:				
Trade Debtors	0	0	4,037	4,825
<b>Total Financial Assets</b>	<b>21,180</b>	<b>28,786</b>	<b>45,320</b>	<b>39,507</b>

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



## NOTES TO THE ACCOUNTS

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

	2017/18		2018/19			
	Financial Liabilities Amortised Cost	Financial Assets	Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000
Interest Expense	4,494	4,494	4,477	0	0	4,477
Losses from change in fair value	0	0	0	0	86	86
Impairment losses	0	0	0	18	0	18
<b>Interest payable and similar charges</b>	<b>4,494</b>	<b>4,494</b>	<b>4,477</b>	<b>18</b>	<b>86</b>	<b>4,581</b>
Interest Income	0	(362)	0	(469)	0	(469)
Dividend Income	0	(421)	0	0	(681)	(681)
Gains on derecognition	0	(37)	0	0	0	0
Gains from changes in fair value	0	0	0	0	(197)	(197)
Impairment loss reversals	0	0	0	(9)	0	(9)
<b>Interest and Investment Income</b>	<b>0</b>	<b>(820)</b>	<b>0</b>	<b>(478)</b>	<b>(878)</b>	<b>(1,356)</b>
<b>Net Impact on surplus/deficit on provision of services</b>	<b>4,494</b>	<b>3,674</b>	<b>4,477</b>	<b>(460)</b>	<b>(792)</b>	<b>3,225</b>
Gains on revaluation	0	(49)	0	0	0	0
Losses on revaluation	0	229	0	0	0	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>180</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Gain)/Loss for the year</b>	<b>4,494</b>	<b>3,854</b>	<b>4,477</b>	<b>(460)</b>	<b>(792)</b>	<b>3,225</b>

## NOTES TO THE ACCOUNTS

New Forest District Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and effect of the re-measurement is instead shown within the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31 March 2018 £000	Reclassification £000	Remeasurement £000	Impairment £000	IFRS 9 1 April 2018 £000
<b><u>Financial Assets</u></b>					
<b>Investments</b>					
L&R/Amortised cost	28,067	18,725		(4)	(10)
Available for sale/FVOCI	29,845	(18,725)			
<b>Total Investments</b>	<b>57,912</b>	<b>0</b>		<b>(4)</b>	<b>(10)</b>
<b>Cash and Cash Equivalents</b>					
L&R/Amortised cost	3,040			(2)	3,038
Available for sale/FVOCI	2,200	(2,200)			0
FVPL		2,200			2,200
<b>Total Cash and Cash Equivalents</b>	<b>5,240</b>	<b>0</b>		<b>0</b>	<b>(2)</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>63,152</b>	<b>0</b>		<b>(4)</b>	<b>(12)</b>
<b><u>Financial Liabilities</u></b>					
<b>Borrowing</b>					
Amortised cost	(139,858)				(139,858)
<b>Total Borrowing</b>	<b>(139,858)</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>(139,858)</b>	<b>0</b>		<b>0</b>	<b>0</b>

L&R: Loans and receivables; FVOCI: fair value through other comprehensive income; FVPL through profit and loss

	IAS 39 31 March 2018	Reclassification £000	Remeasurement £000	Impairment £000	IFRS 9 1 April 2018 £000
<b>Usable Reserves</b>					
General Fund				11	11
<b>Total Usable Reserves</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>11</b>
<b>Unusable Reserves</b>					
Available for sale reserve	(73)	70		4	1
FI revaluation reserve		(70)			(70)
<b>Total Unusable Reserves</b>	<b>(73)</b>	<b>0</b>		<b>4</b>	<b>0</b>
<b>TOTAL RESERVES</b>	<b>(73)</b>	<b>0</b>		<b>4</b>	<b>11</b>

## NOTES TO THE ACCOUNTS

### Financial Instruments Key Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry of Housing, Communities and Local Government guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit Risk – the possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- Liquidity Risk – the possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rate movements or equity prices.

While the Council maintains responsibility for the Treasury Strategy a contract is held with the Hampshire County Council Treasury Team to administer the day-to-day Treasury function on behalf of the Council.

### Credit Risk - Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £12 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK Government). For unsecured investments in banks, building societies and companies, a smaller limit of £6 million applies. The Council also sets limits on investments in certain sectors. No more than £40 million in total can be invested for a longer period than one year. These limits were set and implemented for 2018/19 on 25 February 2019.

The credit quality of £12.735 million of the Council's investments is enhanced by collateral held in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

## NOTES TO THE ACCOUNTS

The tables below summarise the credit risk exposures, including accrued interest, of the Council's investment portfolio by investing period and credit rating.

Counterparty	Balance invested as at 31 March 2019					
	Call Accounts	Up to 1 month	> 1 month and < 6 months	> 6 months and < 12 months	> 12 months	Total
	£000	£000	£000	£000	£000	£000
Banks	1	0	2,999	0	0	3,000
Money Market Funds	6,830	0	0	0	0	6,830
Local Authorities/Housing Associations	0	4,004	3,008	7,031	8,045	22,088
Bonds	0	1,002	1,704	3,007	7,052	12,765
Certificates of Deposit	0	4,011	0	0	0	4,011
Pooled Funds	1,996	0	0	0	13,735	15,731
<b>Total</b>	<b>8,827</b>	<b>9,017</b>	<b>7,711</b>	<b>10,038</b>	<b>28,832</b>	<b>64,425</b>

Bond Ratings	Long-term		Short-term	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
AAA	8,060	7,052	4,545	5,712
AA-	0	0	3,040	2,004
A+	0	4,000	5,155	0
A	0	0	500	7,006
A-	0	0	965	1,000
AAA Money Market Funds	0	0	2,200	6,830
Unrated local authorities	2,000	4,045	25,566	11,045
<b>Total</b>	<b>10,060</b>	<b>15,097</b>	<b>41,971</b>	<b>33,597</b>
Credit Rate Not Applicable	11,120	13,735	0	1,996
<b>Total Investments</b>	<b>21,180</b>	<b>28,832</b>	<b>41,971</b>	<b>35,593</b>

Credit risk is not applicable to share holdings and pooled funds when the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent.

At 31 March 2019, £9k (2018: £0k) of loss allowances related to treasury investments. No loss allowance was recognised at 31/3/18 as this was prior to the introduction of IFRS9.

## NOTES TO THE ACCOUNTS

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets (Trade Debtors), based on experience of default, adjusted to reflect current market conditions. The Council also receives income and holds debts from Council Tax, Business Rates and for Housing Benefit overpayments. However, 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.

<b>Bond Ratings</b>	<b>Amount at 31 March 2019</b>	<b>Historical experience of default</b>	<b>Market Conditions at 31 March 2019</b>	<b>Estimated maximum exposure to default</b>
	<b>£000</b>	<b>%</b>	<b>%</b>	<b>£000</b>
Trade Debtors	4,825	0.69%	0.28%	14
<b>Total</b>	<b>4,825</b>			<b>14</b>

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.

### 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:

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Less than three months	2,185	2,319
Three months to one year	1,160	1,651
More than one year	692	855
<b>Total</b>	<b>4,037</b>	<b>4,825</b>

The Council initiates a legal charge on property where tenants have amounts due on a Council mortgage used for the purchase of their Council dwelling. The total collateral at 31 March 2019 was £4,508.

Sundry Debtors bad debt provisions are based upon service areas for invoices that are still unpaid one 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.

## NOTES TO THE ACCOUNTS

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 accrued interest and sums due from customers is as follows:

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Less than one year	41,905	35,535
Between one and two years	10,060	15,051
No fixed maturity date	11,120	13,735
<b>Total</b>	<b>63,085</b>	<b>64,321</b>

All trade and other payables (£4.825 million) are due to be paid in less than one year and are not shown in the table above.

### 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 Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it may need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans, limiting the amount of the Council's borrowing that matures in any one financial year.

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 Treasury Management Strategy:

	<b>Approved maximum limits 2018/19</b>		<b>Actual 31 March 2018</b>		<b>Actual 31 March 2019</b>	
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Less than one year	52	25	4.3	3	4.3	3
Between one and two years	52	25	4.3	3	4.3	3
Between two and five years	52	25	12.9	9	12.9	10
Between five and ten years	50	25	20.7	14	20.5	15
Between ten and twenty years	206	100	41.0	30	41.0	30
Between twenty and thirty years	206	100	41.0	30	41.0	30
Over thirty but not over forty years	206	100	15.6	11	11.5	9
<b>Total</b>			<b>139.8</b>	<b>100</b>	<b>135.5</b>	<b>100</b>

## NOTES TO THE ACCOUNTS

The minimum limits have been set at zero and the maximum limit for more than 10 years at 100%. This is to facilitate the premature repayment and replacement of all PWLB loans with a longer maturity profile should this be required. The 25% maximum limit on the other periods of less than 10 years is to ensure an even maturity profile of short and medium term borrowing.

### Market Risk

**Interest rate risk** – The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in 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 no short term cash flow borrowing in 2018/19 therefore applying the 1% variation would make no difference to the interest paid;
- Borrowings at fixed rates – the fair value of the liabilities 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).

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, all of the £135.508 million of principal borrowed was at fixed rates.

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

	2017/18	2018/19
	£000	£000
Increase in interest receivable on variable rate investments	(475)	(406)
Decrease in fair value of investments held at FVPL	0	61
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(475)</b>	<b>(345)</b>
Decrease in fair value of investments held at FVOCI	37	0
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b>(438)</b>	<b>(345)</b>
Decrease in fair value of loans and investments at amortised cost*	225	200
Decrease in fair value of fixed rate borrowing*	18,941	18,227

\* No impact on Comprehensive Income and Expenditure

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

## NOTES TO THE ACCOUNTS

**Price Risk** – The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investments in pooled property funds are subject to the risk of falling commercial property prices. This risk is limited by the Council's investment strategy. A 5% fall in commercial property prices at 31 March 2019 would result in a £0.39 million (2018: £0.30 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instrument Revaluation Reserve.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. This risk is limited by the Council's investment strategy. A 5% fall in share prices at 31 March 2019 would result in a £0.20 million (2018: £0.18 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instrument Revaluation Reserve.

**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 £770,000 and has 2 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.

### **Fair value of Assets and Liabilities carried at Amortised Cost**

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and pooled funds the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019, using the following methods and assumptions:

- Loans from the PWLB have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised.
- The fair value of short-term investments, including trade payables and receivables is assumed to approximate to the carrying amount given the low and stable interest rate environment.



## NOTES TO THE ACCOUNTS

The fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value Level	31 March 2018		31 March 2019	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<b>Financial liabilities held at amortised cost:</b>					
Loans from PWLB	2	(139,857)	(160,726)	(135,556)	157,601
<b>Total</b>		<b>(139,857)</b>	<b>(160,726)</b>	<b>(135,556)</b>	<b>157,601</b>
<b>Total Financial Liabilities</b>		<b>(139,857)</b>		<b>(135,556)</b>	
Recorded on balance sheet as:					
Short-term borrowing		(4,350)		(4,349)	
Long-term borrowing		(135,507)		(131,207)	

The fair value of financial liabilities held at amortised cost is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	31 March 2018		31 March 2019	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<b>Financial assets held at fair value:</b>					
Money market funds	1	2,200	2,200	6,830	6,830
Bond, equity and property funds	1	11,120	11,120	15,731	15,731
Corporate, covered and government bonds	1	18,725	18,725		
<b>Financial assets held at amortised cost:</b>					
Corporate, covered and government bonds	1	0	0	7,052	9,642
Long-term loans to local authorities, housing associations and harbour commissioner	2	3,564	3,616	9,367	8,487
<b>Total</b>		<b>35,609</b>	<b>35,661</b>	<b>38,980</b>	<b>40,690</b>
Assets for which fair value is not disclosed*		32,671		30,896	
<b>Total Financial Assets</b>		<b>68,280</b>		<b>69,876</b>	
Recorded on balance sheet as:					
Long-term investments		21,180		28,786	
Long-term debtors		1,564		1,368	
Short-term investments		36,731		28,808	
Cash and cash equivalents		4,552		5,874	
Short-term debtors		4,253		5,040	
<b>Total Financial Assets</b>		<b>68,280</b>		<b>69,876</b>	

## NOTES TO THE ACCOUNTS

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than the carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

The fair value of short-term financial assets, including trade receivables, is assumed to approximate to the carrying amount.

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

### 49. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2018/19 are shown in the table below.

2018/19	Notes	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£
Chief Executive	a	115,807	0	115,807	17,487	133,294
Returning Officer	a	1,600	0	1,600	0	1,600
		117,407	0	117,407	17,487	134,894
Executive Head - Operations (Deputy Chief Executive)		85,157	0	85,157	12,859	98,016
Executive Head - Governance and Regulation		83,868	0	83,868	12,664	96,532
Executive Head - Resources		79,157	0	79,157	11,953	91,110
Head of Finance (S151)		64,224	0	64,224	9,698	73,922
Chief Planning Officer	b	12,130	0	12,130	1,832	13,962
		<b>441,943</b>	<b>0</b>	<b>441,943</b>	<b>66,493</b>	<b>508,436</b>

The Employer's Pension Contributions were 15.10% for 2018/19 (14.10% for 2017/18).  
There were no Bonuses or Benefits in Kind paid in 2018/19 or 2017/18.

- a) The Chief Executive undertook the Returning Officer role.
- b) The Chief Planning Officer started on 04/02/19, the annualised salary for the post was £76,899.

## NOTES TO THE ACCOUNTS

The figures for 2017/18 were:

2017/18	Notes	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£
Chief Executive	c	113,252	0	113,252	15,969	129,221
Returning Officer	c	15,291	0	15,291	0	15,291
		128,543	0	128,543	15,969	144,512
Service Manager - Finance and Audit (S151)	d	46,725	0	46,725	6,588	53,313
Head of Finance (S151)	d	10,333	0	10,333	1,457	11,790
Executive Head - Economy, Planning and Housing	e	14,273	0	14,273	1,824	16,097
Executive Head - Economy, Planning and Housing	f	36,042	18,848	54,890	4,715	59,605
Executive Head - Governance and Regulation		79,780	0	79,780	11,214	90,994
Executive Head - Operations (Deputy Chief Executive)		83,605	0	83,605	11,788	95,393
Executive Head - Resources		77,855	0	77,855	10,942	88,797
		<b>477,156</b>	<b>18,848</b>	<b>496,004</b>	<b>64,497</b>	<b>560,501</b>

- c) The Chief Executive undertook the Returning Officer role for 2017/18.
- d) As of 01/02/2018, the Service Manager – Finance and Audit (S151) was repositioned in the Management Structure and revised to Head of Finance (S151). The annualised salary for the Service Manager's post was £56,070. The annualised salary for the new post was £61,996.
- e) The Executive Head - Economy, Planning and Housing left on 31/5/17, the annualised salary for the post was £77,605.
- f) The Executive Head - Economy, Planning and Housing started on 22/5/17 and left on 31/10/17, the annualised salary for the post was £75,391.

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

Remuneration Band	Number of Employees			
	2017/18		2018/19	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	0	10	3	10
£ 55,000 - £ 59,999	1	6	1	14
£ 60,000 - £ 64,999	0	3	0	3
£ 65,000 - £ 69,999	0	0	1	1
£100,000 - £104,999	1	1	0	0
	2	20	5	28

## NOTES TO THE ACCOUNTS

### 50. TERMINATION BENEFITS

The Council terminated the contracts of 25 employees in 2018/19, incurring costs of £365,384 (51 employees, £421,096 in 2017/18). Of this £19,000 was allowed for in the Redundancy provision at the end of 2017/18. Further provision at 31 March 2019 has been made for 4 terminations costing £174,500 which has been committed to, but for which the payment will be incurred in 2019/20.

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 £
<b>2018/19</b>				
£0 - £20,000	7	11	18	104,570
£20,001 - £40,000	1	3	4	94,191
£40,001 - £100,000	1	2	3	166,623
<b>Total</b>	<b>9</b>	<b>16</b>	<b>25</b>	<b>365,384</b>
<b>2017/18</b>				
£0 - £20,000	8	35	43	100,977
£20,001 - £40,000	0	5	5	142,540
£40,001 - £100,000	1	2	3	177,579
<b>Total</b>	<b>9</b>	<b>42</b>	<b>51</b>	<b>421,096</b>

### 51. 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 44.

During 2018/19 the Council provided office accommodation, financial services (including Internal Audit), human resources and geographical information system support to New Forest National Park Authority. The total income received, including these services, for 2018/19 was £300,000 (£251,000 for 2017/18). The New Forest National Park Authority provided Trees and Ecology Services, other miscellaneous services and commenced providing Building Design and Conservation and Ranger services to the Council which cost £270,000 (£267,000 in 2017/18).

## 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 is shown in note 46. During 2018/19 £280 (2017/18 £540) was paid to a company in which 1 member (2017/18 1 member) had an interest. In 2018/19, and 2017/18, no payments were paid to organisations in which members had an interest, but on which there is no Council representative. One member is employed by the Council's bank; this contract was tendered and commenced in December 2014. There were no material transactions with any chief officers during the year.

### 52. GROUP ACCOUNTS

On the 12 February 2019, the Council incorporated 3 wholly owned companies for the purposes of property acquisition, letting and development:

- Appletree Property Holdings Limited
- Appletree Property Lettings Limited
- Appletree Residential Developments Limited

No group accounts are required for the year ended 31 March 2019, as no transactions were carried out by the companies during this fiscal period.

### 53. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This note relates to capital expenditure that does not result in the Council owning tangible non-current 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.

	<b>Charged to revenue 2018/19</b>	<b>Capital resource funding 2018/19</b>
	<b>£000</b>	<b>£000</b>
General Fund		
- Housing Private Sector Disabled Adaptations/Home Repair Loans	1,114	1,114
- Leisure Schemes	422	422
- Transportation	75	75
	<b>1,611</b>	<b>1,611</b>

### 54. ASSETS HELD FOR SALE

Two parcels of land, which were previously used as a public car park and part of an industrial estate, were included in Assets Held for Sale in 2017/18 and were both sold during 2018/19.

There were no assets held for sale at 31 March 2019.

### 55. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts was authorised for issue on 26 July 2019 by Cllr A O'Sullivan and Mr A Bethune.

**HOUSING REVENUE ACCOUNT  
INCOME AND EXPENDITURE STATEMENT**

2017/18 £000	Notes	2018/19 £000
	<b>Income</b>	
(25,991)	Dwelling rents	(25,762)
(758)	Non-dwelling rents	(767)
(734)	Charges for services and facilities	(730)
(906)	Contributions towards expenditure	(382)
<b>(28,389)</b>		<b>(27,641)</b>
	<b>Expenditure</b>	
4,323	Repairs and maintenance 3	4,295
5,088	Supervision and management	6,010
34	Rents, rates, taxes and other charges	25
9,541	Depreciation, impairment and revaluation of non-current assets 4	11,674
18	Debt Management Costs	16
132	Movement in the allowance for bad debts	157
<b>19,136</b>		<b>22,177</b>
<b>(9,253)</b>	<b>Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(5,464)</b>
76	HRA services' share of Corporate and Democratic Core	146
<b>(9,177)</b>	<b>Net Income for HRA Services</b>	<b>(5,318)</b>
	<b>HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>	
(1,754)	(Gain) / Loss on sale of HRA non-current assets	(1,143)
4,466	Interest payable and similar charges	4,411
(102)	Interest and investment income	(176)
386	Net interest on the net defined benefit liability / (asset) 5	422
(13)	Income and expenditure in relation to investment properties and changes in their fair value	(13)
(76)	Capital Grants and Contributions Receivable	(996)
<b>(6,270)</b>	<b>(Surplus) or Deficit for the year on HRA services</b>	<b>(2,813)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HOUSING REVENUE ACCOUNT ASSETS

#### a) Categorised by type of accommodation

31 March 2019	Houses	Bungalows	Flats	Total
Bedsits	0	0	185	185
1 Bedroom	6	362	769	1,137
2 Bedrooms	724	498	407	1,629
3 Bedrooms	1,937	18	6	1,961
4+ Bedrooms	141	1	0	142
<b>Total</b>	<b>2,808</b>	<b>879</b>	<b>1,367</b>	<b>5,054</b>

31 March 2018	Houses	Bungalows	Flats	Total
Bedsits	0	0	177	177
1 Bedroom	1	362	761	1,124
2 Bedrooms	712	502	407	1,621
3 Bedrooms	1,930	18	6	1,954
4+ Bedrooms	139	1	0	140
<b>Total</b>	<b>2,782</b>	<b>883</b>	<b>1,351</b>	<b>5,016</b>

#### b) Vacant Possession Value of Dwellings

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

	1 April 2017	1 April 2018
	£000	£000
<b>Council Housing Assets</b>		
Standard Dwellings	1,003,525	999,422
Restricted Housing	73,985	76,069
Special Housing	3,247	3,157
Garages	8,696	8,584
	<b>1,089,453</b>	<b>1,087,232</b>
<b>Other Assets</b>		
Investment Property	183	183
Land and Other Buildings	1,305	1,269
Community Centre	57	77
	<b>1,545</b>	<b>1,529</b>
	<b>1,090,998</b>	<b>1,088,761</b>

## 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 government of providing council housing at less than open market rents.

	1 April 2018		31 March 2019	
	Number of Units	Value £000	Number of Units	Value £000
<b>Council Housing Assets</b>				
Standard Dwellings	4,462	329,809	4,492	333,168
Restricted Housing	535	25,102	536	24,747
Special Housing	19	3,157	26	3,538
Garages	1,800	8,584	1,800	8,584
	<b>6,816</b>	<b>366,652</b>	<b>6,854</b>	<b>370,037</b>
<b>Other Assets</b>				
Investment Property	1	183	1	183
Land and Other Buildings	12	1,269	16	1,755
Community Centre	1	77	1	77
	<b>14</b>	<b>1,529</b>	<b>18</b>	<b>2,015</b>
<b>Total</b>	<b>6,830</b>	<b>368,181</b>	<b>6,872</b>	<b>372,052</b>

### d) Capital Expenditure

Housing Revenue Account capital expenditure in 2018/19 amounted to £17.734 million and was applied to:

	2017/18	2018/19
	£000	£000
Major Repairs	6,986	5,101
Environmental Enhancements	177	278
New Build	2,090	4,155
General Acquisitions	4,057	4,370
S106 Acquisitions	1,241	3,072
Disabled Adaptations	540	758
<b>Total</b>	<b>15,091</b>	<b>17,734</b>

### e) Funding of HRA Capital Expenditure

	2017/18	2018/19
	£000	£000
Revenue Contributions	2,372	3,851
Major Repairs Reserve	6,350	5,565
Grant	540	600
Developers' Contributions	89	394
Capital Receipts	5,740	7,324
<b>Total</b>	<b>15,091</b>	<b>17,734</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 2. RENT ARREARS

	31 March 2018	31 March 2019
	£000	£000
Rent Arrears		
- current tenants	391	403
- former tenants	248	279
	<b>639</b>	<b>682</b>
Less provision for bad debts	(437)	(523)
<b>Anticipated collectable arrears of rent</b>	<b>202</b>	<b>159</b>

### 3. HOUSING REPAIRS

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

	2017/18	2018/19
	£000	£000
Cyclical Maintenance	1,176	1,406
Reactive Maintenance	2,607	2,889
Disabled Adaptations	540	0
<b>Total</b>	<b>4,323</b>	<b>4,295</b>

In 2017/18 Disabled Adaptations were treated as capital expenditure and then transferred to revenue as REFCUS and were therefore included in the table above. As works are to Council dwellings the capitalised expenditure is being treated as expenditure not enhancing value in 2018/19 and therefore not included above.

The Council also undertook £5.101 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, roof replacement and kitchen and bathroom modernisations.

### 4. 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.

	2017/18	2018/19
	£000	£000
Standard Accommodation	8,759	7,485
Restricted Accommodation	646	570
Special Housing	86	72
	<b>9,491</b>	<b>8,127</b>
Other Buildings	6	0
	<b>9,497</b>	<b>8,127</b>
Other (included in Supervision and Management costs)	3	3
<b>Total</b>	<b>9,500</b>	<b>8,130</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### b) Impairment

In 2018/19 there was a net increase in Housing asset values credited to the Housing Revenue Account of £7.011 million, but these were offset by capital expenditure not enhancing value of £10.558 million, to arrive at a net impairment debit of £3.547 million. This compares to a net debit of £45,000 in 2017/18. In 2018/19 other net Housing asset valuation increases credited to the Revaluation Reserve were £3.062 million (£236,000 debit in 2017/18).

	2017/18	2018/19
	£000	£000
<b>Housing Revenue Account/Capital Adjustment Account</b>		
Revaluation Increases	(10,254)	(8,127)
Revaluation Decreases	1	1,116
Net Revaluation (Increases)/Decreases	(10,253)	(7,011)
Capital Expenditure not enhancing asset value	10,298	10,558
<b>Total Housing Revenue Account Impairment</b>	<b>45</b>	<b>3,547</b>
<b>Revaluation Reserve</b>		
Revaluation Increases	(47)	(3,062)
Revaluation Decreases	283	0
<b>Total Revaluation Reserve</b>	<b>236</b>	<b>(3,062)</b>
<b>Total HRA Impairments/Revaluations</b>	<b>281</b>	<b>485</b>

### 5. 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:

	2017/18	2018/19
	£000	£000
Net Cost of Services:		
Current service cost	985	1,038
Past service cost	0	525
Net Operating Expenditure:		
Net Interest Expense	386	422
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	(651)	(1,219)
<b>Actual amount charged against dwelling rents for pensions in the year:</b>		
Employers' contributions payable to scheme	<b>720</b>	<b>766</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6. MAJOR REPAIRS RESERVE

The following table shows the movements on the Major Repairs Reserve.

	2017/18 £000	2018/19 £000
<b>Balance 1 April</b>	<b>0</b>	<b>0</b>
Transferred to Reserve	9,497	8,127
Debits in respect of capital expenditure on land, houses and other property	(6,350)	(5,565)
Debits in respect of housing debt repayment	(3,147)	(2,562)
<b>Balance 31 March</b>	<b>0</b>	<b>0</b>

### 7. CAPITAL RECEIPTS

Total Capital Receipts in respect of the Housing Revenue Account in 2018/19 amounted to £2.616 million (2017/18 was £4.348 million) after adjusting for administration and other costs.

The amount that was due to be paid over to the Ministry of Housing, Communities and Local Government, and included in this total, amounted to £0.574 million (2017/18 was £0.574 million), leaving Usable Capital Receipts of £2.042 million (2017/18 was £3.774 million).

	2017/18 £000	2018/19 £000
Sale of Land	190	0
Sale of Council Houses	4,158	2,616
<b>Total Capital Receipts</b>	<b>4,348</b>	<b>2,616</b>
Payments due to MHCLG (Local Government Act 2003)	(574)	(574)
<b>Usable Capital Receipts</b>	<b>3,774</b>	<b>2,042</b>

## COLLECTION FUND

The Collection Fund is an agent's statement that shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates due to the complexity of non-domestic rates transactions since the introduction of the Retention Scheme in 2013/14.

### COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and local town and parish councils.

2017/18			2018/19	
£000	£000		£000	£000
	(114,098)	<b>Income</b>		
		Income from Council Tax		(121,309)
		Transfers to / (from) General Fund:		
(3)		Flood Relief	(1)	
(57)	(60)	Family Annex Relief	(65)	(66)
	<b>(114,158)</b>	<b>Total Income</b>		<b>(121,375)</b>
		<b>Expenditure</b>		
		Precepts:		
79,493		Hampshire County Council	84,813	
11,608		Police and Crime Commissioner for Hampshire	12,532	
4,479		Hampshire Fire And Rescue Authority	4,643	
16,930	112,510	New Forest District Council (including town and parish council requirements)	17,628	119,616
		Bad and Doubtful Debts		
126		Write-offs	215	
57	183	Increase / (decrease) in provisions	35	250
		Contributions:		
	1,418	Previous year's estimated council tax surplus		1,567
	<b>114,111</b>	<b>Total Expenditure</b>		<b>121,433</b>
	<b>(47)</b>	<b>Movement on fund balance</b>		<b>58</b>
(1,463)		(Surplus) / Deficit at 1 April		(1,510)
(47)		Movement on fund balance for year		58
	<b>(1,510)</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>(1,452)</b>

## COLLECTION FUND

### COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire Fire and Rescue Authority.

2017/18			2018/19	
£000	£000		£000	£000
		<b>Income</b>		
	(65,951)	Income collectable from Business Ratepayers Current System		(66,811)
	(987)	Transitional Protection Payments		(1,120)
	<b>(66,938)</b>	<b>Total Income</b>		<b>(67,931)</b>
		<b>Expenditure</b>		
31,999		Payments to DCLG - Business Rates Retention	32,862	
25,599		New Forest District Council	26,290	
5,760		Hampshire County Council	5,915	
640		Hampshire Fire And Rescue Authority	657	
278		Costs of Collection	277	
12		NFDC - Renewable Energy Schemes	10	
	64,288			66,011
318		Bad and Doubtful Debts		
		Write-offs	184	
(118)		Increase / (decrease) in provisions	(84)	
2,450		Appeals Provision	1,559	
	2,650			1,659
	(864)	Contributions:		
		Previous year's estimated business rates deficit		1,671
	<b>66,074</b>	<b>Total Expenditure</b>		<b>69,341</b>
	<b>(864)</b>	<b>Movement on fund balance</b>		<b>1,410</b>
(933)		(Surplus) / Deficit at 1 April		(1,797)
(864)		Movement on fund balance for year		1,410
	<b>(1,797)</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>(387)</b>

## 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.

Any surplus or deficit in respect of Business Rates at the end of the year is distributed in accordance with the percentage allocations set out in note 5.

### 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	22.25	5/9	12.40
A	5,666.40	6/9	3,777.50
B	10,543.43	7/9	8,200.60
C	16,255.27	8/9	14,449.20
D	17,558.04	9/9	17,558.70
E	12,390.55	11/9	15,144.10
F	6,446.73	13/9	9,312.00
G	4,238.99	15/9	7,065.10
H	542.66	18/9	1,085.40
Total	73,664.32		76,605.00
Less: Adjustment for collection rates			853.20
Less: Council Tax Reduction Scheme			5,130.80
Council Tax Base			70,621.00

\* 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.

### 3. ACCOUNTING FOR THE COLLECTION FUND BALANCE – COUNCIL TAX

The opening balance on the Collection Fund for 2018/19 was a £1.51 million surplus. The surplus at the end of the year is split between Hampshire County Council, New Forest District Council, Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority.

In the Balance Sheet at 31 March 2019, the Council included the £1.452 million surplus on a disaggregated basis as a creditor of £1.238 million and a £214,000 attributable surplus within the Collection Fund Adjustment Account balance.

## NOTES TO THE COLLECTION FUND

### 4. PRECEPTS AND DEMANDS ON THE COLLECTION FUND – COUNCIL TAX

2017/18				2018/19		
Precept	Share of Surplus / (Deficit)	Total		Precept	Share of Surplus / (Deficit)	Total
£000	£000	£000		£000	£000	£000
79,493	1,067	80,560	Hampshire County Council	84,813	1,030	85,843
11,608	156	11,764	Police and Crime Commissioner for Hampshire	12,532	152	12,684
4,479	60	4,539	Hampshire Fire and Rescue Authority	4,643	56	4,699
16,930	227	17,157	New Forest District Council (including town and parish council requirements)	17,628	214	17,842
<b>112,510</b>	<b>1,510</b>	<b>114,020</b>		<b>119,616</b>	<b>1,452</b>	<b>121,068</b>

### 5. 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 the Collection Fund before being distributed to Central Government (50%), New Forest District Council (40%), Hampshire County Council (9%) and Hampshire Fire and Rescue Authority (1%).

The total non-domestic rateable value at 31 March 2019 was £169.863 million. The national non-domestic multiplier was 49.3p. This gave a potential business rate yield of £83.743 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 £66.811 million.

### 6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2018/19 year end surplus balance on the Collection Fund was £387,000. The Council's share is a surplus of £154,000 and Central Government, Hampshire County Council and Hampshire Fire and Rescue Authority share a surplus balance of £233,000. Within the balance sheet the Council's share is shown within the Collection Fund Adjustment Account balance and the partners' share is netted off within creditors.

### 7. DEMANDS ON THE COLLECTION FUND – BUSINESS RATES

2017/18				2018/19		
Demand	Share of Surplus / (Deficit)	Total		Demand	Share of Surplus / (Deficit)	Total
£000	£000	£000		£000	£000	£000
31,999	898	32,897	Central Government	32,862	194	33,056
5,760	162	5,922	Hampshire County Council	5,915	35	5,950
640	18	658	Hampshire Fire and Rescue Authority	657	4	661
25,599	719	26,318	New Forest District Council	26,290	154	26,444
<b>63,998</b>	<b>1,797</b>	<b>65,795</b>		<b>65,724</b>	<b>387</b>	<b>66,111</b>

## **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.

### **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 Investments**

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

### **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.

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