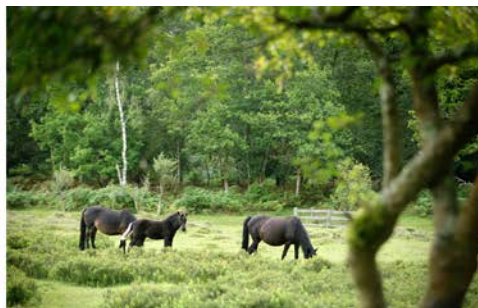




Annual
Financial
Report
2017/2018



NEW FOREST DISTRICT COUNCIL
ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2018

CHAIRMAN OF THE COUNCIL

Councillor M Kendal

LEADER OF THE COUNCIL

Councillor B Rickman

CHIEF EXECUTIVE Mr R Jackson

RESPONSIBLE FINANCIAL (\$151) 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 31 May 2018.

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

27 July 2018

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 2018 and the income and expenditure for that year ended.

Mr A Bethune FCCA – Responsible Financial (s151) Officer 27 July 2018

NARRATIVE STATEMENT

1. Foreword from the Council's Responsible Financial Officer

The Council continues to deliver essential front line services to the 179,236 residents of the New Forest, despite significant funding reductions from Central Government since austerity measures were introduced, some 8 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.

Corporate Plan and Council Priorities

In February 2016 the Council 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

The plan also outlines the Council's priorities, and how they are underpinned. Key Achievements realised during 2017/18 against the priorities are outlined as follows:

HELPING LOCAL BUSINESS GROW

Our Economic Development Service continues to work with a variety of partners to deliver a range of information and advice, and has organised and led 32 events during 2017/18. Examples include providing specific workshops on GDPR legislation, dedicated 1-1 business clinics and a seminar on securing purchasing opportunities with the District Council.

We were involved in the New Forest Partnership Awards, and the New Forest Brilliance in Business Awards 2017, celebrating businesses that achieve outstanding results which benefit their workforce, their local community and the New Forest economy as a whole. The overall winner of the awards were Cyclexperience in Brockenhurst, who play an important part in the local economy by not only providing significant seasonal employment, but also in ensuring that users of the cycle hire service use other local, independent businesses and respect the natural forest that they are visiting.

Our specialist team launched a free business advice service for New Forest businesses in July, providing bespoke information on areas such as grants, planning, regulations and business growth.

We continue to see benefits of our partnership with Creative England to encourage filming in the district, with around a dozen documentaries filmed in the area this year. Fawley Power Station was used as part of the set for the most recent Star Wars film, generating an estimated £1 million in the local economy during filming.

MORE HOMES FOR LOCAL PEOPLE

We rehoused 265 households from the home search register in 2017/18. However, there are still over 3,000 applicants on the register seeking council housing which we will continue to work hard to address.

The Local Plan continues to be developed and refined and will be published in the Summer of 2018. It will likely include proposals for 10,000 new houses in the district over the next 20 years.

284 additional homes were built this year, with 13 of these being affordable. Our Housing Strategy aims to improve availability of genuinely affordable homes, and identifies a range of ways in which the Council will enhance housing options available and the supply of affordable housing for the benefit of local people.

The Council's Community Housing Fund (circa £1 million received from Central Government in 2016/17) will allow the Council to promote and assist the development of community housing schemes in the future, which could include co-operatives, co-housing, self-build and Community Land trusts.

NARRATIVE STATEMENT

SERVICE OUTCOMES FOR THE COMMUNITY

We have been involved in a number of projects to assist the wellbeing of our community, including:

- getting children active during the school day
- establishing a new junior parkrun to target high levels of childhood obesity
- providing access to informal activities for families and young people throughout summer
- the use of table tennis and the national Ping project to help relieve the symptoms of dementia and ensure older people are active in later life

In total, over 10 million waste and recycling collections were made during the year, with only 0.06% reported as missed. Two public conveniences have been rebuilt at New Milton and Lymington which continue to be well-received within the local communities.

We launched the Eat Out, Eat Well public health scheme in July, and continued to carry out regular food hygiene inspections across the district which provides reassurance to both residents and visitors when eating out.

Our Health and Leisure centre membership has increased from 7,616 up to 8,208 over the course of the year. We launched a new “New Forest Health & Leisure” app which enables users to book classes quickly and access a host of information.

PROTECTING THE LOCAL CHARACTER OF OUR PLACE

Work to deliver the Hurst Spit defence project alongside the Environmental Agency has continued. The coastal protection scheme has now been extended to benefit the community through to Pennington.

We continue to see a high level of abandoned vehicles, with 54 being removed this year compared to 60 last year, and 26 in 2015/16.

Our Milford-on-Sea beach huts and seafront improvement scheme was completed in time for Summer 2017. The innovative design and engineering behind the scheme has been recognised in a series of prestigious awards throughout the course of the year.

King George V Recreation Ground, already a well used local park for sports, play and dog walking, was enhanced to include new footpaths, improved drainage and a bespoke dog activity area.

With our support, The Eling Tide Mill reopened in April 2018 after a major refurbishment project. The wider Eling Experience project included installing new footpaths and wooden boardwalks and improving access to open spaces around Bartley Water and Goatee Beach.

WORKING WITH OTHERS TO ACHIEVE MORE

£218,020 in grants was approved this year for 15 local not-for-profit and voluntary groups as part of the community grants scheme. We also continued to work with local charities, including donating IT equipment we no longer use to the local homeless charity “Jamie’s Computers”.

We support the Forest Arts Forum, which allows organisations such as hArt, CODA, Forest Arts and Forest Forge to use the arts to tackle issues such as social isolation and bullying. We also took part in a national pilot – the “Social Prescribing” project – with Sport England to explore the benefits of basing Active Lifestyle Officers in GP surgeries targeting hard to reach patients.

Alongside other public sector organisations, we participated in “Our Day” on 21 November, a national tweetathon to highlight public services. We posted nearly 100 tweets about our staff and services, achieving a Twitter reach of a staggering 749,000 people.

We have an ongoing partnership with the National Parks Authority and Forestry Commission and work together on initiatives such as litter picking, and were recently involved in a multi-agency approach to improve safety and licencing of local vehicles. We are also collaborating with our partners in order to contribute to the New Forest National Park partnership plan.

LIVING WITHIN OUR MEANS

Net Savings and improved income generation totalling £1.377 million have absorbed pay and price increases across the Portfolios totalling some £1.130 million, and have also made an important contribution towards offsetting the reductions in government resources. The residual required increase in Council Funding has been achieved by an increase in Council Tax.

Our draft Residential Property Asset Investment strategy was approved by full Council in December 2017, which will give us the opportunity to purchase residential properties and become a private sector landlord with the benefit of a proven track record in rental property management.

The undertaking of several service reviews, additional income generation, and a review of our asset maintenance and replacement programme resulted in overall savings during the year against the original 2017/18 revenue budget.

We have continued to deliver our services alongside a reduction in headcount equivalent to 21 full time posts over the past year, representing 2.7% of the workforce.

NARRATIVE STATEMENT

2. The Statement of Accounts

The accounts for 2017/18 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 2018 the Council had net assets of £266 million.

The majority of this net worth is in the Portfolio of Council Dwellings, valued at £367 million, offset with a debt liability of £140 million. Operational Land and Buildings total £67 million, Investment Properties £5 million, and other long-term assets and investments total £33 million. Cash and short-term investments total £41 million. The council has a net pension liability of £95 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £54 million, an increase of £1.1 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 2017/18 original net budget requirement for the General Fund was £16.587 million, a decrease of £604,000 from 2016/17. This decrease was principally due to a reduction in Government Revenue Support Grant of £1.042 million. The Council's budget anticipated utilising £938,000 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 £1.671 million, and Interest Earnings were £329,000 ahead of the original target. Retained business rates were £113,000 ahead of the original budget. Overall the net savings enabled a transfer into the Capital Programme Reserve of £1.593 million (a difference of £2.342 million from the £749,000 originally anticipated to be utilised from the Capital Reserve).

	Original Budget	Actual	Variation
	£000	£000	£000
Net Service Expenditure	18,387	16,716	(1,671)
Revenue Financing of Capital	1,139	1,423	284
Interest Earnings (Net)	(400)	(729)	(329)
Other Unringfenced Government Grants	(1,601)	(1,608)	(7)
Net Budget Requirement	17,525	15,802	(1,723)
Transfer to/(from) Earmarked Revenue Reserves	(189)	(695)	(506)
Transfer to/(from) Capital Programme Reserve	(749)	1,593	2,342
Contributions from Grants and Reserves	(938)	898	1,836
General Fund Budget	16,587	16,700	113
Council Taxpayers	(11,461)	(11,461)	0
Collection Fund adjustment from previous years	(214)	(214)	(0)
Non-Domestic Rates Redistribution	(4,189)	(4,302)	(113)
Revenue Support Grant	(723)	(723)	0
(Increase)/Decrease in General Fund Balance	0	(0)	(0)

NARRATIVE STATEMENT

- **Housing Revenue Account**

The Housing Revenue account surplus for 2017/18 was £1.812 million compared with an originally budgeted break-even position. This was mainly due to a change in the financing arrangements for Disabled Facilities Grants, and a reduced level of expenditure in Repairs and Maintenance and Supervision and Management budgets in comparison to the original budgets. The balance on the account as at 31 March 2018 was £1 million, after allowing for the transfer of £1.748 million to the Earmarked Housing Acquisitions and Developments Reserve and £64,000 to the ICT Reserve. The budget for 2018/19 anticipates a break-even position for the year.

	Original Budget	Actual	Variation
	£000	£000	£000
Income	(27,919)	(27,965)	(46)
Expenditure:			
Repairs and Maintenance	4,961	3,783	(1,178)
Supervision and Management	5,109	4,898	(211)
Capital Financing Costs	8,584	8,584	(0)
Other Expenditure	174	165	(9)
	(9,091)	(10,535)	(1,444)
Revenue Financing of Capital	9,091	8,723	(368)
(Surplus)/Deficit	0	(1,812)	(1,812)
Transfer to/(from) Earmarked Revenue Reserves	0	1,812	1,812
(Increase)/Decrease in Housing Revenue Account Balance	0	0	0

4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £95.024 million, an increase of £8.368 million from 31 March 2017. 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 2017/18 net increases in asset values credited to the Income and Expenditure Statement were £10.455 million, but these were offset by capital expenditure not enhancing value of £12.530 million, to arrive at a net impairment of £2.075 million. This compares with a net impairment credit of £28.948 million in 2016/17. These items are reflected in the Net Cost of Services. In addition, a net £2.684 million was credited to the Revaluation Reserve (£12.657 million in 2016/17), predominantly in relation to a revalued asset held for sale as at 31 March 2018.

	2016/17	2017/18
	£000	£000
Income and Expenditure Statement / Capital Adjustment Account		
Revaluation Increases	(41,326)	(10,562)
Revaluation Decreases	43	107
Net Revaluation (Increases)/Decreases	(41,283)	(10,455)
Capital Expenditure not enhancing asset value	12,335	12,530
Total Income and Expenditure Statement Impairments	(28,948)	2,075
Revaluation Reserve		
Revaluation Increases	(12,709)	(2,970)
Revaluation Decreases	52	286
Total Revaluation Reserve	(12,657)	(2,684)
Total Impairments/Revaluations	(41,605)	(609)

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 budget (including the gross value of the Coastal Regional Monitoring Programme) was £21.266 million, which was initially supplemented by rephasings of £1.892 million from 2016/17. A review of the programme during the year increased the approved budget by £1.260 million to £24.418 million. The latest revised budget, only including the element of the Regional Monitoring Programme relevant to NFDC, was £22.737 million. Actual expenditure of £23.237 million was £500,000 more than the last approved budget, due to rephasings of £476,000 of expenditure to 2018/19 and additional expenditure of £976,000 on other projects.

	Original Budget	Expenditure	Variance
	£000	£000	£000
Housing Revenue Account			
Major Repairs	6,490	6,986	496
Public Sector Disabled Adaptations	0	540	540
Environmental Enhancements	300	177	(123)
Acquisitions	3,500	4,057	557
New Build	2,100	2,090	(10)
S.106 Developments	2,900	1,241	(1,659)
	15,290	15,091	(199)
Environment and Regulatory Services			
Coast Protection*	2,045	2,048	3
Foreshores and Beach Huts	50	530	480
Cemeteries	17	31	14
Public Conveniences	0	325	325
	2,112	2,934	822
Finance, Corporate Services and Improvement			
Depots	37	13	(24)
Vehicles, Plant and Equipment	1,651	1,663	12
	1,688	1,676	(12)
Housing Services			
Housing Private Sector Disabled Adaptations/ Home Repair Loans	1,003	790	(213)
Enabling Activities	100	0	(100)
	1,103	790	(313)
Leisure and Wellbeing			
Eling Tide Mill	174	1,430	1,256
	174	1,430	1,256
Local Economic Development, Property and Innovation			
New Milton Health Centre	0	2,204	2,204
	0	2,204	2,204
Planning and Infrastructure			
Transportation	310	130	(180)
Open Space	589	818	229
	899	948	49
	21,266	25,073	3,807
Less:			
Coastal Regional Monitoring Programme*	(1,618)	(1,836)	(218)
	19,648	23,237	3,589

NARRATIVE STATEMENT

The actual expenditure of £23.237 million was financed by:

	£000	%
Capital Reserve	1,261	5.43
Revenue Contributions to Capital	2,696	11.60
Loan - General	3,342	14.38
Capital Receipts	5,812	25.01
Grant	2,738	11.78
Developers' Contributions	1,038	4.47
Other (HRA Repairs and Maintenance)	6,350	27.33
	23,237	100.00

7. Funding of Future Capital Expenditure

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

As at 31 March 2018 the Council had reserves/receipts in advance of £47.529 million for capital expenditure purposes (Earmarked Reserves £35.200 million, Developers' Contributions and Community Infrastructure Levy £6.281 million, Capital Receipts Reserve £5.915 million and Capital Grants £133,000). 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 2018/19 is £26.225 million, including £18.552 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2018/19 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 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 an efficiency plan and the continual development of the Council's Medium Term Financial Plan. Other General Fund earmarked reserves total £2.686 million and the Housing Revenue Account balance is £1 million, after transferring £1.748 million into the earmarked Housing Acquisitions and Development reserve in 2017/18. In addition, the Housing Revenue Account ICT reserve is £366,000 as at 31 March 2018.

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 some £1.5 million in 2018/19 in comparison to 2017/18, the Council was able to set a balanced budget for 2018/19. Improved income generation played a significant part in the balancing of the 2018/19 budget, supported by the Council's proactive approach in identifying and realising efficiency savings. The annual Council Tax was increased by £5 per band D property, resulting in annual Council Tax for 2018/19 for an average Band D property of £168.36 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. 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

2016/17				2017/18			
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
2,031	(646)	1,385	Community Affairs		2,064	(561)	1,503
14,497	(3,141)	11,356	Environment and Regulatory Services		12,650	(3,245)	9,405
46,447	(43,383)	3,064	Finance, Corporate Services and Improvement		44,309	(41,158)	3,151
4,017	(3,487)	530	Housing Services		5,255	(3,500)	1,755
64	0	64	Leader and Corporate Affairs		53	0	53
9,120	(6,784)	2,336	Leisure and Wellbeing		11,343	(7,368)	3,975
895	(556)	339	Local Economic Development, Property and Innovation		546	(405)	141
6,034	(4,934)	1,100	Planning and Infrastructure		6,696	(5,070)	1,626
83,105	(62,931)	20,174	General Fund		82,916	(61,307)	21,609
(16,279)	(28,028)	(44,307)	Housing Revenue Account		19,212	(28,389)	(9,177)
66,826	(90,959)	(24,133)	Cost of Services	5/6	102,128	(89,696)	12,432
			Other Operating Expenditure				
5,135			Town and Parish Council Precepts		5,469		
579			Payments to the Government Housing Capital Receipts Pool		574		
	(1,783)		(Gains)/Losses on the disposal of Non-Current Assets			(2,064)	
		3,931	Total Other Operating Expenditure				3,979
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
40			- General Fund		35		
4,467			- HRA		4,466		
	(735)		Other Investment Income			(866)	
2,530			Net interest on the net defined benefit liability/(asset)	43	2,190		
	(300)		Income, expenditure and changes in the fair value of Investment Properties	13		(134)	
		6,002	Total Financing and Investment Income and Expenditure				5,691
			Taxation and Non-Specific Grant Income				
	(16,378)		Council Tax Income (incl. Parish precepts)			(17,150)	
	(4,624)		Non-Domestic Rates Income and Expenditure	45		(4,648)	
	(4,089)		Unringfenced Government Grants	45		(2,331)	
	(1,795)		Capital Grants and Contributions	45		(2,940)	
		(26,886)	Total Taxation and Non-Specific Grant Income				(27,069)
79,577	(120,663)	(41,086)	(Surplus)/Deficit on the Provision of Services		114,862	(119,829)	(4,967)
	(12,657)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(2,684)	
	(113)		(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			180	
7,370			Re-measurement of the defined benefit liability/(asset)	43	4,920		
		(5,400)	Other Comprehensive Income and Expenditure				2,416
		(46,486)	Total Comprehensive Income and Expenditure	5/6			(2,551)

Total Comprehensive Income and Expenditure has moved by £43.935 million between 2016/17 and 2017/18. The reasons for this are detailed in Note 7.

Mr A Bethune FCCA – Responsible Financial (s151) Officer

27 July 2018

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

	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
	£000	£000	£000
2017/18:			
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
General Fund	18,401	3,208	21,609
Housing Revenue Account	(9,495)	318	(9,177)
Cost of Services	8,906	3,526	12,432
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)
(Surplus)/Deficit on the Provision of Services	(6,118)	1,151	(4,967)
Other Comprehensive Income and Expenditure	4,668	(2,252)	2,416
Total Comprehensive Income and Expenditure	(1,450)	(1,101)	(2,551)
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		
Closing General Fund and HRA Balances	(4,000)		
2016/17:			
Community Affairs	1,263	122	1,385
Environment and Regulatory Services	9,134	2,224	11,358
Finance, Corporate Services and Improvement	4,306	(1,242)	3,064
Housing Services	375	154	529
Leader and Corporate Affairs	60	4	64
Leisure and Wellbeing	1,984	351	2,335
Local Economic Development, Property and Innovation	162	176	338
Planning and Infrastructure	772	329	1,101
General Fund	18,056	2,118	20,174
Housing Revenue Account	(13,725)	(30,582)	(44,307)
Cost of Services	4,331	(28,464)	(24,133)
Total Other Operating Expenditure	5,135	(1,204)	3,931
Total Financing and Investment Income and Expenditure	3,772	2,230	6,002
Total Taxation and Non-Specific Grant Income	(25,091)	(1,795)	(26,886)
(Surplus)/Deficit on the Provision of Services	(11,853)	(29,233)	(41,086)
Other Comprehensive Income and Expenditure	5,288	(10,688)	(5,400)
Total Comprehensive Income and Expenditure	(6,565)	(39,921)	(46,486)
Opening General Fund and HRA Balances	(4,043)		
Less Deficit/(Surplus) on General Fund and HRA in Year	(6,565)		
Transfer to/ (from) Earmarked Reserves	6,608		
Closing General Fund and HRA Balances	(4,000)		

See Note 6 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	
Balance at 31 March 2016	(3,000)	(20,455)	(1,043)	(9,739)	(7,372)	(267)	(3,048)	(44,924)	(171,983)	(216,907)
<i>Movement in reserves during 2016/17</i>										
(Surplus)/deficit on the provision of services	297	0	(41,383)	0	0	0	0	(41,086)	0	(41,086)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(5,400)	(5,400)
Total Comprehensive Income and Expenditure	297	0	(41,383)	0	0	0	0	(41,086)	(5,400)	(46,486)
Adjustments between accounting basis and funding basis under regulations (note 9)	(2,687)	0	37,208	0	(189)	(507)	(216)	33,609	(33,609)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(2,390)	0	(4,175)	0	(189)	(507)	(216)	(7,477)	(39,009)	(46,486)
Transfers to/(from) earmarked reserves (notes 10/11)	2,390	(4,271)	4,218	(2,337)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(4,271)	43	(2,337)	(189)	(507)	(216)	(7,477)	(39,009)	(46,486)
Balance at 31 March 2017	(3,000)	(24,726)	(1,000)	(12,076)	(7,561)	(774)	(3,264)	(52,401)	(210,992)	(263,393)
<i>Movement in reserves during 2017/18</i>										
(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
Total Comprehensive Income and Expenditure	1,303	0	(6,270)	0	0	0	0	(4,967)	2,416	(2,551)
Adjustments between accounting basis and funding basis under regulations (note 9)	(941)	0	4,458	0	1,646	(1,503)	175	3,835	(3,835)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	362	0	(1,812)	0	1,646	(1,503)	175	(1,132)	(1,419)	(2,551)
Transfers to/(from) earmarked reserves (notes 10/11)	(362)	(1,117)	1,812	(333)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(1,117)	0	(333)	1,646	(1,503)	175	(1,132)	(1,419)	(2,551)
Balance at 31 March 2018	(3,000)	(25,843)	(1,000)	(12,409)	(5,915)	(2,277)	(3,089)	(53,533)	(212,411)	(265,944)

BALANCE SHEET AS AT 31 MARCH

2016/17			2017/18	
£000	£000		£000	£000
		Notes		
		Long-Term Assets		
		Property, Plant and Equipment:		
367,521		Council Dwellings	12	366,652
65,932		Other Land and Buildings	12	66,755
3,926		Vehicles, Plant and Equipment	12	4,378
4,394		Infrastructure	12	4,047
<u>0</u>	441,773	Assets Under Construction	12	<u>3,046</u> 444,878
	2,533	Investment Property	13	4,695
	20,074	Long-Term Investments	14	21,180
	<u>1,787</u>	Long-Term Debtors	15	<u>1,564</u>
	466,167	Total Long-Term Assets		472,317
		Current Assets		
0		Assets Held For Sale - Property	54	2,493
29,459		Short-Term Investments	16	36,731
371		Inventories	17	340
9,795		Short-Term Debtors	18	11,236
(2,238)		Bad Debt Provision	18	(2,447)
<u>11,850</u>		Cash and Cash Equivalents	19	<u>4,552</u>
	49,237	Total Current Assets		52,905
	515,404	Total Assets		525,222
		Current Liabilities		
(4,351)		Short-Term Borrowing	20	(4,350)
(16,540)		Short-Term Creditors	21	(19,741)
<u>(50)</u>		Developers' Contributions - Receipts in Advance	22	<u>(127)</u>
	(20,941)	Total Current Liabilities		(24,218)
		Long-Term Liabilities		
(139,808)		Long-Term Borrowing	23	(135,507)
(2,913)		Provisions	24	(3,608)
(341)		Capital Grants - Receipts in Advance	25	(133)
(1,352)		Developers' Contributions - Receipts in Advance	26	(788)
<u>(86,656)</u>		Net Pensions Liability	43	<u>(95,024)</u>
	(231,070)	Total Long-Term Liabilities		(235,060)
	263,393	Net Assets		265,944
		Usable Reserves		
3,000		General Fund Balance		3,000
24,726		Earmarked Reserves	10	25,843
1,000		Housing Revenue Account Balance		1,000
12,076		Capital Programme Reserve	11	12,409
7,561		Capital Receipts Reserve	27	5,915
774		Community Infrastructure Levy Unapplied	28	2,277
<u>3,264</u>	52,401	Developers' Contributions Unapplied	28	<u>3,089</u> 53,533
		Unusable Reserves		
33,537		Revaluation Reserve	29	36,099
262,914		Capital Adjustment Account	30	269,967
253		Available For Sale Financial Instruments Reserve	31	73
567		Deferred Capital Receipts Reserve	32	554
(86,656)		Pensions Reserve	33	(95,024)
594		Collection Fund Adjustment Account	34	946
<u>(217)</u>	210,992	Accumulating Absences Adjustment Account	38	<u>(204)</u> 212,411
	263,393	Total Reserves		265,944

Mr A Bethune FCCA – Responsible Financial (s151) Officer

27 July 2018

CASH FLOW STATEMENT

2016/17		Notes	2017/18
£000			£000
(41,086)	Net (surplus) or deficit on the provision of services		(4,967)
21,026	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(15,541)
5,083	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	4,683
(14,977)	Net cash flows from Operating Activities		(15,825)
16,997	Investing Activities	36	21,360
(1,429)	Financing Activities	37	1,763
591	Net (increase) or decrease in cash and cash equivalents		7,298
(12,441)	Cash and cash equivalents at the beginning of the reporting period		(11,850)
(11,850)	Cash and cash equivalents at the end of the reporting period	19	(4,552)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18 supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a going concern basis.

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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

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

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

Loans and Receivables

Loans and receivables (e.g. cash investments) are financial assets that have fixed or determinable payments and are not quoted in an active market. They are initially measured at their fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credit to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-sale assets

Available for sale assets are financial assets that are held for an indefinite period of time, are quoted in an active market and are tradable, so ensuring liquidity.

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 2017/18 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xx) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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 2018
Council Dwellings	Up to 60 years
Council Garages	60 years
Depots	50 years
Public Conveniences	Between 1 and 50+ years
Offices	Between 39 and 60 years
Cemeteries	An average of 44 years
Health and Leisure Centres	60 years
Equipment	Between 0 and 30 years
Coastal Protection Works	Up to 14 years
Land Drainage Works	Up to 27 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

The Code requires that the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards in the 2018/19 Code. New standards introduced in the 2018/19 Code that apply from 1 April 2018 are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes, Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, and a forward looking 'expected loss' model for impairment rather than the current 'incurred loss' model. There is current uncertainty on the impact of IFRS9 and the resulting accounting transactions, which is likely to be informed by a potential statutory override to permit an accounting entry to remove the impact of specific value movements from the General Fund. The Council plans to elect to account for individual investments in equity instruments at fair value through other comprehensive income, but cannot currently assess the impact on its financial statements.

IFRS 15 introduces a five-step process for recognising revenue based on the transfer of control rather than the current transfer of risk and rewards. This new approach is not expected to have a material impact on the financial statements.

Amendments to IAS 12 clarify how to account for deferred tax assets relating to debt instruments measured at fair value and only apply to group accounts. Amendments to IAS 7 may require additional disclosures around changes in liabilities arising from financial activities. Neither of these amendments is considered to have a material impact on the financial statements.

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.

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 £2.447 million in 2017/18 (£2.238 million in 2016/17) 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 £122,000 (£112,000 in 2016/17).

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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 43e. During 2017/18, the Council's actuaries advised that the net pension liability for funded benefits had decreased by £1.420 million due to estimates being corrected, as a result of experience, but increased by £4.270 million due to updating of the assumptions used in the calculations.</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 2017/18 is £204,000. A 5% increase in the accrual would amount to £10,000. This would not impact on the usable reserves of the Council.</p>
Business Rates Appeals Provision	<p>The provision of £3.366 million made by the Council is its 40% share of an overall provision of £8.415 million provision made in the Collection Fund. The overall figure is based on a national estimate of 4.7% 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 £2.389 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	<p>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.</p>	<p>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 2017/18, the NFDC Beacon indices totaled 0.05%, whereas the South East benchmark totaled 3.3%. The resultant difference in these figures equates to circa £12 million.</p>

NOTES TO THE ACCOUNTS

5. PRIOR PERIOD ADJUSTMENT PORTFOLIO REPORTING RESTATEMENT

The Council has made a prior year adjustment in preparing its 2017/18 Statement of Accounts. This is detailed below.

Segmental Reporting in the Comprehensive Income and Expenditure Statement (and associated notes)

In accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting, the Council presents its Comprehensive Income and Expenditure Statement (and associated notes) on a Cabinet member portfolio basis to reflect local reporting arrangements.

During 2017/18 the Leader of the Council undertook a review of the Cabinet and the number of Portfolios, and adopted a revised Cabinet member portfolio structure. The 2017/18 financial statements are therefore prepared using this new portfolio structure. In accordance with the requirements of IAS1 Presentation of Financial Statements, the 2016/17 comparators in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis have also been restated on this new reporting basis. The impact of this restatement is disclosed below.

Comprehensive Income and Expenditure Statement

Net Expenditure			
Previous Portfolio Structure	2016/17 £000	Current Portfolio Structure	2016/17 (Restated) £000
Environment	11,072	Community Affairs	1,385
Finance and Efficiency	3,123	Environment and Regulatory Services	11,356
General Purposes and Licensing Committee	608	Finance, Corporate Services and	3,064
Health and Leisure	2,472	Improvement	
Housing and Communities	1,150	Housing Services	530
Leader's	597	Leader and Corporate Affairs	64
Planning and Transportation	168	Leisure and Wellbeing	2,336
Planning Development Control Committee	984	Local Economic Development, Property	339
		and Innovation	
		Planning and Infrastructure	1,100
General Fund	20,174	General Fund	20,174
Housing Revenue Account	(44,307)	Housing Revenue Account	(44,307)
Cost of Services	(24,133)	Cost of Services	(24,133)

NOTES TO THE ACCOUNTS

Expenditure and Funding Analysis

Net Expenditure chargeable to the General Fund and HRA Balances			
Previous Portfolio Structure	2016/17 £000	Current Portfolio Structure	2016/17 (Restated) £000
Environment	8,892	Community Affairs	1,263
Finance and Efficiency	4,234	Environment and Regulatory Services	9,134
General Purposes and Licensing Committee	536	Finance, Corporate Services and Improvement	4,306
Health and Leisure	2,120	Housing Services	375
Housing and Communities	905	Leader and Corporate Affairs	60
Leader's	550	Leisure and Wellbeing	1,984
Planning and Transportation	(12)	Local Economic Development, Property and Innovation	162
Planning Development Control Committee	831	Planning and Infrastructure	772
General Fund	18,056	General Fund	18,056
Housing Revenue Account	(13,725)	Housing Revenue Account	(13,725)
Cost of Services	4,331	Cost of Services	4,331
Adjustments between Funding and Accounting Basis			
Previous Portfolio Structure	2016/17 £000	Current Portfolio Structure	2016/17 (Restated) £000
Environment	2,180	Community Affairs	122
Finance and Efficiency	(1,111)	Environment and Regulatory Services	2,224
General Purposes and Licensing Committee	72	Finance, Corporate Services and Improvement	(1,242)
Health and Leisure	352	Housing Services	154
Housing and Communities	245	Leader and Corporate Affairs	4
Leader's	47	Leisure and Wellbeing	351
Planning and Transportation	180	Local Economic Development, Property and Innovation	176
Planning Development Control Committee	153	Planning and Infrastructure	329
General Fund	2,118	General Fund	2,118
Housing Revenue Account	(30,582)	Housing Revenue Account	(30,582)
Cost of Services	(28,464)	Cost of Services	(28,464)

The Balance Sheet is unaffected by this change, and therefore no 'third' balance sheet has been presented as part of this restatement. The Movement in Reserves Statement and Cash Flow Statement are also unaffected. There are no implications for the General Fund Balances or any other reserves arising from this change.

NOTES TO THE ACCOUNTS

6. 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 for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
2017/18:				
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
General Fund	2,061	991	156	3,208
Housing Revenue Account	45	265	8	318
Net Cost of Services	2,106	1,256	164	3,526
Other Income and Expenditure from the Expenditure and Funding Analysis	(11,388)	7,110	(349)	(4,627)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(9,282)	8,366	(185)	(1,101)
2016/17:				
Community Affairs	0	122	0	122
Environment and Regulatory Services	1,889	348	(13)	2,224
Finance, Corporate Services and Improvement	24	(1,259)	(7)	(1,242)
Housing Services	38	118	(2)	154
Leader and Corporate Affairs	0	4	0	4
Leisure and Wellbeing	75	281	(5)	351
Local Economic Development, Property and Innovation	0	56	120	176
Planning and Infrastructure	(55)	398	(14)	329
General Fund	1,971	68	79	2,118
Housing Revenue Account	(30,711)	106	23	(30,582)
Net Cost of Services	(28,740)	174	102	(28,464)
Other Income and Expenditure from the Expenditure and Funding Analysis	(20,113)	9,900	(1,244)	(11,457)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(48,853)	10,074	(1,142)	(39,921)

NOTES TO THE ACCOUNTS

Expenditure and Income Analysed by Nature:

2016/17 £000		2017/18 £000
	Expenditure	
26,264	Employee benefits expenses	26,941
60,363	Other services expenses	59,944
1,716	Support Service recharges	2,020
(21,517)	Depreciation, amortisation and impairment	13,223
7,037	Interest Payments	6,691
5,135	Precepts and Levies	5,469
579	Payments to Housing Capital Receipts Pool	574
79,577	Total Expenditure	114,862
	Income	
(45,591)	Fees, charges and other service income	(46,111)
(1,783)	Gain on the disposal of assets	(2,064)
(1,035)	Interest and investment income	(1,000)
(16,378)	Income from council tax	(17,150)
(55,876)	Government grants and contributions	(53,504)
(120,663)	Total Income	(119,829)
(41,086)	(Surplus) or Deficit on the Provision of Services	(4,967)

Segmental Income:

	Government Grant and Other Income	Fees, Charges and Other Service Income	Total
	£000	£000	£000
2017/18:			
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)
Leader and Corporate Affairs	0	0	0
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)
General Fund	(43,045)	(18,262)	(61,307)
Housing Revenue Account	(540)	(27,849)	(28,389)
	(43,585)	(46,111)	(89,696)
2016/17:			
Community Affairs	(29)	(616)	(645)
Environment and Regulatory Services	(422)	(2,718)	(3,140)
Finance, Corporate Services and Improvement	(42,575)	(810)	(43,385)
Housing Services	(1,649)	(1,838)	(3,487)
Leader and Corporate Affairs	0	0	0
Leisure and Wellbeing	(505)	(6,279)	(6,784)
Local Economic Development, Property and Innovation	0	(556)	(556)
Planning and Infrastructure	(183)	(4,751)	(4,934)
General Fund	(45,363)	(17,568)	(62,931)
Housing Revenue Account	(5)	(28,023)	(28,028)
	(45,368)	(45,591)	(90,959)

NOTES TO THE ACCOUNTS

7. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Total Comprehensive Income and Expenditure Statement has a net income position of £2.551 million in 2017/18, a movement of £43.935 million from the £46.486 million net income position in 2016/17. The main reasons for the variation, most of which do not impact on usable resources, are as follows:

	2016/17	2017/18	Variation
	£000	£000	£000
Depreciation and Revaluation/Impairment of Non Current Assets	(26,878)	3,725	30,603
Capital Grants and Contributions	(2,963)	(5,147)	(2,184)
Revenue Expenditure Funded from Capital	1,209	2,277	1,068
Payments to the Housing Pooled Capital Receipts	579	574	(5)
(Gains)/Losses on Non Current Asset Disposals	(1,783)	(2,064)	(281)
Pension Fund Actuarial (Gains)/Losses	7,370	4,920	(2,450)
Other IAS19 Pension Adjustments	2,705	3,448	743
(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment (Revaluation Reserve)	(12,657)	(2,684)	9,973
Other Items	(313)	209	522
Items Not Affecting Council Tax / Housing Rents	(32,731)	5,258	37,989
Equipment Purchases	435	818	383
Dwellings Depreciation	5,363	9,497	4,134
Non-Ringfenced Government Grants	(8,713)	(6,979)	1,734
Interest Payable and Similar Charges	4,507	4,501	(6)
Investment Income	(735)	(866)	(131)
Other Items	(14,612)	(14,780)	(168)
Items Affecting Council Tax / Housing Rents	(13,755)	(7,809)	5,946
Total Comprehensive Income and Expenditure	(46,486)	(2,551)	43,935

8. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE ACCOUNTS

9. 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.

2017/18	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
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(1,685)	(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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
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)
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:							
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	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
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	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
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(13)	(1)	0	0	0	14
Adjustments primarily involving the Major Repairs Reserve:							
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)
Adjustments primarily involving the Pension Reserve:							
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	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
Adjustments primarily involving the Collection Fund Adjustment Account:							
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)
Adjustments primarily involving the Accumulating Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	5	0	0	0	0	(14)
Total Adjustments	(941)	4,458	1,646	0	(1,503)	175	(3,835)

NOTES TO THE ACCOUNTS

2016/17 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
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(1,900)	(4)	0	(5,362)	0	0	7,266
Revaluation Gains / (Losses) on Property, Plant and Equipment	17	41,100	0	0	0	0	(41,117)
Capital Expenditure not enhancing value	(1,945)	(10,390)	0	0	0	0	12,335
Movements in the market value of Investment Properties	166	0	0	0	0	0	(166)
Capital grants and contributions applied	1,643	0	0	0	0	0	(1,643)
Revenue expenditure funded from capital under statute	(1,209)	0	0	0	0	0	1,209
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	(242)	(3,058)	0	0	0	0	3,300
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	1,017	0	0	0	0	0	(1,017)
Capital expenditure charged against the General Fund and HRA balances	0	5,178	0	0	0	0	(5,178)
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	976	188	0	0	(507)	(657)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	441	(441)

NOTES TO THE ACCOUNTS

2016/17 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
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	387	4,696	(5,083)	0	0	0	0
Transfer of cash proceeds from non PPE assets	64	35	(99)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,414	0	0	0	(4,414)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(579)	0	579	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	56	0	0	0	0	(56)
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	5,362	0	0	(5,362)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,986)	(1,272)	0	0	0	0	7,258
Employer's pensions contributions and direct payments to pensioners payable in the year	3,864	689	0	0	0	0	(4,553)

NOTES TO THE ACCOUNTS

2016/17 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
Adjustments primarily involving the Collection Fund Adjustment Account:							
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	997	0	0	0	0	0	(997)
Adjustments primarily involving the Accumulating Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	43	(10)	0	0	0	0	(33)
Total Adjustments	(2,687)	37,208	(189)	0	(507)	(216)	(33,609)

NOTES TO THE ACCOUNTS

10. 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 2016/17 and 2017/18.

	Balance 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance 31 March 2018 £000
Building Control Surplus	(117)	17	0	(100)	100	0	0
Business Rates Equalisation	0	0	0	0	0	(113)	(113)
Committed Schemes	(2,440)	2,298	(1,341)	(1,483)	1,483	(834)	(834)
Community Housing Fund	0	0	(976)	(976)	11	0	(965)
Historic Buildings	(7)	0	0	(7)	0	0	(7)
Housing Needs Survey	(72)	0	(12)	(84)	0	(12)	(96)
Local Development Framework	(390)	31	0	(359)	126	0	(233)
Lymington Synthetic Turf Pitch	(123)	0	(16)	(139)	0	(12)	(151)
Open Space Maintenance	(59)	3	0	(56)	3	0	(53)
Private Housing Stock Condition Survey	(78)	0	(13)	(91)	0	(13)	(104)
Quadrennial Election	(42)	0	(44)	(86)	0	(44)	(130)
General Fund	(3,328)	2,349	(2,402)	(3,381)	1,723	(1,028)	(2,686)
HRA ICT	(227)	0	(75)	(302)	0	(64)	(366)
Housing Acquisitions and Development	(16,900)	0	(4,143)	(21,043)	0	(1,748)	(22,791)
Total Reserves	(20,455)	2,349	(6,620)	(24,726)	1,723	(2,840)	(25,843)

11. 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 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance 31 March 2018 £000
Capital Programme	(9,739)	0	(2,337)	(12,076)	1,261	(1,594)	(12,409)
	(9,739)	0	(2,337)	(12,076)	1,261	(1,594)	(12,409)

NOTES TO THE ACCOUNTS

12. 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 2017/18 this work was carried out by the Council's valuer, S. Yeo, MRICS. The revaluation programme for 2017/18 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.

2016/17		2017/18
5,032	Council Dwellings	5,016
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	5
5	Health and Leisure Centres	5
51	Car Parks	51
8	Cemeteries	8
25	Public Conveniences	24
199	Vehicles	200
1,796	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
Carried at Historic Cost (Net of Depreciation)			4,378	4,047	3,046	11,471
Valued at Fair Value as at:						
2017/18	366,540	12,885				379,425
2016/17		21,910				21,910
2015/16		2,053				2,053
2014/15	112	597				709
Prior to 2013/14		29,310				29,310
Total Cost or Valuation	366,652	66,755	4,378	4,047	3,046	444,878

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

NOTES TO THE ACCOUNTS

c) Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

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

NOTES TO THE ACCOUNTS

Comparative Movements in 2016/17:	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2016	322,214	62,664	9,351	19,839	414,068
Additions	13,261	718	1,116	1,850	16,945
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,727	2,930	0	0	12,657
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	35,743	17	0	0	35,760
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(10,366)	(118)	0	(1,851)	(12,335)
Derecognition - disposals	(3,058)	0	(447)	0	(3,505)
At 31 March 2017	367,521	66,211	10,020	19,838	463,590
Accumulated Depreciation and Impairment					
At 1 April 2016	0	(134)	(5,400)	(14,820)	(20,354)
Depreciation charge	(5,356)	(145)	(1,141)	(624)	(7,266)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,356	0	0	0	5,356
Derecognition - disposals	0	0	447	0	447
At 31 March 2017	0	(279)	(6,094)	(15,444)	(21,817)
Net Book Value					
at 31 March 2017	367,521	65,932	3,926	4,394	441,773
at 31 March 2016	322,214	62,530	3,951	5,019	393,714

NOTES TO THE ACCOUNTS

d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2017/18 were £288,000 (Council Dwellings £111,000, Other HRA Properties £60,000, Garages £112,000 and General Fund Assets £5,000), but valuation increases were £13.469 million (Council Dwellings £10.229 million, Other HRA Properties £72,000, Car Parks £1.696 million and other General Fund Assets £1.472 million)

Offsetting the net valuation increases was non-enhancing capital expenditure of £10.299 million on Council Dwellings, and £2.231 million on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

Net valuation reductions of Investment Properties in 2017/18 were £42,000.

e) Capital Expenditure Contract Commitments

As at 31 March 2018, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000
Environment and Regulatory Services		
National Coastal Monitoring Programme (per annum)	2018/19-2020/21	260
Vehicles	2018/19	479
Housing Revenue Account		
Asbestos/Low Maintenance Eaves	2018/19	76
General Needs Accommodation Refurbishments	2018/19	229
Kitchens	2018/19	61
Older People's Accommodation Remodelling	2018/19	60
Roofing	2018/19	37
Thermal Insulation Works	2018/19	22
Leisure and Wellbeing		
Eling Experience	2018/19	202
Total		1,426

NOTES TO THE ACCOUNTS

13. 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:

2016/17		2017/18
£000		£000
(137)	Rental income from investment property	(179)
3	Direct operating expenses arising from investment property	3
(166)	Net (gains)/losses from fair value adjustments	42
(300)	Net (gain)/loss	(134)

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:

2016/17		2017/18
£000		£000
2,367	Balance at start of the year	2,533
	Additions:	
0	Purchases	2,204
166	Net gains/(losses) from fair value adjustments	(42)
2,533	Balance at end of the year	4,695

14. LONG-TERM INVESTMENTS

The Council is permitted to invest and lend a proportion of its funds for more than 364 days. At 31 March 2018 the Council had 14 loans which had a remaining maturity term of more than one year.

2016/17				2017/18		
Loans and Receivables	Assets Available for Sale	Total		Loans and Receivables	Assets Available for Sale	Total
£000	£000	£000		£000	£000	£000
7,000	12,677	19,677	Opening Balance	3,000	17,074	20,074
0	9,099	9,099	Purchases	2,000	11,045	13,045
0	180	180	Revaluations Gains	0	57	57
0	(35)	(35)	Revaluations Losses	0	(271)	(271)
0	(102)	(102)	Repayments	0	(5,205)	(5,205)
(4,000)	(4,745)	(8,745)	Transfers to Short-Term Investments	(3,000)	(3,520)	(6,520)
3,000	17,074	20,074	Closing Balance	2,000	19,180	21,180

NOTES TO THE ACCOUNTS

15. 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 £1.204 million was outstanding as at 31 March 2018, but £200,700 is due within 12 months and is therefore included within short-term debtors.

31 March 2017		31 March 2018
£000		£000
14	Car Loans	8
6	Trust Loans	3
1	Cycle Loans	0
1,204	Lymington Harbour Commissioners - Principal	1,004
562	Rent to Mortgages House Purchases	549
1,787	Total	1,564

16. SHORT-TERM INVESTMENTS

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

2016/17				2017/18		
Loans and Receivables	Assets Available for Sale	Total		Loans and Receivables	Assets Available for Sale	Total
£000	£000	£000		£000	£000	£000
8,048	14,333	22,381	Opening Balance	16,051	13,408	29,459
17,500	36,723	54,223	Purchases	38,000	23,690	61,690
0	(5)	(5)	Revaluations Gains/(Losses)	0	(13)	(13)
3	(10)	(7)	Movement in Accrued Interest	16	(2)	14
(13,500)	(42,377)	(55,877)	Repayments	(31,000)	(29,939)	(60,939)
4,000	4,744	8,744	Transfers from Long-Term Investments	3,000	3,520	6,520
16,051	13,408	29,459	Closing Balance	26,067	10,664	36,731

NOTES TO THE ACCOUNTS

17. 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.

2016/17		2017/18
£000		£000
395	Balance at 1 April	371
1,987	Purchases	1,794
(1,981)	Recognised as an expense in the year	(1,788)
(30)	Written off balances	(37)
371	Balance at 31 March	340

18. SHORT-TERM DEBTORS

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

31 March 2017		31 March 2018
£000		£000
1,637	Central Government Bodies (a)	2,281
	Local Authorities:	
598	Hampshire County Council (b)	675
17	New Forest National Park Authority	21
40	Other Local Authorities	101
13	Public Corporations and Trading Funds	89
	Other Entities and Individuals:	
407	Council Tax Payers	408
488	Business Rate Payers	454
572	Housing Tenants' Rents	639
6,023	Other Debtors and Payments in Advance (c)	6,568
9,795	Total	11,236

Short-term debtors were higher at the 31 March 2018 by £1.441 million when compared to 31 March 2017, the main contributing factors to this were:

- (a) Central Government Bodies debtors increased by £644,000. As at 31 March 2018 £700,000 was due from the Heritage Lottery Fund for the Eling Experience, offset by £54,000 less being due from the Elections Claims Unit within the Cabinet Office.
- (b) Hampshire County Council debtors was higher by £77,000. This was due to £27,000 more being accrued for Project Integra and recycling credits being £48,000 higher.
- (c) Other Debtors and Payments in Advance have increased by £545,000. This is due to outstanding Community Infrastructure Levy invoices being £707,000 higher, and a reduction regarding the Beach Huts at Milford-on-Sea of £236,000.

NOTES TO THE ACCOUNTS

The bad debts provision is shown below:

31 March 2017		31 March 2018
£000		£000
(173)	Council Tax Payers	(172)
(193)	Business Rate Payers	(146)
(380)	Housing Tenants' Rents	(437)
(1,492)	Other Debtors	(1,692)
(2,238)	Total	(2,447)

19. CASH AND CASH EQUIVALENTS

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

31 March 2017		31 March 2018
£000		£000
24	Cash held by the Council	7
(1,426)	Bank current accounts	(696)
13,252	Short-Term deposits with building societies/banks and other financial institutions	5,241
11,850	Total	4,552

20. 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. In 2018/19 the next £4.1 million principal repayment is due to be paid, so this has been transferred from long-term to short-term borrowing together with the next instalment for the Lymington Harbour Commissioners loan of £200,700, meaning a total of £4.301 million is payable within 12 months.

In addition, total accrued interest of £49,400 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

2016/17		2017/18
£000		£000
(251)	Balance at 1 April	(4,351)
201	Loans Repaid	4,301
(4,301)	Transferred from Long-Term Borrowing	(4,301)
0	Movement in accrued interest on all Borrowing	1
(4,351)	Balance at 31 March	(4,350)

NOTES TO THE ACCOUNTS

21. SHORT-TERM CREDITORS

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

31 March 2017		31 March 2018
£000		£000
(5,901)	Central Government Bodies (a)	(8,491)
	Local Authorities:	
(2,408)	Hampshire County Council	(2,535)
(203)	Police and Crime Commissioner for Hampshire	(179)
(164)	Hampshire Fire and Rescue Authority	(188)
(55)	New Forest National Park Authority	(45)
(156)	Developers' Contributions Open Space Maintenance	(164)
(822)	Other Local Authorities (b)	(261)
0	NHS Bodies	(2)
(13)	Public Corporations and Trading Funds	(67)
	Other Entities:	
(299)	Council Tax Payers	(260)
(1,054)	Business Rate Payers	(1,085)
(5,465)	Other Creditors and Receipts in Advance (c)	(6,464)
(16,540)	Total	(19,741)

Short term creditors have increased by £3.201 million from 2016/17 to 2017/18

- (a) The Central Government Bodies balance is £2.590 million higher mainly due to changes in the Business Rates Tariff and Levy calculations.
- (b) Other Local Authorities is lower due to the regional coastal monitoring programme moving from a creditor of £572,000 at the end of 2016/17 to a debtor of £76,000 at 31 March 2018.
- (c) Other Creditors and Receipts in Advance has increased by £999,000. This was due in the main to accruals regarding new build schemes of £420,000 and movement in the car parking clock income of £175,000 and increased invoice creditors of £406,000.

NOTES TO THE ACCOUNTS

22. 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.

2016/17		2017/18
£000		£000
(2)	Balance at 1 April	(50)
39	Financing of Capital Expenditure	50
(87)	Transfer to/(from) other Developers' Contribution Categories	(127)
(50)	Balance at 31 March	(127)

23. LONG-TERM BORROWING

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

At 1 April 2017 the Council was holding long-term debt of £139.808 million. This included a sum of £1.208 million from a loan raised in March 2014 to finance an equivalent loan made in 2013/14 to the Lymington Harbour Commissioners. At 31 March 2018 £200,700 of this was repayable within 12 months, as well as the second repayment of £4.1 million of the loan taken regarding the Housing Revenue Account financing settlement. Therefore a balance of long-term debt of £135.507 million was outstanding at the year end.

2016/17		2017/18
£000		£000
(144,109)	Balance at 1 April	(139,808)
4,301	Transferred to Short-Term Borrowing	4,301
(139,808)	Balance at 31 March	(135,507)

NOTES TO THE ACCOUNTS

24. 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 2016	Additional Provisions Made 2016/17	Amounts Used 2016/17	Unused Amounts Reversed 2016/17	Balance 31 March 2017	Additional Provisions Made 2017/18	Amounts Used 2017/18	Unused Amounts Reversed 2017/18	Balance 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Rates	(4,810)	0	1,786	638	(2,386)	(1,240)	260	0	(3,366)
Insurance	(28)	0	28	0	0	0	0	0	0
Legislation Changes	(191)	0	34	140	(17)	0	0	0	(17)
Private Sector Leasing Dilapidations	(102)	0	0	0	(102)	0	0	0	(102)
Redundancy	(296)	(408)	262	34	(408)	(19)	299	5	(123)
Total Provisions	(5,427)	(408)	2,110	812	(2,913)	(1,259)	559	5	(3,608)

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 2018 was £8.415 million, of which £3.366 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. Whilst the legal claim has been fully settled, there will be some residual legal costs to be paid to the Local Government Association in due course.

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 113 properties at 31 March 2018. A revenue budget of £109,000 exists in 2018/19 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

25. CAPITAL GRANTS – RECEIPTS IN ADVANCE

This account records, on an accruals basis, all capital grants and contributions that are to be used for financing capital expenditure. Year end balances reflect receipts in advance, which 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.

2016/17				2017/18		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000	£000		£000	£000	£000
(204)	0	(204)	Balance at 1 April	(341)	0	(341)
(1,089)	(434)	(1,523)	New Receipts	(2,488)	(42)	(2,530)
952	434	1,386	Financing of Capital Expenditure	2,734	4	2,738
(341)	0	(341)	Balance at 31 March	(95)	(38)	(133)

26. 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.

2016/17		2017/18
£000		£000
(1,506)	Balance at 1 April	(1,352)
(197)	New Receipts	(74)
219	Financing of Capital Expenditure	511
132	Transfer to/(from) other Developers' Contribution Categories	127
(1,352)	Balance at 31 March	(788)

27. 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.

2016/17		2017/18
£000		£000
(7,372)	Balance at 1 April	(7,561)
(5,182)	New Receipts (including interest)	(4,740)
579	Transfers to Government	574
4,414	Financing of Capital Expenditure	5,812
(7,561)	Balance at 31 March	(5,915)

NOTES TO THE ACCOUNTS

28. 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.

2016/17			2017/18	
CIL	DCs		CIL	DCs
£000	£000		£000	£000
(267)	(3,048)	Balance at 1 April	(774)	(3,264)
(611)	(728)	New Receipts	(1,764)	(434)
0	(45)	Transfers to/(from) other Developers' Contribution Categories	0	0
0	441	Financing of Capital Expenditure	0	477
33	116	Financing of Revenue Expenditure	93	132
71	0	Payments to Town and Parish Councils	168	0
(774)	(3,264)	Balance at 31 March	(2,277)	(3,089)

29. 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.

2016/17				2017/18		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(15,141)	(5,984)	(21,125)	Balance at 1 April	(17,830)	(15,707)	(33,537)
(2,982)	(9,727)	(12,709)	Upward revaluation of assets	(2,923)	(47)	(2,970)
52	0	52	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	3	283	286
(2,930)	(9,727)	(12,657)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,920)	236	(2,684)
242	3	245	Accumulated gains on assets sold or scrapped	0	122	122
(17,829)	(15,708)	(33,537)	Balance at 31 March	(20,750)	(15,349)	(36,099)

NOTES TO THE ACCOUNTS

30. 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.

2016/17			2017/18	
£000	£000		£000	£000
	(227,441)	Balance at 1 April		(262,914)
		Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:		
7,266		Charges for depreciation and impairment of non-current assets	11,189	
(41,117)		Revaluation (Gains) / Losses on Property, Plant and Equip.	(10,496)	
12,335		Capital Expenditure not enhancing value	12,530	
1,209		Revenue expenditure funded from capital under statute	2,278	
3,055		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	2,497	
	(17,252)	Net written out amount of the cost on non-current assets consumed in the year		17,998
		Capital financing applied in the year:		
(4,414)		Use of the Capital Receipts Reserve to finance new capital expenditure	(5,812)	
(5,362)		Use of the Major Repairs Reserve to finance new capital expenditure	(6,350)	
0		Use of the Major Repairs Reserve to finance debt repayment	(3,147)	
(1,643)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,299)	
(441)		Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts	(477)	
(1,017)		Provision for the financing of capital investment charged against the General Fund balance	(1,099)	
0		Provision for the financing of capital investment charged against the HRA balance	(953)	
(5,178)		Capital expenditure charged against the General Fund and HRA balances	(3,956)	
	(18,055)			(25,093)
	(166)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		42
	(262,914)	Balance at 31 March		(269,967)

NOTES TO THE ACCOUNTS

31. AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost, or disposed of and the gains are realised.

2016/17		2017/18
£000		£000
(140)	Balance at 1 April	(253)
(148)	Upward revaluation of investments	(49)
35	Downward revaluation of investments	229
(113)	(Surplus) or deficit on revaluation of investments not posted to the Surplus or Deficit on the Provision of Services	180
(253)	Balance at 31 March	(73)

32. 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.

2016/17		2017/18
£000		£000
(511)	Balance at 1 April	(567)
(56)	New Receipts/Revaluations	13
(567)	Balance at 31 March	(554)

NOTES TO THE ACCOUNTS

33. 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 43.

2016/17		2017/18
£000		£000
76,581	Balance at 1 April	86,656
7,370	Remeasurement of the net defined liability / (asset)	4,920
7,258	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	8,135
(4,553)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,687)
86,656	Balance at 31 March	95,024

34. 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 2017				31 March 2018		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
(466)	0	(466)	Central Government	(898)	0	(898)
(85)	(1,029)	(1,114)	Hampshire County Council	(162)	(1,067)	(1,229)
0	(153)	(153)	Police and Crime Commissioner for Hampshire	0	(156)	(156)
(9)	(60)	(69)	Hampshire Fire and Rescue Authority	(18)	(60)	(78)
(560)	(1,242)	(1,802)		(1,078)	(1,283)	(2,361)
(373)	(221)	(594)	New Forest District Council	(719)	(227)	(946)
(933)	(1,463)	(2,396)		(1,797)	(1,510)	(3,307)

The balances on each fund will be taken into account when calculating the council tax and business rates in future years. A £1.567 million surplus was taken into account in setting the 2018/19 Council Tax Levels (£1.418 million surplus for 2017/18), and a £1.671 million surplus for Business Rate Levels (£0.864 million deficit for 2017/18).

NOTES TO THE ACCOUNTS

35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2016/17		2017/18
£000		£000
(7,266)	Charges for depreciation and impairment	(11,189)
41,116	Revaluation Gains/(Losses) on Property, Plant and Equipment	10,497
75	Revaluation/Movement in Deferred Debtors	(4)
25	Revaluation Gains/(Losses) on Investments	(46)
(12,335)	Capital Expenditure not enhancing value	(12,530)
166	Movements in the value of Investment Properties	(42)
1,795	Capital grants applied to the financing of Capital Expenditure	2,939
(3,300)	Carrying amount of Non-Current Assets sold	(2,619)
(25)	Increase/(Decrease) in Inventories	(31)
1,116	Increase/(Decrease) in Debtors	1,441
(7)	Increase/(Decrease) in Investments Accrued Interest	14
11	(Increase)/Decrease in impairment for Provision for Bad Debts	(209)
(324)	(Increase)/Decrease in Creditors	31
169	Adjustment to Creditors re Capital Expenditure	350
(2,705)	Movement in Pension Liability	(3,448)
2,515	Other non-cash items charged to the net surplus or deficit on the provision of services	(695)
21,026	Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	(15,541)

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

2016/17		2017/18
£000		£000
5,083	Proceeds adjustment from the sale of property, plant and equipment and investment property	4,683
5,083	Net cash flows from operating activities	4,683

The cash flows for operating activities include the following items:

2016/17		2017/18
£000		£000
(687)	Investment interest received	(957)
4,501	Loan interest paid	4,495
3,814	Net cash flows from operating activities	3,538

NOTES TO THE ACCOUNTS

36. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2016/17		2017/18
£000		£000
16,776	Purchase of property, plant and equipment, investment property and intangible assets	20,609
63,322	Purchase of short-term and long-term investments	74,735
6	Other payments for investing activities	10
(5,083)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,683)
(55,979)	Proceeds from short-term and long-term investments	(66,144)
(2,045)	Other receipts from investing activities	(3,167)
16,997	Net cash flows from investing activities	21,360

37. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2016/17		2017/18
£000		£000
(1,630)	Other receipts from financing activities	(2,538)
201	Repayments of short- and long-term borrowing	4,301
(1,429)	Net cash flows from financing activities	1,763

38. 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.

2016/17			2017/18	
£000	£000		£000	£000
0	251	Balance at 1 April	0	217
(251)	0	Settlement or cancellation of accrual made at the end of the preceding year	(217)	0
217	0	Amounts accrued at the end of the current year	204	0
	(34)	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		(13)
	217	Balance at 31 March		204

NOTES TO THE ACCOUNTS

39. AGENCY SERVICES

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

2016/17		2017/18		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
	Hampshire County Council			
10	- Highways	456	(433)	23
136	- On-Street Parking	256	(122)	134
146	Agency Expenditure	712	(555)	157

40. CONTINGENT ASSETS

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

41. 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 2018 no such guarantee has been exercised.

In November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but the worker is obliged to work, if offered). The Council has put in place arrangements to calculate holiday payments required as a result of contractual standby. Further case law regarding regular overtime (which is neither contractual nor guaranteed) requires the Council to review working patterns to establish any regular non contractual overtime and make suitable arrangements for holiday pay. This may be calculated on a yearly basis looking backwards. The first review of this will take place during early 2018/19. No provision has been made for this contingency.

42. 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 £1.087 million in 2017/18 and was charged to the General Fund together with £12,000 in relation to an investment property acquired during 2017/18. In addition £4.1 million for the first 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.

	2016/17		2017/18	
	£000	£000	£000	£000
Opening Capital Financing Requirement		147,757		147,855
Capital Investment				
Property, Plant and Equipment Assets	16,945		20,959	
REFCUS	1,209	18,154	2,278	23,237
Sources of Finance				
Capital Receipts	(4,414)		(5,812)	
Government Grants	(1,386)		(2,737)	
Revenue Contributions	(5,178)		(3,956)	
Major Repairs Reserve	(5,362)		(6,350)	
Developers' Contributions	(699)	(17,039)	(1,038)	(19,893)
Other Adjustments for the Repayment of Debt				
Repayment of Loan Principal		0		(4,100)
Voluntary Revenue Provision		(1,017)		(1,099)
Closing Capital Financing Requirement		147,855		146,000

Explanation of movements in Year	2016/17	2017/18
	£000	£000
Increase in underlying need to borrow (unsupported by Government financial assistance)	1,115	3,344
Reduction (-)/increase in need to borrow because of:		
- Repayment of Loan Principal	0	(4,100)
- Voluntary Revenue Provision	(1,017)	(1,099)
	98	(1,855)

43. DEFINED BENEFIT PENSION SCHEME

a) 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.

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.

NOTES TO THE ACCOUNTS

b) 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:

	2016/17	2017/18
	£ million	£ million
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current service cost	4.460	5.787
Past service cost	0.268	0.158
Financing and Investment Income and Expenditure		
Net Interest expense	2.530	2.190
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	7.258	8.135
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(28.510)	(0.770)
Actuarial (Gains) / Losses arising on changes in demographic assumptions	(3.080)	0.000
Actuarial (Gains) / Losses arising on changes in financial assumptions	42.350	4.270
Actuarial (Gains) / Losses due to liability experience	(3.390)	1.420
Total Net Defined Benefit Liability Re-measured	7.370	4.920
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	14.628	13.055
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(10.075)	(8.368)
Actual amount charged against the General Fund		
Balance for pensions in the year		
Employer's contributions payable to scheme	4.553	4.687

NOTES TO THE ACCOUNTS

c) 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 2017	31 March 2018
	£ million	£ million
Present value of the defined benefit obligation	(252.006)	(263.614)
Fair value of plan assets	165.350	168.590
Net liability arising from defined benefit obligation	(86.656)	(95.024)

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment retirement benefits. The total net liability of £95.024 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2016/17	2017/18
	£ million	£ million
Opening balance at 1 April	(210.688)	(252.006)
Current Service Cost	(4.460)	(5.820)
Past Service Cost	(0.268)	(0.158)
Interest Cost	(7.060)	(6.470)
Contributions from scheme Participants	(1.240)	(1.210)
Remeasurement (Gains) and Losses:		
Actuarial Gains/(Losses) arising from changes in financial assumptions	(42.350)	(4.270)
Actuarial Gains/(Losses) due to liability experience	3.390	(1.420)
Actuarial Gains/(Losses) arising from changes in demographic assumptions	3.080	0.000
Benefits Paid	7.590	7.740
Closing balance at 31 March	(252.006)	(263.614)

NOTES TO THE ACCOUNTS

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

	2016/17	2017/18
	£ million	£ million
Opening fair value of scheme assets at 1 April	134.107	165.350
Interest Income	4.530	4.280
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	28.510	0.770
Contributions from employer	4.553	4.720
Contributions from employees into the scheme	1.240	1.210
Benefits paid	(7.590)	(7.740)
Closing fair value of scheme assets at 31 March	165.350	168.590

d) Local Government Pension Scheme assets (fair value) comprised

31 March 2017		Assets	31 March 2018	
£ million	%		£ million	%
5.62	3.4	Cash and Cash Equivalents	4.38	2.6
99.71	60.3	Equity Investments	105.54	62.6
41.67	25.2	Government Bonds	39.96	23.7
2.31	1.4	Corporate Bonds	1.68	1.0
10.75	6.5	Property	11.80	7.0
5.29	3.2	Other Assets	5.23	3.1
165.35	100.0	Total Assets	168.59	100.0

NOTES TO THE ACCOUNTS

e) 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 2017	31 March 2018
	%	%
Rate of inflation - RPI	3.1	3.2
- CPI	2.0	2.1
Rate of increase in salaries	3.5	3.6
Rate of increase in pensions	2.0	2.1
Rate of increase in deferred pensions	2.0	2.1
Rate of discounting scheme liabilities	2.6	2.6

Mortality Assumptions	31 March 2017	31 March 2018
	Years	Years
Longevity at 65 for current pensioners		
Males	24.0	24.1
Females	27.0	27.2
Longevity at 65 for future pensioners		
Males	26.0	26.2
Females	29.3	29.4

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)	7.58	(7.55)
Rate of inflation (increase or decrease by 0.1%)	3.84	(3.77)
Rate of increase in salaries (increase or decrease by 0.1%)	0.94	(0.93)
Rate of increase in pensions (increase or decrease by 0.1%)	3.84	(3.77)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(4.70)	4.78

NOTES TO THE ACCOUNTS

f) 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 next triennial valuation is due to be completed on 31 March 2019.

The Council anticipates paying standard contributions of £4.62 million to the fund for the accounting period ending 31 March 2019. 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 2016/17).

Further information on the Pension Fund can be obtained from:

Pensions Services
Hampshire County Council
The Castle
Winchester
SO23 8UB Telephone: (01962) 845588

44. EXTERNAL AUDIT COSTS

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

2016/17		2017/18
£000		£000
56	External audit services carried out by the appointed auditor	55
4	Certification of grant claims and returns	6
0	Public Sector Audit Appointments Refund	(7)
60		54

NOTES TO THE ACCOUNTS

45. GRANTS INCOME

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

2016/17		2017/18
£000	Service Specific Revenue Grants and Contributions (included in cost of services)	£000
	Ministry of Housing, Communities and Local Government (formerly Department for Communities and Local Government)	
(976)	Community Housing Fund	0
(162)	Council Tax Benefits Admin	(156)
(657)	Disabled Facilities Grants	(1,254)
(53)	Family Annex Grant	(58)
0	Flexible Homelessness Support	(396)
0	New Burdens Homelessness Reduction Act	(57)
(282)	NNDR Collection	(278)
(54)	Other DCLG	(57)
	Department for Work and Pensions	
(440)	Housing and Council Tax Benefit Administration	(402)
(41,300)	Housing Benefit Subsidy	(38,885)
(205)	Discretionary Housing Payments	(325)
(130)	Other DWP	(110)
	Other Government Grants	
(29)	Individual Electoral Registration	(28)
0	Apprenticeship Levy	(32)
(44,288)	Total Government Grants	(42,038)
	Other Grants and Contributions	
(421)	Project Integra - Recycling	(467)
(627)	Developers' Contributions	(1,081)
0	Improvement Grants	(4)
(32)	Other	(27)
(1,080)	Total Other Grants and Contributions	(1,579)
(45,368)	Total Service Revenue Grants and Contributions	(43,617)

NOTES TO THE ACCOUNTS

2016/17		2017/18
£000	Non-Ringfenced Revenue Government Grants	£000
	Non Domestic Rates Income and Expenditure	
22,706	Tariff	22,576
(24,761)	Retention Scheme Income	(23,069)
(1,194)	Surplus Business Rates Distributed from Pool	(1,487)
(1,375)	S31 Grant	(2,668)
(4,624)		(4,648)
	Department for Communities and Local Government	
(1,765)	Revenue Support Grant	(723)
(2,205)	New Homes Grant	(1,489)
(111)	Transition Grant	(111)
(8)	Transparency Code Grant	(8)
(4,089)		(2,331)
(8,713)	Total Non-Ringfenced Revenue Government Grants	(6,979)
	Capital Grants and Contributions	
(282)	Coast Protection	(212)
(422)	Milford Beach Huts	0
(13)	Eling Tide Mill	(1,267)
(403)	Developers' Contributions	85
(507)	Community Infrastructure Levy	(1,503)
(12)	Ringwood Gateway	0
(156)	Capital Receipts	(43)
(1,795)	Total Capital Grants and Contributions	(2,940)
(55,876)	Total Grants and Contributions Income	(53,536)

46. LEASES

Finance Leases with the Council acting as Lessee

In 2017/18 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 2017	31 March 2018
	£000	£000
Not later than one year	96	107
Later than one year but not later than 5 years	338	362
Later than 5 years	572	533
Total Lease Rentals	1,006	1,002

Expenditure of £120,142 was charged to the Comprehensive Income and Expenditure Statement during the year (£93,082 in 2016/17).

NOTES TO THE ACCOUNTS

Operating Leases with the Council acting as Lessor

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

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

Lease Rental Payments for:	31 March 2017	31 March 2018
	£000	£000
Not later than one year	559	700
Later than one year but not later than 5 years	2,138	2,716
Later than 5 years	28,665	29,469
Total Lease Rentals	31,362	32,885

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 2017/18 was £127,004 (2016/17 £124,193).

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

47. MEMBERS' ALLOWANCES

During 2017/18, payments to Members of the Council amounted to £486,722. For 2016/17 the equivalent amount was £476,122.

48. SIGNIFICANT INTEREST

Prior to 2017/18 one New Forest District Councillor was on the board of the New Forest Enterprise Centre. During 2017/18, the Council opted to take up its full member rights of three board members, out of seven. 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

49. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB principal sum borrowed	139,808	135,508	4,301	4,301
Accrued Interest	0	0	50	49
Total Borrowing	139,808	135,508	4,351	4,350
Liabilities at amortised cost:				
Trade Creditors	0	0	5,414	6,542
Total Financial Liabilities	139,808	135,508	9,765	10,892

Financial Assets

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

Loans and Receivables comprising:

- Cash
- Bank current and notice accounts
- Loans to other Local Authorities
- Loans to Housing Associations

Available for Sale Financial Assets comprising:

- Money market funds
- Pooled equity and property funds
- Certificates of deposit and covered bonds issued by banks and building societies
- Bonds issued by multilateral development banks and large companies

NOTES TO THE ACCOUNTS

FINANCIAL ASSETS	Long-Term		Short-Term	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Loans and receivables:				
Principal at amortised cost	3,000	2,000	16,000	26,000
Accrued Interest	0	0	51	66
Available-for-sale investments:				
Principal at amortised cost	17,074	19,180	13,406	10,665
Accrued Interest	0	0	2	0
Total Investments	20,074	21,180	29,459	36,731
Loans and receivables:				
Cash	0	0	(1,402)	(688)
Cash equivalents at amortised cost	0	0	1,000	3,040
Available-for-sale investments:				
Cash equivalents at fair value	0	0	12,250	2,200
Accrued Interest	0	0	2	0
Total Cash and Cash Equivalents	0	0	11,850	4,552
Loans and receivables:				
Trade Debtors	0	0	3,107	4,037
Total Financial Assets	20,074	21,180	44,416	45,320

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

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

	2016/17				2017/18			
	Financial Liabilities Amortised Cost	Financial Assets Loans and Receivables	Available for sale Assets	Total	Financial Liabilities Amortised Cost	Financial Assets Loans and Receivables	Available for sale Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	4,500	0	0	4,500	4,494	0	0	4,494
Interest Income	0	(174)	(312)	(486)	0	(184)	(178)	(362)
Dividend Income	0	0	(184)	(184)	0	0	(421)	(421)
Gains on derecognition	0	0	0	0	0	0	(37)	(37)
Interest and Investment Income	0	(174)	(496)	(670)	0	(184)	(636)	(820)
Gains on revaluation	0	0	(148)	(148)	0	0	(49)	(49)
Losses on revaluation	0	0	35	35	0	0	229	229
Impact in Other Comprehensive Income and Expenditure	0	0	(113)	(113)	0	0	180	180
Net (Gain)/Loss for the year	4,500	(174)	(609)	3,717	4,494	(184)	(456)	3,854

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 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 2017/18 on 26 February 2018, increasing limits from those approved on 20 February 2017.

NOTES TO THE ACCOUNTS

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise.

The credit quality of £12.5 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.

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 2018					
	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	3,040	0	500	0	0	3,540
Money Market Funds	2,200	0	0	0	0	2,200
Local Authorities/Housing Associations	0	2,010	14,028	9,528	2,000	27,566
Bonds	0	0	0	10,665	8,060	18,725
Pooled Funds	0	0	0	0	11,120	11,120
Total	5,240	2,010	14,528	20,193	21,180	63,151

Bond Ratings	Long-term		Short-term	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
AAA	11,804	8,060	8,766	4,545
AA-	0	0	1,000	3,040
A+	0	0	1,581	5,155
A	0	0	6,005	500
A-	0	0	1,059	965
AAA Money Market Funds	0	0	12,252	2,200
Unrated local authorities	3,013	2,000	12,036	25,566
Unrated pooled funds	5,269	11,120	0	0
Total	20,086	21,180	42,699	41,971

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.

Bond Ratings	Amount at 31 March 2018	Historical experience of default	Market Conditions at 31 March 2018	Estimated maximum exposure to default
	£000	%	%	£000
Trade Debtors	4,037	0.73%	0.68%	27
Total	4,037			27

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:

	31 March 2017	31 March 2018
	£000	£000
Less than three months	2,116	2,185
Three months to one year	501	1,160
More than one year	490	692
Total	3,107	4,037

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 2018 was £4,961.

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.

NOTES TO THE ACCOUNTS

Liquidity Risk

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

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

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

	31 March 2017	31 March 2018
	£000	£000
Less than one year	42,656	41,905
Between one and two years	3,000	10,060
Between two and three years	11,805	0
No fixed maturity date	5,269	11,120
Total	62,730	63,085

All trade and other payables (£4.037 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.

NOTES TO THE ACCOUNTS

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:

	Approved maximum limits 2017/18		Actual 31 March 2017		Actual 31 March 2018	
	£m	%	£m	%	£m	%
Less than one year	45	25	4.3	3	4.3	3
Between one and two years	45	25	4.3	3	4.3	3
Between two and five years	45	25	12.9	9	12.9	9
Between five and ten years	41	25	20.9	15	20.7	14
Between ten and twenty years	178	100	41.0	28	41.0	30
Between twenty and thirty years	178	100	41.0	28	41.0	30
Over thirty but not over forty years	178	100	19.7	14	15.6	11
Total			144.1	100	139.8	100

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 2017/18 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 classed as ‘loans and receivables’ 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 classed as ‘available for sale’ will be reflected in Other Comprehensive Income and Expenditure.

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 2018, all of the £139.808 million of principal borrowed was at fixed rates.

NOTES TO THE ACCOUNTS

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

	2016/17	2017/18
	£000	£000
Increase in interest receivable on variable rate investments	(510)	(475)
Impact on Surplus or Deficit on the Provision of Services	(510)	(475)
Decrease in fair value of available for sale financial assets	28	37
Impact on Comprehensive Income and Expenditure Account	28	37
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	20,719	18,941

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

Price Risk – The market prices of the Council's fixed rate bond investments are governed by prevailing interest rates and the market 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 fall in commercial property prices would result in a charge to Other Comprehensive Income and Expenditure but this would have no impact on the General Fund until the investment was sold.

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 fall in share prices would result in a charge to Other Comprehensive Income and Expenditure but this would have no impact on the General Fund until the investment was sold.

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 £1.097 million and has 3 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 assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following method and assumption:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity

NOTES TO THE ACCOUNTS

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost (in long-term assets/liabilities with accrued interest in current assets/liabilities). Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following 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.
- The fair values of long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

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 2017		31 March 2018	
		Carrying £000	Fair value £000	Carrying £000	Fair value £000
PWLB debt	2	(144,109)	(170,828)	(139,808)	(160,726)
Accrued Interest		(50)	(50)	(49)	(49)
Trade Creditors		(5,414)	(5,414)	(6,542)	(6,542)
Total Financial Liabilities		(149,573)	(176,292)	(146,399)	(167,317)
Money Market Funds	1	12,252	12,252	2,200	2,200
Bond, Equity and Property Funds	1	5,269	5,269	11,120	11,120
Certificates of Deposit	2	2,002	2,002	0	0
Corporate, Covered and Government Bonds	2	23,210	23,210	18,725	18,725
Long-Term Loans to Local Authorities	2	3,013	3,045	2,000	2,012
Assets for which fair value is not disclosed		17,039	17,039	29,106	29,106
Total Investments		62,785	62,817	63,151	63,163
Other Cash and Cash Equivalents		(1,402)	(1,402)	(688)	(388)
Trade Debtors		3,107	3,107	4,037	4,037
Short-Term Debtors		226	226	216	216
Long-Term Debtors	2	1,787	1,864	1,564	1,604
Total Financial Assets		66,503	66,612	68,280	68,632

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.

NOTES TO THE ACCOUNTS

The fair value of financial assets held at amortised cost is higher than the balance sheet 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.

50. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2017/18 are shown in the table below.

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	a	113,252	0	113,252	15,969	129,221
Returning Officer	a	15,291	0	15,291	0	15,291
		128,543	0	128,543	15,969	144,512
Service Manager - Finance and Audit (S151)	b	46,725	0	46,725	6,588	53,313
Head of Finance (S151)	b	10,333	0	10,333	1,457	11,790
Executive Head - Economy, Planning and Housing	c	14,273	0	14,273	1,824	16,097
Executive Head - Economy, Planning and Housing	d	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
		477,156	18,848	496,004	64,497	560,501

The Employer's Pension Contributions were 14.10% for 2017/18 (13.10% for 2016/17). There were no Bonuses or Benefits in Kind paid in 2017/18 or 2016/17.

- a) The Chief Executive undertook the Returning Officer role.
- b) 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 is £61,996.
- c) The Executive Head - Economy, Planning and Housing left on 31/5/17, the annualised salary for the post was £77,605.
- d) 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.

NOTES TO THE ACCOUNTS

The figures for 2016/17 were:

2016/17	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	e	108,767	0	108,767	14,248	123,015
Returning Officer	e	14,244	0	14,244	0	14,244
		123,011	0	123,011	14,248	137,259
Service Manager - Finance and Audit (S151)	f	51,534	0	51,534	6,634	58,168
Executive Head - Economy, Planning and Housing		76,837	0	76,837	10,066	86,903
Executive Head - Governance and Regulation		76,837	0	76,837	10,066	86,903
Executive Head - Operations (Deputy Chief Executive)		82,918	0	82,918	10,862	93,780
Executive Head - Resources		76,837	0	76,837	10,066	86,903
Head of Housing and Customer Services	g	1,586	55,037	56,623	168	56,791
		489,560	55,037	544,597	62,110	606,707

- e) The Chief Executive undertook the Returning Officer role for 2016/17.
- f) The Service Manager – Finance and Audit (S151) commenced this post on 5 April 2016. The annualised salary for the post was £53,275. Up to 4 April 2016 the S151 role was undertaken by the Chief Executive.
- g) The Head of Housing and Customer Services left on 7/4/2016. The annualised salary for the post was £68,736.

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

Remuneration Band	Number of Employees			
	2016/17		2017/18	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	0	14	0	10
£ 55,000 - £ 59,999	2	4	1	6
£ 60,000 - £ 64,999	2	2	0	3
£ 75,000 - £ 79,999	1	1	0	0
£100,000 - £104,999	1	1	1	1
	6	22	2	20

NOTES TO THE ACCOUNTS

51. TERMINATION BENEFITS

The Council terminated the contracts of 51 employees in 2017/18, incurring costs of £421,096 (38 employees, £972,945 in 2016/17). Of this £243,000 was allowed for in the Redundancy provision at the end of 2016/17. Further provision at 31 March 2018 has been made for 1 termination costing £19,000 which has been committed to, but for which the payment will be incurred in 2018/19.

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 £
2017/18				
£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
Total	9	42	51	421,096
2016/17				
£0 - £20,000	4	17	21	147,177
£20,001 - £40,000	3	7	10	302,031
£40,001 - £60,000	1	2	3	138,037
£60,001 - £80,000	0	2	2	136,360
£80,001 - £200,000	1	1	2	249,340
Total	9	29	38	972,945

52. 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 45.

During 2017/18 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 2017/18 was £251,000 (£302,000 for 2016/17). 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 £267,000 (£265,000 in 2016/17).

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 47. During 2017/18 £540 (2016/17 £440) was paid to a company in which 1 member (2016/17 1 member) had an interest. In 2017/18 no payments were paid to organisations in which members had an interest, but on which there is no Council representative (for 2016/17 this was £57,630). One member elected in May 2015 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.

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 Code, but under statute can be funded from capital resources.

	Charged to revenue 2017/18	Capital resource funding 2017/18
	£000	£000
General Fund		
- Housing Private Sector Disabled Adaptations/Home Repair Loans	790	790
- Leisure Schemes	818	818
- Transportation	130	130
Housing Revenue Account		
- Public Sector Disabled Adaptations	540	540
	2,278	2,278

54. ASSETS HELD FOR SALE

Two parcels of land, which were previously used as a public car park and part of an industrial estate, have been included in Assets Held for Sale, as the sites are due to be sold within the 12 months up to 31 March 2019.

55. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts was authorised for issue on 27 July 2018 by Cllr A O'Sullivan and Mr A Bethune. There have been no known material events after the Balance Sheet date.

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE STATEMENT**

2016/17		Notes	2017/18
£000			£000
	Income		
(26,286)	Dwelling rents		(25,991)
(721)	Non-dwelling rents		(758)
(743)	Charges for services and facilities		(734)
(279)	Contributions towards expenditure		(906)
(28,029)			(28,389)
	Expenditure		
4,236	Repairs and maintenance	3	4,323
4,633	Supervision and management		5,088
43	Rents, rates, taxes and other charges		34
(25,349)	Depreciation, impairment and revaluation of non-current assets	4	9,541
17	Debt Management Costs		18
66	Movement in the allowance for bad debts		132
(16,354)			19,136
(44,383)	Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement		(9,253)
76	HRA services' share of Corporate and Democratic Core		76
(44,307)	Net Income for HRA Services		(9,177)
	HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(1,638)	(Gain) / Loss on sale of HRA non-current assets		(1,754)
4,467	Interest payable and similar charges		4,466
(90)	Interest and investment income		(102)
477	Net interest on the net defined benefit liability / (asset)	5	386
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(279)	Capital Grants and Contributions Receivable		(76)
(41,383)	(Surplus) or Deficit for the year on HRA services		(6,270)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING REVENUE ACCOUNT ASSETS

a) Categorised by type of accommodation

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
Total	2,782	883	1,351	5,016

31 March 2017	Houses	Bungalows	Flats	Total
Bedsits	0	0	178	178
1 Bedroom	1	363	756	1,120
2 Bedrooms	717	501	409	1,627
3 Bedrooms	1,948	18	6	1,972
4+ Bedrooms	134	1	0	135
Total	2,800	883	1,349	5,032

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 2016	1 April 2017
	£000	£000
Council Housing Assets		
Standard Dwellings	901,899	1,003,525
Restricted Housing	68,356	73,985
Special Housing	3,017	3,247
Garages	8,715	8,696
	981,987	1,089,453
Other Assets		
Investment Property	183	183
Land and Other Buildings	705	1,305
Community Centre	57	57
	945	1,545
	982,932	1,090,998

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 is differs from the open market value, reflecting the economic cost to government of providing council housing at less than open market rents.

	1 April 2017		31 March 2018	
	Number of Units	Value £000	Number of Units	Value £000
Council Housing Assets				
Standard Dwellings	4,480	331,163	4,462	329,809
Restricted Housing	533	24,415	535	25,102
Special Housing	19	3,247	19	3,157
Garages	1,796	8,696	1,800	8,584
	6,828	367,521	6,816	366,652
Other Assets				
Investment Property	1	183	1	183
Land and Other Buildings	12	1,305	12	1,269
Community Centre	1	57	1	77
	14	1,545	14	1,529
Total	6,842	369,066	6,830	368,181

d) Capital Expenditure

Housing Revenue Account capital expenditure in 2017/18 amounted to £15.091 million and was applied to:

	2016/17	2017/18
	£000	£000
Planned Maintenance of Housing Revenue Account Properties	4,266	6,986
Environmental Enhancements	2,308	177
New Build	2,551	2,090
New Standard Housing	4,136	4,057
Acquired Land	623	0
S106 Acquisitions	0	1,241
Disabled Adaptations	0	540
Total	13,884	15,091

e) Funding of HRA Capital Expenditure

	2016/17	2017/18
	£000	£000
Revenue Contributions	5,178	2,372
Major Repairs Reserve	5,362	6,350
Grant	0	540
Developers' Contributions	188	89
Capital Receipts	3,156	5,740
Total	13,884	15,091

NOTES TO THE HOUSING REVENUE ACCOUNT

2. RENT ARREARS

	31 March 2017	31 March 2018
	£000	£000
Rent Arrears		
- current tenants	315	391
- former tenants	257	248
	572	639
Less provision for bad debts	(380)	(437)
Anticipated collectable arrears of rent	192	202

3. HOUSING REPAIRS

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

	2016/17	2017/18
	£000	£000
Cyclical Maintenance	1,109	1,176
Reactive Maintenance	2,576	2,607
Disabled Adaptations	551	540
Total	4,236	4,323

From 2017/18 Disabled Adaptations have initially been treated as capital expenditure and then transferred to revenue as REFUS. The expenditure is also therefore shown in the HRA Capital Expenditure Note 1c.

The Council also undertook £6.986 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.

	2016/17	2017/18
	£000	£000
Standard Accommodation	4,930	8,759
Restricted Accommodation	374	646
Special Housing	52	86
	5,356	9,491
Other Buildings	6	6
	5,362	9,497
Offices (included in Supervision and Management costs)	1	3
Total	5,363	9,500

NOTES TO THE HOUSING REVENUE ACCOUNT

b) Impairment

In 2017/18 there was a net increase in Housing asset values credited to the Housing Revenue Account of £10.253 million, but these were offset by capital expenditure not enhancing value of £10.298 million, to arrive at a net impairment debit of £45,000. This compares to a net credit of £30.711 million in 2016/17. In 2017/18 other net Housing asset valuation reductions debited to the Revaluation Reserve were £236,000 (£9.727 million credit in 2016/17).

	2016/17 £000	2017/18 £000
Housing Revenue Account/Capital Adjustment Account		
Revaluation Increases	(41,100)	(10,254)
Revaluation Decreases	0	1
Net Revaluation (Increases)/Decreases	(41,100)	(10,253)
Capital Expenditure not enhancing asset value	10,389	10,298
Total Housing Revenue Account Impairment	(30,711)	45
Revaluation Reserve		
Revaluation Increases	(9,727)	(47)
Revaluation Decreases	0	283
Total Revaluation Reserve	(9,727)	236
Total HRA Impairments/Revaluations	(40,438)	281

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:

	2016/17 £000	2017/18 £000
Net Cost of Services:		
Current service cost	771	985
Past service cost	24	0
Net Operating Expenditure:		
Net Interest Expense	477	386
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	(583)	(651)
Actual amount charged against dwelling rents for pensions in the year:		
Employers' contributions payable to scheme	689	720

NOTES TO THE HOUSING REVENUE ACCOUNT

6. MAJOR REPAIRS RESERVE

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

	2016/17	2017/18
	£000	£000
Balance 1 April	0	0
Transferred to Reserve	5,362	9,497
Debits in respect of capital expenditure on land, houses and other property	(5,362)	(6,350)
Debits in respect of housing debt repayment	0	(3,147)
Balance 31 March	0	0

7. CAPITAL RECEIPTS

Total Capital Receipts in respect of the Housing Revenue Account in 2017/18 amounted to £4.348 million (2016/17 was £4.731 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 (2016/17 was £0.579 million), leaving Usable Capital Receipts of £3.774 million (2016/17 was £4.152 million).

	2016/17	2017/18
	£000	£000
Sale of Land	850	190
Sale of Council Houses	3,846	4,158
Discount Repaid	35	0
Total Capital Receipts	4,731	4,348
Payments due to DCLG (Local Government Act 2003)	(579)	(574)
Usable Capital Receipts	4,152	3,774

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.

2016/17			2017/18	
£000	£000		£000	£000
	(108,437)	Income		
		Income from Council Tax		(114,098)
		Transfers to / (from) General Fund:		
(4)		Flood Relief	(3)	
(50)		Family Annex Relief	(57)	
1	(53)	Transitional Relief	0	(60)
	(108,490)	Total Income		(114,158)
		Expenditure		
		Precepts:		
75,153		Hampshire County Council	79,493	
11,173		Police and Crime Commissioner for Hampshire	11,608	
4,359		Hampshire Fire And Rescue Authority	4,479	
16,162		New Forest District Council (including town and parish council requirements)	16,930	
	106,847			112,510
		Bad and Doubtful Debts		
208		Write-offs	126	
7	215	Increase / (decrease) in provisions	57	183
		Contributions:		
	928	Previous year's estimated council tax surplus		1,418
	107,990	Total Expenditure		114,111
	(500)	Movement on fund balance		(47)
(963)		(Surplus) / Deficit at 1 April		(1,463)
(500)		Movement on fund balance for year		(47)
	(1,463)	(Surplus) / Deficit at 31 March		(1,510)

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.

2016/17			2017/18	
£000	£000		£000	£000
		Income		
	(61,495)	Income collectable from Business Ratepayers Current System		(65,951)
	(36)	Transitional Protection Payments		(987)
	<u>(61,531)</u>	Total Income		<u>(66,938)</u>
		Expenditure		
32,806		Payments to DCLG - Business Rates Retention	31,999	
26,245		New Forest District Council	25,599	
5,905		Hampshire County Council	5,760	
656		Hampshire Fire And Rescue Authority	640	
282		Costs of Collection	278	
25		NFDC - Renewable Energy Schemes	12	
	65,919			64,288
228		Bad and Doubtful Debts Write-offs	318	
66		Increase / (decrease) in provisions	(118)	
<u>(6,060)</u>		Appeals Provision	<u>2,450</u>	
	(5,766)			2,650
	(927)	Contributions: Previous year's estimated business rates deficit		(864)
	<u>59,226</u>	Total Expenditure		<u>66,074</u>
	<u>(2,305)</u>	Movement on fund balance		<u>(864)</u>
1,372		(Surplus) / Deficit at 1 April		(933)
(2,305)		Movement on fund balance for year		(864)
	<u>(933)</u>	(Surplus) / Deficit at 31 March		<u>(1,797)</u>

NOTES TO THE COLLECTION FUND

1. GENERAL

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

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	23.25	5/9	12.90
A	5,626.73	6/9	3,751.20
B	10,518.60	7/9	8,181.20
C	16,204.53	8/9	14,404.10
D	17,491.85	9/9	17,492.60
E	12,378.14	11/9	15,128.90
F	6,402.57	13/9	9,248.20
G	4,219.16	15/9	7,032.00
H	537.50	18/9	1,075.00
Total	73,402.33		76,326.10
Less: Adjustment for collection rates			848.40
Less: Council Tax Reduction Scheme			5,322.50
Council Tax Base			70,155.20

* 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 2017/18 was a £1,463,000 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 2018, the Council included the £1.510 million surplus on a disaggregated basis as a creditor of £1.283 million and a £227,000 attributable surplus within the Collection Fund Adjustment Account balance.

NOTES TO THE COLLECTION FUND

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

2016/17				2017/18		
Precept	Share of Surplus / (Deficit)	Total		Precept	Share of Surplus / (Deficit)	Total
£000	£000	£000		£000	£000	£000
75,153	1,029	76,182	Hampshire County Council	79,493	1,067	80,560
11,173	153	11,326	Police and Crime Commissioner for Hampshire	11,608	156	11,764
4,359	60	4,419	Hampshire Fire and Rescue Authority	4,479	60	4,539
16,162	221	16,383	New Forest District Council (including town and parish council requirements)	16,930	227	17,157
106,847	1,463	108,310		112,510	1,510	114,020

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 2018 was £169.169 million. The national non-domestic multiplier was 49.3p. This gave a potential business rate yield of £83.400 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 £65.951 million.

6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2017/18 year end surplus balance on the Collection Fund was £1,797,000. The Council's share is a surplus of £719,000 and Central Government, Hampshire County Council and Hampshire Fire and Rescue Authority share a surplus balance of £1,078,000. 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

2016/17				2017/18		
Demand	Share of Surplus / (Deficit)	Total		Demand	Share of Surplus / (Deficit)	Total
£000	£000	£000		£000	£000	£000
32,806	467	33,273	Central Government	31,999	898	32,897
5,905	84	5,989	Hampshire County Council	5,760	162	5,922
656	9	665	Hampshire Fire and Rescue Authority	640	18	658
26,245	373	26,618	New Forest District Council	25,599	719	26,318
65,612	933	66,545		63,998	1,797	65,795

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.