



STATEMENT OF ACCOUNTS

2017/2018

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I.0 NARRATIVE REPORT

I.01 INTRODUCTION

The Statement of Accounts summarises the financial performance for financial year 2017/18 and the overall financial position of the council. This Narrative Report explains the most significant matters reported in the accounts and provides a simple summary of the council's overall financial position.

The Statement of Accounts for 2017/18 has been prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used, a glossary of the terms is included at the end of the document. An explanation of the key financial statements including explanatory notes and other relevant supplementary information is also provided.

The key financial statements set out within this document include:

- **The Statement of Responsibilities** declares the respective responsibilities of the council and the Head of Corporate Services and Section 151 Officer for the production of the Statement of Accounts.
- **The Expenditure and Funding Analysis** is a note to the financial statements, rather than a key statement. It shows all income and expenditure incurred by the council throughout the year under statutory funding provisions and the adjustments that are required to these figures to produce the Comprehensive Income and Expenditure Statement under generally accepted accounting practices.
- **The Movement in Reserves Statement (MiRS)** – this Statement sets out the movement on the different reserves held by the council which are analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the council as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.
- **The Comprehensive Income and Expenditure Statement (CIES)** – this Statement brings together all the functions of the council and summarises all the resources it has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the council, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert particular expenditure to be met from capital resources.
- **The Balance Sheet** – this records the council's year-end financial position. It shows the balances and reserves at the council's disposal, its long-term debt, net current assets or liabilities, and summarises information on the non-current assets

I.0 NARRATIVE REPORT

held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **The Cash Flow Statement** – this summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.
- **Notes to the Financial Statements** – the notes provide more detail about the items contained in the key financial statements, the council's Accounting Policies and other information to aid the understanding of the financial statements.
- **The Collection Fund** – the council is responsible for collecting council tax and local business rates. The proceeds of council tax are distributed to the council, Hampshire County Council, Hampshire Police Authority, Hampshire Fire and Rescue Authority and local town/parish councils. Local business rates are distributed between the council, the Government, Hampshire County Council and Hampshire Fire and Rescue Authority. The Fund shows the income due and application of the proceeds.

The Independent Auditor's Report explains how the council's auditors, Ernst and Young LLP, plan their audit and the basis on which they provide an opinion on the council's Statement of Accounts. It also gives the auditor's opinion on the council's arrangements for securing economy, efficiency and effectiveness in the use of resources in the year.

The Annual Governance Statement accompanies the Statement of Accounts and explains how the council ensures that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It is not covered by the auditor's opinion but is considered by the auditor and reported on by exception in the auditor's report if it is not compliant with proper practice.

I.0 NARRATIVE REPORT

I.02 HART DISTRICT

Hart District is primarily rural, covers some 21,500 hectares (83 sq. miles) and is situated in north–east Hampshire, bordering both Surrey and Berkshire. It is a popular place to live, as it benefits from low unemployment, low crime rates and good schools. It has a healthy, active population with high participation in sports and leisure. There are approximately 94,250 residents and an estimated 35,500 homes in Hart. There is an increasing and ageing population, with the number of residents expected to rise to 105,800 by 2024 and increases expected in older age groups in particular. The main centres of population including Fleet, Yateley and Blackwater/Hawley are in the north and east of the district and just over 30% of the population live in the rural areas.

I.03 HART DISTRICT COUNCIL

Hart District Council (“the council”) comprises 33 Councillors who represent their 11 wards. Each ward has 3 Councillors who represent it, although once elected Councillors will make decisions for the whole district, not just for the ward they were elected for. Elections are held in 3 out of every 4 years, with one seat in each ward contested at each election. The political make-up of the council is currently: Conservative Party 14, Community Campaign Hart 10, Liberal Democrat Party 8, and one independent councillor.

The council is a multifunctional organisation. Its policies are directed by the political leadership and implemented by the Officers of the council. The council has adopted the Leader and Cabinet model as its political management structure. The Leader of the council has responsibility for the appointment of members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny.

Supporting the work of Councillors is the organisational structure of the council headed by the Joint Chief Executives, who are supported by four Heads of Service.

During the year the council establishment was 102 full-time equivalent employees. Most services are outsourced or shared with other councils.

I.0 NARRATIVE REPORT

I.04 CORPORATE STRATEGY

The council has adopted a 5-year Corporate Plan for the period 2017-2022. It provides a focus for our activities and services and will inform decision making and allocation of resources across the council. The Corporate Plan is centred around four priorities:

- A Thriving Local Economy
- A Clean, Green and Safe Environment
- Healthy Communities and People
- An Efficient and Effective Council

The Corporate Plan is underpinned by a Service Plan which will run for the lifetime of the plan and be updated annually. This shows in detail how the council will make progress against the priorities in the Corporate Plan. Each year a review is undertaken to update the Service Plan and ensure it continues to highlight the significant projects that the council is taking forward in pursuit of its four corporate priorities.

For the 2018/19 Service Plan, measures the council intends to deliver include finalising a new waste contract, supporting local communities to have more say in the future of their area, promoting the delivery of affordable housing and infrastructure in new developments, and initiatives to ensure the council can achieve a greater level of financial self-sustainability.

Achievements in 2017/18

The council has made progress in a number of areas over the 2017/18 financial year. The majority relate to activities committed to in the 2014 – 2017 Corporate Plan, although it has also taken advantage of opportunities that have arisen throughout the year.

Achievements include:

- Opening of a new £23 million Edenbrook Leisure Centre to promote health and wellbeing amongst residents
- Formation of a draft submission version of Hart's new Local Plan, due to be presented for examination in 2018
- Completion and award of a £44 million joint waste contract tender in conjunction with Basingstoke and Deane Borough Council

I.0 NARRATIVE REPORT

- Opening of Bramshot Farm Country Park, adding an extra 91 acres of green space to those sites managed by the countryside team for use by the residents and visitors of Hart. This was enabled through a £5.3 million loan from Enterprise M3 LEP's Local Growth Fund
- Commencement of £390,000 of improvement works to Church Road Car Park, which are due to be completed in 2018/19
- Securing of an additional £14,573 of match funded grant towards the Hampshire Making Safe Scheme, allowing the scheme to continue until at least March 2019
- Creation of the Hart Lottery to help provide a source of funding for charities and local voluntary and community groups which provide a service to residents in the district
- Creation of a self-funded litter enforcement programme on a trial basis to keep Hart a safe, clean and tidy place to live
- Receiving the Gold Standard Award for its Housing Service, a peer review scheme designed to help councils to continuously improve homelessness prevention services
- Being shortlisted at the Local Government Chronicle (LGC) Awards for the Best Service Delivery Model for its approach to collaboration
- Approval of Hart's Economic Development Action Plan to deliver on its Economic Development Strategy
- Reaching 10,000 Garden Waste subscribers through the promotion and improvement of the scheme, that collects over 3,700 tonnes of material a year across the which is then composted

I.0 NARRATIVE REPORT

I.05 FINANCIAL PERFORMANCE – REVENUE

The councils actual outturn for 2017/18 was (£212k), (£151k) higher than the budget of (£61k) and compares to a planned surplus at December 2017 of (£65K).

Revenue Budget Outturn	Approved Budget 2017/18 £000	Actual Expenditure 2017/18 £000	Variance 2017/18 £000
Service Expenditure			
Corporate Services	3,874	3,908	34
Community Services	724	587	(137)
Regulatory Services	792	859	67
Technical and Environmental	927	684	(244)
Corporate Expenses			
Other Operating Expenditure	2,969	2,969	0
Financial and Investment Income/Expenditure	84	153	70
Other Reserves and Provisions	2,696	2,853	157
Total Net Service Expenditure	12,067	12,014	(53)
Funding			
New Homes Bonus	(2,273)	(2,276)	(3)
Revenue Support Grant	(82)	(82)	0
Local Business Rates	(1,193)	(993)	200
Business Rate Top Up	(477)	(737)	(260)
Council Tax Receipts	(9,353)	(9,353)	0
Specific Grant	(109)	(131)	(22)
Total Funding	(13,486)	(13,572)	(85)
Non Controllable Expenditure*	1,358	1,346	(13)
Grand Total	(61)	(212)	(151)

* IAS19 Pension Adjustment, Support Service Recharges, Capital Charges including Change in Fair Values and Accumulated Absences

I.0 NARRATIVE REPORT

Significant Variances	£000
New Housing Benefit Overpayments	(326)
Project Management	87
Delays in opening Hart Leisure Centre	79
Unforeseen maintenance expenditure	29
Total	(131)

I.06 CAPITAL BUDGET

The overall performance against the 2017/18 capital budget is shown in the table below:

Area	Approved Budget 2017/18 £000	Actual Expenditure 2017/18 £000	Variance 2017/18 £000
Corporate Management	573	0	(573)
Housing and Customer Services	630	533	(97)
Leisure	651	366	(285)
Environmental Promotion	2,690	624	(2,066)
Technical Services	1,979	193	(1,786)
	6,523	1,716	(4,807)

I.0 NARRATIVE REPORT

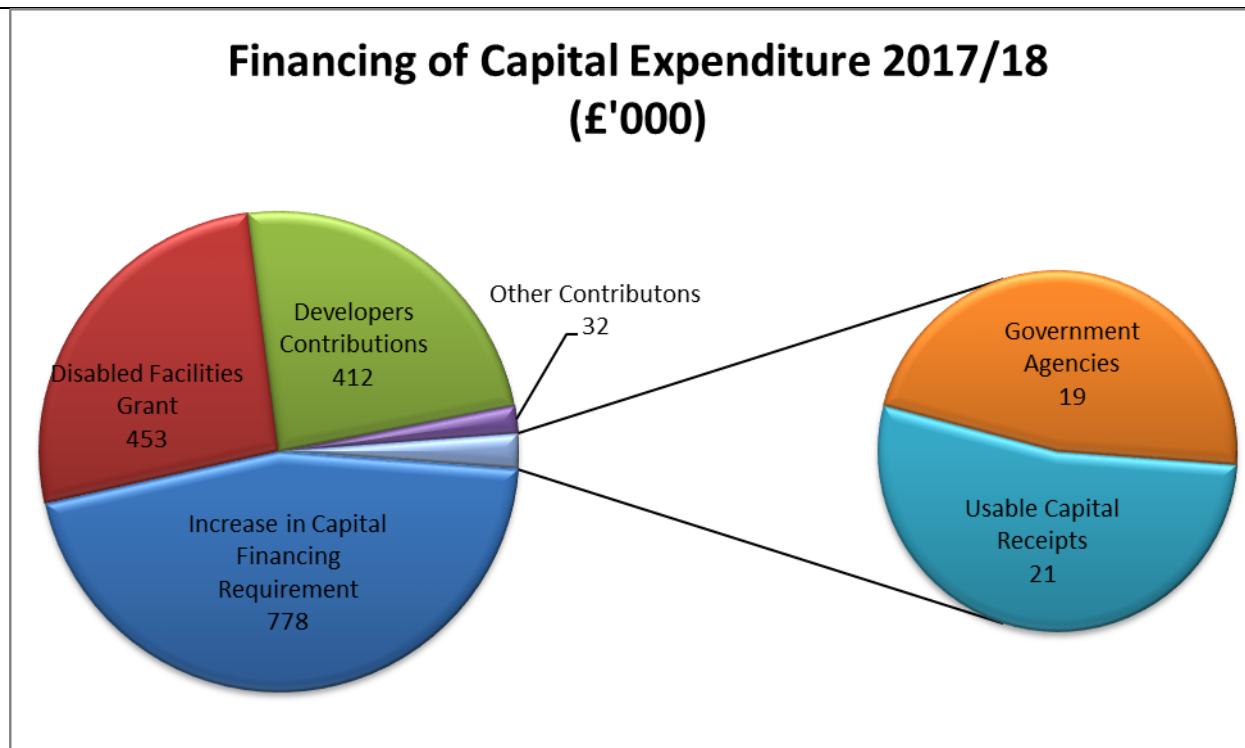
The significant capital expenditure in 2017/18 was on Disabled Facilities Grants, £453k and Bramshot Farm SANG £525k. This project is ongoing and will be funded by future developer contributions.

The council's overall Capital Financing Requirement (CFR) increased from £20,566,000 to £21,165,000 in order to finance the capital programme. This be repaid via future charges to revenue unless additional capital receipts are obtained to repay the CFR early.

The capital programme for 2017/18 was financed as follows:

Financed By	2017/18 £000
Increase in Capital Financing Requirement	779
Disabled Facilities Grant	453
Developers Contributions	412
Other Contributions	32
Usable Capital Receipts	21
Government Agencies	19
	1,716

I.0 NARRATIVE REPORT



I.07 PENSION LIABILITY

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £26.85 million shown in the Balance Sheet, an increase of £842,000 in the year.

The liability represents our share of the liability to Hampshire County Council's Pension Fund. This amount is matched by a Pensions Reserve also shown on the Balance Sheet and therefore has no immediate impact on the council's overall financial position and its General Fund Balances (small differences may arise over the balance sheet date due to accruals being made for invoices not yet received).

Further details are set out in the Accounting Policies and Pension Note (Note 5.14).

I.0 NARRATIVE REPORT

IAS19 does not directly impact on the actual level of employer contributions paid to the Hampshire County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The movement to the Fund is set out in more detail in note 5.14. The total liability has an 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 sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

I.08 FINANCIAL OUTLOOK

The council no longer receives Revenue Support Grant from 2018/19 and will incur negative RSG in 2019/20. It is uncertain whether the council will be able to achieve substantial increases in Non-Domestic Rates once 75% retention is introduced in 2020/21 as commercial development on a large scale is not anticipated. New Homes Bonus funding is also likely to reduce significantly.

However, continuing housing development is likely to lead to substantial increases in the council tax base. This growth, combined with savings from the leisure outsourcing contract and the 5 councils shared outsourcing contract, will enable the council to become self-sufficient and balance its budget in the years ahead. Further income generation opportunities will also be explored.

It should be noted that there is considerable uncertainty nationally about local government finance levels from 2020/21, as a Fair Funding Review is currently under way which may lead to significant changes in the distribution of funding between council tiers.

Medium Term Financial Plan

The Medium Term Financial Plan (MTFP) is based on an analysis of the key influences on the council's future financial position and an assessment of the main financial risks facing the council. The financial forecast set out in the table below models income and expenditure and resources available over the next four years, and is considered to be the most likely outcome based on forecasts and assumptions for pay and price inflation, etc.

Given the uncertainty referred to above, the council continually models a range of MTFP scenarios. These are updated as more information becomes available or assumptions change.

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Medium Term Financial Plan	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Net Costs of Services	9,856	9,535	9,631	9,633
Debt Interest	111	70	70	70
New Homes Bonus	(2,148)	(2,443)	(1,500)	(1,000)
Net Budget Requirement	7,819	7,162	8,201	8,703
Regained Business Rates	(1,230)	(1,257)	(1,270)	(1,290)
Revenue Support Grant	0	515	500	750
Collection Fund surplus/deficit	390	0	0	0
NNDR Reserve	(493)	0	0	0
Council Tax Income	(6,537)	(6,870)	(7,214)	(7,567)
Council Tax Increase	(202)	(203)	(205)	(207)
SI06 Receipts	(65)	(45)	(45)	(45)
SANG Receipts	(131)	(100)	(100)	(100)
MRP/Loan repayments	422	422	422	422
To/From Reserves	(27)	(376)	289	666

I.0 NARRATIVE REPORT

I.09 FURTHER INFORMATION

Further information about these accounts is available from:

Head of Corporate Services
Hart District Council
Civic Offices
Harlington Way
Fleet
Hampshire
GU51 4AE

Telephone: 01252 622122
Email: enquiries@hart.gov.uk

I.10 INSPECTION AND AUDIT

Interested members of the public have the statutory right to inspect these accounts before the audit is completed. For the 2017/18 accounts, the inspection period was 1 June to 12 July 2018. These dates were advertised on the council's website.

2.0 STATEMENT OF RESPONSIBILITIES

2.01 THE COUNCIL'S RESPONSIBILITIES

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Head of Corporate Services, Andrew Vallance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

2.02 CHIEF FINANCE OFFICER RESPONSIBILITIES

I acknowledge my responsibility for the preparation of the Statement of Accounts 2017/18 in accordance with the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18: (the Code)*

In doing so, the following have been done:

- I have selected suitable accounting policies and applied them consistently.
- I have made appropriate judgements and estimates that were reasonable and prudent.
- I have complied with the CIPFA Code of Practice.
- I have kept proper accounting records which were up to date.
- I have taken reasonable steps for the prevention and detection of fraud and other irregularities.

2.03 CHIEF FINANCE OFFICER CERTIFICATE

I certify that the Statement of Accounts 2017/18 present a true and fair view of the financial position of the council (the Balance Sheet) and of its income and expenditure for the year ended 31 March 2018.

Signed
Date

Andrew Vallance, CPFA MBA MA (OXON)
Head of Corporate Services and S151 Officer

2.04 CHAIRMAN OF AUDIT COMMITTEE CERTIFICATE

I certify that the Statement of Accounts 2017/18 has received the full approval of Members.

Signed
Date

Chris Axam
Chairman, Audit Committee

3.0 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

This statement has been restated from last year to reflect updates to presentational requirement in the 2017/18 CIPFA code of practice. These changes are aimed at making the accounts easier to read and reflect the services reported on within the council.

		Restated 2016/17					2017/18
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Community Services		2,518	(1,037)	1,481	2,369	(1,585)	784
Corporate Services		21,138	(16,212)	4,926	26,777	(19,739)	7,038
Regulatory Services		3,516	(1,800)	1,717	4,388	(2,716)	1,672
Technical and Env. Maintenance		9,941	(8,253)	1,688	9,624	(8,403)	1,221
Cost of Services		37,113	(27,301)	9,812	43,157	(32,443)	10,714
Other Operating Expenditure	3.04	2,841	(391)	2,451	2,969	(304)	2,665
Financial and Investment Income	3.05	945	(131)	814	912	(159)	753
Taxation and non-specific grant income and Expenditure	3.06	11,126	(27,803)	(16,677)	12,901	(30,625)	(17,725)
(Surplus) or Deficit on provision of services		52,025	(55,626)	(3,601)	59,939	(63,531)	(3,592)
(Surplus) or Deficit on the revaluation of property, plant and equipment assets				(19)			2,414
(Surplus) or Deficit on the revaluation of available-for-sale financial assets				(8)			(2)
Remeasurement of the net defined benefit liability/(asset)				2,044			190
Other Comprehensive Income and Expenditure				2,017			2,602
Total Comprehensive Income and Expenditure				(1,584)			(990)

4.0 MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves 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 the 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 movement in the year following those adjustments. This balance includes earmarked reserves which have been segregated within the General Fund for specific projects.

2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2017	13,776	352	5,043	19,171	2,246	21,417
Total Comprehensive Income and Expenditure	3,592	0	0	3,592	(2,602)	990
Adjustments between accounting basis and funding basis under regulation (Note 4.01)	(636)	289	4,089	3,742	(3,742)	0
Increase or (decrease) in year	2,956	289	4,089	7,334	(6,343)	990
Balance at 31 March 2018	16,732	641	9,133	26,505	(4,097)	22,408

4.0 MOVEMENT IN RESERVES STATEMENT

Restated 2016/17	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	11,657	0	1,798	13,455	6,378	19,833
Total Comprehensive Income and Expenditure	3,601	0	0	3,601	(2,017)	1,584
Adjustments between accounting basis and funding basis under regulation (Note 4.01)	(1,482)	352	3,245	2,115	(2,115)	0
Increase or (decrease) in year	2,119	352	3,245	5,716	(4,132)	1,584
Balance at 31 March 2017	13,776	352	5,043	19,171	2,246	21,417

5.0 BALANCE SHEET

		31 March 2017	31 March 2018
	Note	£000	£000
Property, plant and equipment	5.01		
Other Land and Buildings		22,659	38,930
Vehicles, Plant, Furniture and Equipment		370	900
Infrastructure Assets		127	152
Community Assets		4,008	4,019
Assets Under Construction		22,930	0
Surplus Assets		46	45
		50,140	44,046
Investment properties	5.02	40	70
Intangible Assets	5.03	61	35
Long Term Assets		50,241	44,151
Short term investments	5.04	6,998	11,011
Assets held for sale	5.07	0	88
Short term debtors	5.05	6,652	4,699
Cash and cash equivalents	5.06	6,820	12,711
Current Assets		20,470	28,508

The Balance Sheet shows the value of the assets and liabilities recognised by the council as at the balance sheet date. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.

		Restated 31 March 2017	31 March 2018
	Note	£000	£000
Short term borrowing	5.04	(558)	(1,064)
Short term creditors	5.08	(7,310)	(8,328)
Provisions	5.09	(832)	(476)
Current Liabilities		(8,700)	(9,869)
Lease Liability	5.13	(3)	0
Long term borrowing	5.04	(14,581)	(13,532)
Pension Liability	5.14	(26,009)	(26,850)
Long Term Liabilities		(40,593)	(40,382)
Net Assets		21,418	22,408

5.0 BALANCE SHEET

	Note	31 March 2017 £000	31 March 2018 £000
Usable reserves			
Earmarked Reserves	5.09.1	8,451	11,194
General Fund		5,325	5,537
Capital Receipts		352	641
Capital Grants Unapplied		5,043	9,133
		19,171	26,505
Unusable reserves			
Revaluation Reserve	5.10.1	6,439	3,715
Available for Sale Financial Instruments Reserve	5.10.2	8	11
Capital Adjustment Account	5.10.3	23,236	19,358
Financial Instrument Adjustment Account	5.10.4	0	235
Deferred Capital Receipts		0	0
Pension Reserve	5.10.5	(25,930)	(26,693)
Collection Fund	5.10.6	(1,477)	(680)
Accumulated Absences	5.10.7	(30)	(43)
		2,246	(4,097)
Total Reserves		21,418	22,408

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

6.0 CASHFLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

This cash flow statement is prepared using the indirect method whereby the Surplus or Deficit on the Provision of Services is adjusted for non-cash items, removing the effects of accruals and extracting transactions relating to investing or financing activities.

	Note	Re-stated 2016/17 £000	2017/18 £000
Net surplus or (deficit) on the provision of services		3,600	3,592
Adjustments to net surplus or deficit on the provision of services for non-cash movements	6.01	882	7,924
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(4,094)	(5,303)
Net cash flows from Operating Activities		388	6,213
Investing Activities	6.02	(17,299)	585
Financing Activities	6.03	16,074	(906)
Net increase or (decrease) in cash and cash equivalents		(837)	5,892
Cash and cash equivalents at the beginning of the reporting period		7,657	6,820
Cash and cash equivalents at the end of the reporting period	5.06	6,820	12,712

DISCLOSURE OF THE IMPACT OF PREVIOUS YEAR CORRECTION

The council discovered and corrected an error in the way in which Bramshot Farm funding agreement between the council and Hampshire County Council has been processed in the preceding financial year 2016/17. The agreement previously accounted as grant has been subsequently reclassified as loan arrangement.

The following is an extract from the disclosures in the financial statements setting out the nature of the error and the amount of correction required.

The council found that funding for Bramshot Farm for £5,290,000 has been posted as grant income in previous year. This meant that Taxation and non-specific grant income and expenditure was overstated in CIES by £5,290,000. In order to correct this error, the council has restated the prior year information for 2016/17.

The following are the relevant extracted lines from the Comprehensive Income and Expenditure Statement.

		2016/17 Originally Stated Net Expenditure £000	2016/17 Restated Net Expenditure £000	2016/17 Amount of Restatement £000
Taxation and non-specific grant income and Expenditure	3.06	(21,967)	(16,677)	5,290
(Surplus) or Deficit on provision of services		(8,890)	(3,601)	5,290
Total Comprehensive Income and Expenditure		(6,873)	(1,584)	5,290

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement. However, in this case the prior period error did not impact on the opening Balance Sheet for 2016-17.

Short-term and long-term borrowing balances were understated for Bramshot Farm soft loan for £5,290,000. Capital grants unapplied and capital adjustment account have been adjusted to reflect the Bramshot Farm soft loan £5,290,000 and reversal of associated capital financing £3,200,000.

DISCLOSURE OF THE IMPACT OF PREVIOUS YEAR CORRECTION

The following table demonstrates the effects on the following line items in the Balance Sheet for the financial year 2016/17.

		31-Mar-17	31-Mar-17	31-Mar-17
		As Originally Stated	As Restated	Restatement
	Note	£000	£000	£000
Short-term Borrowing	5.04	(308)	(558)	(250)
Current Liabilities		(8,450)	(8,700)	(250)
Long-term Borrowing	5.04	(9,541)	(14,581)	(5,040)
Long-term Liabilities		(35,553)	(40,593)	(5,040)
Net Assets		26,708	21,418	(5,290)
Capital Grants Unapplied		7,133	5,043	(2,090)
		21,262	19,171	(2,090)
Capital Adjustment Account	5.11.3	26,436	23,236	(3,200)
		5,446	2,245	(3,200)
Total Reserves		26,708	21,418	(5,290)

DISCLOSURE OF THE IMPACT OF PREVIOUS YEAR CORRECTION

Further explanation of changes made on reserves has been presented on restatement for Movement in Reserves Statement in the table to follow.

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2017 As Previously Stated	13,777	352	7,133	21,262	5,446	26,708
Total Comprehensive Income and Expenditure- Amount of Restatement	(5,290)	0	0	(5,290)	0	(5,290)
Adjustments between accounting basis and funding basis under regulation (Note 4.01)- Amount of Restatement	5,290	0	(2,090)	3,200	(3,200)	0
Increase or (decrease) in year- Amount of Restatement	0	0	(2,090)	(2,090)	(3,200)	(5,290)
Balance at 31 March 2017 As Restated	13,776	352	5,043	19,171	2,246	21,417

The Cash flow restatement for 2016-17 shows an impact of previous year correction as movement between following lines.

	Note	2016/17 As Originally Stated £000	2016/17 Restated £000	2016/17 Amount of Restatement £000
Net surplus or (deficit) on the provision of services		8,891	3,600	(5,290)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(9,385)	(4,094)	5,290
Investing Activities	6.02	(12,009)	(17,299)	(5,290)
Financing Activities	6.03	10,784	16,074	5,290

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.01 EXPENDITURE AND FUNDING ANALYSIS

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

	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	2016/17- Restated Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Community Services	1,547	66	1,481	1,044	260	784
Corporate Services	3,762	(1,164)	4,926	2,278	(4,759)	7,038
Regulatory Services	1,766	49	1,717	1,640	(31)	1,672
Technical and Env. Maintenance	1,105	(583)	1,688	1,424	203	1,221
Cost of Services	8,180	(1,631)	9,812	6,387	(4,328)	10,714
Other income and expenditure	(10,299)	3,113	(13,413)	(9,343)	4,964	(14,307)
(Surplus) or Deficit	(2,119)	1,482	(3,601)	(2,956)	636	(3,592)
Opening General Fund Balance	(11,657)			(13,777)		
Plus Surplus on General Fund in year	(2,119)			(2,956)		
Closing General Fund Balance	(13,777)			(16,733)		

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.02 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18		Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments		Other Differences	Total Adjustments
		£000	£000	£000	£000
Community Services	278	(15)	(2)	260	
Corporate Services	(4,707)	(43)	(10)	(4,759)	
Regulatory Services	(2)	(27)	(2)	(31)	
Technical and Env. Maintenance	(87)	(15)	304	203	
Net Cost of Services	(4,517)	(100)	290	(4,328)	
Other income and expenditure from the Expenditure and Funding Analysis	4,640	(472)	797	4,964	
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	122	(573)	1,087	636	

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Community Services	40	23	2	66
Corporate Services	(1,232)	221	4	(1,006)
Regulatory Services	(2)	53	(2)	49
Technical and Env. Maintenance	(634)	49	1	(583)
Net Cost of Services	(1,827)	347	6	(1,474)
Other income and expenditure from the Expenditure and Funding Analysis	3,932	(780)	(196)	2,956
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	2,105	(433)	(190)	1,482

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Adjustments for Capital Purposes

- For **Services** this column adds in depreciation, impairment and revaluations gains and losses.
- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year

Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** –the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **services** this represents the change in the accumulated absences reserve attributable to each service.
- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.03 INCOME AND EXPENDITURE ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	Restated 2016/17 £000	2017/18 £000
Expenditure		
Employee benefits expenses	4,727	5,353
Other services expenses	29,833	32,477
Depreciation, amortisation, impairment	2,553	5,328
Interest payments	945	912
Precepts and levies	2,841	2,969
Non-domestic rates tariff, levy and deficit charges	11,126	12,000
Total Expenditure	52,025	59,939
Income		
Fees, charges and other service income	(26,992)	(31,321)
Interest and investment income	(131)	(159)
Income from council tax and non-domestic rates	(21,537)	(23,952)
Government grants and contributions	(6,575)	(7,796)
Gain on the disposal of assets	(391)	(304)
Total Income	(55,626)	(63,531)
Surplus or Deficit on the Provision of Services	(3,601)	(3,592)

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.04 OTHER OPERATING EXPENDITURE

	2016/17	2017/18
	£000	£000
Parish council precepts	2,841	2,969
(Gains)/loss on the disposal of non-current assets	(390)	(304)
	<u>2,451</u>	<u>2,665</u>

3.05 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17	2017/18
	£000	£000
Interest payable and similar charges	165	282
Net interest on the defined benefit liability	780	630
Interest receivable and similar income	(131)	(129)
(Income) and expenditure in relation to investment properties and changes in their fair value	0	(30)
	<u>814</u>	<u>753</u>

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.06 TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

	Restated 2016/17 £000	2017/18 £000
Council tax income	(9,012)	(9,394)
Revenue Support Grant	(562)	(82)
Non-domestic rates income and safety net	(12,525)	(14,558)
Non-domestic rates tariff, levy and deficit charges	11,126	12,900
Non-ringfenced government grants	(2,213)	(2,407)
Capital grants and contributions	(3,491)	(4,183)
	<u>(16,677)</u>	<u>(17,725)</u>

The breakdown of 'non-ringfenced government grants' and 'capital grants and contributions' can be seen in more detail in note 3.12 Grant Income.

3.07 MATERIAL ITEMS OF INCOME AND EXPENSE

The council incurs significant expenditure through its delivery of services to the council tax payer and receives significant income from a number of sources to fund this. For example, the council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by government grants. This income and expenditure is reported in the Comprehensive Income and Expenditure Statement and is supported by notes within this section.

During 2017/18 the council entered into a contract with Hampshire County Council to construct a new sports hall for Calthorpe Secondary School. This new sports hall will enable Hart to remove the liabilities of the old leisure centre which was replaced by the new Edenbrook leisure centre at the start 2017/18. This has created the following expenditure entries within the CIES.

- £2,717,530 Leisure Centre Devaluation

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The now redundant leisure centre was part of a long term lease from Hampshire County Council to Hart. As part of the development of the new sports hall, Hart have agreed to decommission and demolish the existing building. This means the building will be held at nil value in this years accounts creating a cost as above which is reversed in the MIRS.

- £1,239,770 Calthorpe Expenditure

This has been the total cost so far in construction costs for the new sports hall. This expenditure is being jointly funded by Hart and Hampshire County Council. Hart's contribution is covered by a S106 agreement which is to be allocated to the project during 2017/18 and 2018/19.

The council does not consider that there were any other material items of income and/or expense that weren't incurred and/or received in the normal day to day provision of the services.

3.08 AGENCY SERVICES

The council provides a number of services on behalf of Hampshire County Council. In 2017/18 the council received £198,159 for providing these services (2016/17 £259,859).

3.09 MEMBERS ALLOWANCES

The council paid the following amounts to members of the council during the year:

	2016/17	2017/18
	£000	£000
Allowances	201	238
Expenses	12	7
	<u>213</u>	<u>245</u>

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.10 OFFICERS' REMUNERATION AND TERMINATION BENEFITS

3.10.1 Remuneration

The remuneration paid to the council's senior employees is shown below. Some salary figures have been restated as they had previously been overstated in last years accounts.

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contributions £	Total £
Joint Chief Executive	2017/18	94,297	3,869	0	13,295	111,461
	2016/17	93,363	3,869	0	12,231	109,463
Joint Chief Executive	2017/18	93,337	3,869	0	13,161	110,367
	2016/17	92,094	3,869	0	12,064	108,027
Section 151 Officer and Head of Corporate Services*	2017/18	74,981	1,239	0	10,694	86,914
	2016/17	69,525	1,286	0	8,453	79,263
Head of Environmental Maintenance	2017/18	66,522	3,000	0	9,380	78,902
	2016/17	65,863	3,000	0	8,628	77,491
Head of Regulatory Services	2017/18	65,136	1,239	0	9,184	75,559
	2016/17	63,119	1,239	0	8,269	72,627
Head of Housing	2017/18	37,646	716	0	5,245	43,607
	2016/17	63,119	1,239	0	8,269	72,627
Head of Leisure and Environmental Promotion**	2017/18	0	0	0	0	0
	2016/17	21,954	1,000	37,518	2,992	63,464

*The Section 151 Officer post was previously filled with a 0.4 FTE (full time equivalent). From August 2016 this role was expanded to include head of corporate services and made a full time position.

**The Head of Leisure and Environmental Promotion is no longer position due to the outsourcing of the leisure centres. Relevant duties have been distributed elsewhere within the council

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The council's other employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	Number of Employees 2016/17	Number of Employees 2017/18
£50,000 to £54,999	3	3
£55,000 to £59,999	0	1
£60,000 to £64,999	0	1
£65,000 to £69,999	0	1
	3	6

3.10.2 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 and are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

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

	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 £s	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £40,000	1	0	1	0	2	0	51,018	1,782
	1	0	1	0	2	0	51,018	1,782

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.11 EXTERNAL AUDIT COSTS

The council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the council's external auditors, Ernst and Young LLP.

	2016/17 £000	2017/18 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	56	54
Fees payable to external auditors for the certification of grant claims and returns for the year	15	13
	<u>71</u>	<u>67</u>

3.12 GRANT INCOME

Grants, third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the revenue 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 revenue grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as revenue 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 grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

3.0 NOTES TO 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.

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	Restated 2016/17 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Non-ringfenced Government Grants		
New Homes Bonus	(2,079)	(2,276)
Revenue Support Grant	(562)	(82)
Other Non-ringfenced Government Grants.	(134)	(131)
Capital Grants and Contributions		
Developer's Leisure Contributions	(3,285)	(3,995)
Other Capital Grants and Contributions	(205)	(188)
	<u>(6,265)</u>	<u>(6,673)</u>
Credited to Services		
Housing Benefits Subsidy	(15,223)	(15,459)
Disabled Facilities Grant	(570)	(697)
Welfare	(167)	(608)
Other Grants and Contributions	(241)	(883)
	<u>(16,200)</u>	<u>(17,646)</u>

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2017	31 March 2018
	£000	£000
Grampion Conditions	862	2,575
	<u>862</u>	<u>2,575</u>

These Grampion conditions prohibit development to begin until a specific action has been completed. If the development was cancelled these funds would be payable back to the developer.

3.13 OPERATING LEASES

3.13.1 Council as Lessee

Leases that do not meet the definition of finance leases are accounted for as operating leases and the expenditure is charged to service revenue accounts on a straight-line basis over the term of the lease. The land and buildings elements of a lease require separate identification for both lease classifications and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

The council has not entered into any operating leases to procure any property, plant, vehicles or equipment.

3.13.2 Council as Lessor

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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

3.0 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Council owns a number of property, plant and equipment assets that are leased to other bodies for one or a combination of the following purposes:

- To gain rental income from its investment properties
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- To provide leisure facilities for public use.

In 2016/17 the council entered into a lease agreement with Everyone Active to operate its two leisure centres. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2017	31 March 2018
	£000	£000
Not later than one year	(247)	(790)
Later than one year and not later than five years	(4,563)	(5,431)
Later than five years	(8,395)	(7,139)
	(13,205)	(13,360)

3.14 CONSTRUCTION CONTRACTS

At 31 March 2018 the council had one construction contract in progress with Hampshire County Council for the erection of a new sports hall at Calthorpe School. This is to replace the old leisure centre which is currently used by the school, but is due for demolition in August 2018.

The stage of completion of the contract (33%) has been determined using the value of the work completed to date (£1,239,770) in relation to the total contract cost (£3,750,000). 50% of the revenue recognised in relation to this contract was provided by Hampshire County Council (£619,885), the remaining 50% was provided through Section 106 contributions (£619,885).

4.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

4.01 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 authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

4.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs <i>(transferred to (or from) the Pensions Reserve)</i>	573		
Financial Instruments <i>(transferred to the Financial Instruments Adjustments Account)</i>	(235)		
Council tax and NDR <i>(transfers to (or from) Collection Fund)</i>	(797)		
Holiday Pay <i>(transferred to the Accumulated Absences Reserve)</i>	13		
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure <i>(these items are charged to the Capital Adjustment Account)</i>	297		4,089
Total Adjustments to Revenue Resources	(148)		4,089
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(310)	310	
Statutory provision for the repayment of debt <i>(transfer from the Capital Adjustment Account)</i>	(178)		
Total Adjustments between Revenue and Capital Resources	(488)	310	
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		(21)	
Total Adjustments to Capital Resources		(21)	0
Total Adjustments	(636)	289	4,089

4.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Restated 2016/17	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs (<i>transferred to (or from) the Pensions Reserve</i>)	433		
Council tax and NDR (<i>transfers to (or from) Collection Fund</i>)	196		
Holiday Pay (<i>transferred to the Accumulated Absences Reserve</i>)	(6)		
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure (<i>these items are charged to the Capital Adjustment Account</i>)	(1,651)		3,505
Total Adjustments to Revenue Resources	(1,029)		3,505
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(410)	410	
Statutory provision for the repayment of debt (<i>transfer from the Capital Adjustment Account</i>)	(29)		
Capital expenditure financed from revenue balances (<i>transfer to the Capital Adjustment Account</i>)	(14)		
Total Adjustments between Revenue and Capital Resources	(453)	410	
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		(58)	
Application of Capital grants to finance capital expenditure			(260)
Total Adjustments to Capital Resources		(58)	(260)
Total Adjustments	(1,482)	352	3,245

5.0 NOTES TO THE BALANCE SHEET

5.01 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.

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 authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising the purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating on the manner intended by management.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Charges to Revenue for Non-current Assets – Services and support services are debited with the following amounts to record the cost of holding non-current 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 assets attributable to the service

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5.0 NOTES TO THE BALANCE SHEET

Component Accounting - Where components of an asset are significant in value in relation to the value of the asset as a whole, and they have substantially different economic lives, they will be recognised separately. Components will be recognised separately as and when they are replaced or re-valued. Individual assets valued at less than £200,000 will be disregarded for componentisation.

5.01.1 Revaluations

The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. For the 2017/18 financial year, valuations were carried out as at 31 March 2018. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- 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 on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

All valuations were carried out externally by independent valuers Capita Property and Infrastructure Ltd. Valuations of land and buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Assets are then carried on the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus Assets – fair value
- All other Assets – current value

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Fair Value - The council measures some of its non-financial assets, such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

5.0 NOTES TO THE BALANCE SHEET

market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability

The council's surplus assets have been assessed as Level 3 for valuation purposes.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	0	3,028	0	3,028
Valued at:				
31st March 2018	23,659	0	0	23,659
31st March 2017	790	0	0	790
31st March 2016	7,277	0	48	7,325
31st March 2015	41	0	0	41
31st March 2014	8,642	0	0	8,642
Total cost or valuation	40,409	3,028	48	43,485

5.0 NOTES TO THE BALANCE SHEET

5.01.2 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 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 relevant service lines in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

There were no impairment losses recognised in the year (2017/18 had no impairment losses). Impairment losses are charged to the Comprehensive Income and Expenditure Statement then reversed out to the Capital Adjustments Account through the Movement in Reserves Statement.

5.01.3 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 without a determinable finite useful life and assets that are not yet available for use such as assets under construction.

Depreciation is calculated on a straight-line allocation over the useful life of the assets. Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

5.0 NOTES TO THE BALANCE SHEET

Depreciation is calculated on the following bases:

- Infrastructure - straight line allocation 25 years
- Buildings – straight line allocation over the life of the property as estimated by the valuer
- Land – not depreciated
- Assets under construction – not depreciated
- Vehicles, plant and equipment – straight line allocation over 3 to 7 years
- IT and Intangible Assets – straight line allocation over 5 years

5.01.4 Capital Commitments

At 31 March 2018, the council has no contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years.

5.01.5 Movements on Balances

Significant changes can be seen this year in the assets under construction and community assets categories. These additions have been caused by the following projects and can be seen in the table on the following page:

Other Land and Buildings

The new leisure centre has become operational this year and has subsequently transferred from the Assets under construction category to Other Land and Buildings. The downward re-valuation of this asset along with the old leisure centre are the main contribution to the £6,093,000 decrease in the net book value of Harts total PPE.

5.0 NOTES TO THE BALANCE SHEET

2017/18	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2017	24,458	2,421	130	4,209	22,930	50	54,198
Additions	233	642	32	74	0	0	981
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(3,741)	0	0	0	0	0	(3,741)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(3,385)	0	0	0	0	0	(3,385)
Derecognition - disposals	0	(35)	0	0	0	(2)	(37)
Derecognition - other	22,930	0	0	0	(22,930)	0	0
Reclassifications	(88)	0	0	0	0	0	(88)
At 31 March 2018	40,409	3,028	162	4,283	0	48	47,930
Accumulated Depreciation and Impairment							
At 1 April 2017	(1,799)	(2,051)	(3)	(201)	0	(4)	(4,058)
Depreciation charge	(1,480)	(108)	(7)	(62)	0	0	(1,657)
Depreciation written out to the Revaluation Reserve	1,327	0	0	0	0	0	1,327
Depreciation written out to the Surplus / Deficit on the Provision of Services	474	0	0	0	0	0	474
Derecognition - disposals	0	31	0	0	0	1	32
At 31 March 2018	(1,479)	(2,129)	(10)	(263)	0	(3)	(3,883)
Net Book Value							
31 March 2018	38,930	900	152	4,020	0	45	44,047
31 March 2017	22,659	370	127	4,008	22,930	46	50,140

5.0 NOTES TO THE BALANCE SHEET

2016/17	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2016	23,350	2,425	55	955	7,865	50	34,700
Additions	1,564	(4)	75	3,231	15,065	0	19,931
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(154)	0	0	0	0	0	(154)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(375)	0	0	0	0	0	(375)
Derecognition - disposals	(21)	0	0	0	0	0	(21)
Reclassifications	94	0	0	23	0	0	117
At 31 March 2017	24,458	2,421	130	4,209	22,930	50	54,198
Accumulated Depreciation and Impairment							
At 1 April 2016	(979)	(1,807)	(0)	(143)	0	(4)	(2,933)
Depreciation charge	(1,015)	(244)	(3)	(58)	0	0	(1,320)
Depreciation written out to the Revaluation Reserve	173	0	0	0	0	0	173
Depreciation written out to the Surplus / Deficit on the Provision of Services	20	0	0	0	0	0	20
Derecognition - disposals	2	0	0	0	0	0	2
At 31 March 2017	(1,799)	(2,051)	(3)	(201)	0	(4)	(4,058)
Net Book Value							
31 March 2017	22,659	370	127	4,008	22,930	46	50,140
31 March 2016	22,371	618	55	812	7,865	46	31,767

5.0 NOTES TO THE BALANCE SHEET

5.02 INVESTMENT PROPERTIES

An investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the council's services.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Fair Value - The council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 5.01.1 for explanation of fair value levels).

Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants. There has been no change in the valuation techniques used during the year for investment properties.

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

5.0 NOTES TO THE BALANCE SHEET

	2016/17	2017/18
	£000	£000
Balance at start of year	156	40
Net gains or (losses) from fair value adjustments	0	30
Transfers (to) or from Property, Plant and Equipment	(116)	0
Balance at end of year	40	70

5.03 INTANGIBLE ASSETS

Intangible Assets are created when expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences), are capitalised and it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the council are all for 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £26,000 charged to revenue in 2017/18 was charged to the IT and Finance Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

5.0 NOTES TO THE BALANCE SHEET

	2016/17	2017/18
	£000	£000
Balance at the start of year:		
Gross carrying amounts	394	394
Accumulated amortisation	(265)	(333)
Net carrying amount at the start of the year	129	61
Amortisation for the period	(68)	(26)
Net carrying amount at the end of year	61	35
Comprising:		
Gross carrying amounts	394	366
Accumulated amortisation	(333)	(331)
	61	35

5.04 FINANCIAL INSTRUMENTS

5.04.1 Categories of Financial Instruments

Financial Liabilities – Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

5.0 NOTES TO THE BALANCE SHEET

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Financial Assets – financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables – Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Available-for-sale Assets – Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level I inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

5.0 NOTES TO THE BALANCE SHEET

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
 Level 3 inputs – unobservable inputs for the asset.

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

	Restated		Current	
	Long-term			
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Investments				
Loans and receivables	0	0	5,000	6,000
Available-for-sale financial assets	0	0	1,998	5,011
Total Investments	0	0	6,998	11,011
Debtors				
Loans and receivables	0	0	3,679	1,356
Total included in Debtors	0	0	3,679	1,356
Borrowings				
Financial liabilities at amortised cost	(14,581)	(13,532)	(558)	(1,064)
Total included in Borrowings	(14,581)	(13,532)	(558)	(1,064)
Other Long-term Liabilities				
Finance lease liabilities	(3)	0		
Total Other Long-term Liabilities	(3)	0		
Creditors				
Financial liabilities at amortised cost	0	0	(3,567)	(3,913)
Total Creditors	0	0	(3,567)	(3,913)

5.0 NOTES TO THE BALANCE SHEET

5.04.2 Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised cost 2016/17 £000	Financial Assets: Loans and receivables 2016/17 £000	Financial Assets: Available-for-sale 2016/17 £000	Total 2016/17 £000	Financial Liabilities measured at amortised cost 2017/18 £000	Financial Assets: Loans and receivables 2017/18 £000	Financial Assets: Available-for-sale 2017/18 £000	Total 2017/18 £000
Interest expense	165	0	0	165	282	0	0	282
Fee Expense	0	0	1	1	0	0	2	2
Total expense in Surplus or Deficit on the Provision of Services	165	0	1	166	282	0	2	284
Interest income	0	(110)	0	(110)	0	(113)	0	(113)
Gains on derecognition	0	0	(21)	(21)	0	0	(16)	(16)
Total income in Surplus or Deficit on the Provision of Services	0	(110)	(21)	(131)	0	(113)	(16)	(129)
Gains on revaluation	0	0	(8)	(8)	0	0	(11)	(11)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(8)	(8)	0	0	(11)	(11)
Net (gain) or loss for the year	165	(110)	(27)	27	282	(113)	(25)	145

5.0 NOTES TO THE BALANCE SHEET

5.04.3 Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2017 £000	31 March 2018 £000
Available-for-sale				
Certificate of Deposits	Level 1	Unadjusted quoted prices in active markets for identical shares	1,998	5,000

5.04.4 Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of lease liabilities is calculated as the net present value of future minimum lease payments.

	Restated Carrying Amount £000	Restated 31 March 2017 Fair Value £000	Carrying Amount £000	31 March 2018 Fair Value £000
Financial Assets				
Loans and receivables	5,000	5,011	6,000	6,000
	5,000	5,011	6,000	6,000
Financial Liabilities				
Finance lease liabilities	(3)	(3)	0	0
Long-term creditors	(14,581)	(14,622)	(13,532)	(12,334)
	(14,584)	(14,625)	(13,532)	(12,334)

5.0 NOTES TO THE BALANCE SHEET

5.05 DEBTORS

Income is recognised in the accounts when it becomes due. Income that is due but has not been received at the end of the financial year is carried under the debtors heading in the balance sheet. This debtor balance is reviewed at each year end to assess the recoverability of the sums due and where it is doubtful that debts will be settled the balance of debtors is written down and an impairment charge made to the relevant account for the income that might not be collected. This assessment is carried out using the council's past experience and current knowledge of collection rates for different groups of debtors.

	31 March 2017	31 March 2018
	£000	£000
Central government bodies	1,645	1,480
Other local authorities	1,328	1,863
Other entities and individuals	3,679	1,356
	<u>6,652</u>	<u>4,699</u>

5.06 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three-months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

	31 March 2017	31 March 2018
	£000	£000
Cash held by the Authority	0	0
Bank current accounts	711	4,711
Short-term deposits	6,109	8,000
	<u>6,820</u>	<u>12,711</u>

5.0 NOTES TO THE BALANCE SHEET

5.07 ASSETS HELD FOR SALE

Assets held for sale are items of property, plant or equipment or a group of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the authority. As at 31 March 2018 there is one asset newly classified as held for sale in category property, plant and equipment. Land for Hart Leisure Centre Fleet has been reclassified in year from other land and building to asset held for sale.

5.08 CREDITORS

Creditors are all amounts owed by the council as at 31 March 2018

	31 March 2017 £000	31 March 2018 £000
Central government bodies	(1,224)	(526)
Other local authorities	(2,212)	(2,825)
Other entities and individuals	(3,874)	(4,977)
	<u>(7,310)</u>	<u>(8,328)</u>

5.09 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.

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.

5.0 NOTES TO THE BALANCE SHEET

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

	Balance at 1 April 2017 £000	Additional provisions made in 2017/18 £000	Amounts used in 2017/18 £000	Unused amounts reversed in 2017/18 £000	Balance at 31 March 2018 £000
Business Rates Appeals Provision	(832)	(200)	556	0	(476)
	(832)	(200)	556	0	(476)

5.10 USABLE RESERVES

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council – these are capital reserves. The Capital Receipts Reserve and S106 reserves are examples of this.

- General Fund - the primary fund of the council. It records all assets and liabilities of the council that are not assigned to a special purpose fund. It provides the resources necessary to sustain the day-to-day activities and thus pays for all administrative and operating expenses.

5.0 NOTES TO THE BALANCE SHEET

- Earmarked Reserves - The council has a number of earmarked reserves and details of the main earmarked reserves can be found in the earmarked reserves below.
- Capital Receipts Reserve - represents the capital receipts available to finance capital expenditure in future years, after setting aside any statutory amounts for the repayment of loans. The receipt arising from the disposal of an asset will be classed as a capital receipt, to be used to finance capital expenditure, if it is greater than £10,000. If the receipt falls below this threshold it will fall to the income and expenditure account, in accordance with the Local Government Act 2003.
- Capital Grants Unapplied Reserve - where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource available to finance expenditure.

Movements in the council's usable reserves are detailed in 4.0 Movement in Reserves Statement and Note 4.01 Adjustments between accounting basis and funding basis under regulation.

The balances of the individual reserves can be seen on the Balance Sheet.

5.10.1 TRANSFERS TO / FROM EARMARKED RESERVES

Earmarked reserves are created for specific purposes (legal/contractual requirement) that span financial years for which there is a definitive time frame. The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

	Balance at 1 April 2016 £000	Transfers In 2016/17 £000	Transfers Out 2016/17 £000	Balance at 31 March 2017 £000	Transfers In 2017/18 £000	Transfers Out 2017/18 £000	Balance at 31 March 2018 £000
Hitches Lane SANG	3,528	1,803	(107)	5,225	948	(89)	6,083
Corporate Services	42	0	0	42	1,380	0	1,422
NNDR Smoothing Account	993	430	0	1,423	0	(193)	1,230
Open Spaces	711	4	(78)	636	2	(65)	572
Housing	648	182	(378)	452	371	(11)	811
Bramshot Farm SANG	0	0	0	0	467	0	467

5.0 NOTES TO THE BALANCE SHEET

	Balance at 1 April 2016 £000	Transfers In 2016/17 £000	Transfers Out 2016/17 £000	Balance at 31 March 2017 £000	Transfers In 2017/18 £000	Transfers Out 2017/18 £000	Balance at 31 March 2018 £000
Planning	531	73	(365)	239	30	(52)	217
Dilly Lane - SANG	157	1	0	158	0	0	158
Community Reserve	79	35	0	114	0	(48)	66
Health Contribution	75	0	0	76	0	0	76
Other Earmarked Reserves	85	25	(23)	87	43	(38)	91
	6,849	2,553	(951)	8,451	3,240	(497)	11,195

A brief description of those reserves with balances over £50,000 is provided below.

Hitches Lane, Dilly Lane and Bramshot SANG

Developer's contributions to provide Suitable Alternative Natural Green (SANG) spaces.

NNDR Smoothing Account

To be used to fund the NNDR deficit

Open Spaces

This reserve holds developers contributions towards the maintenance of Elvetham Heath.

Homelessness Housing Reserve

This is a fund built up to facilitate the provision of services to homeless people in the District.

Community and Planning Reserve

These reserves are to fund a number of projects within these service areas.

Health Contribution

Health Contribution in respect of Queen Elizabeth Barracks (QEB).

Corporate Services - Leisure

Developer Contribution to fund the Sports Hall at Calthorpe Park School.

5.0 NOTES TO THE BALANCE SHEET

5.11 UNUSABLE RESERVES

5.11.1 Revaluation Reserve

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

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

The Revaluation Reserve contains revaluations 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.

	31 March 2017	31 March 2018
	£000	£000
Balance at 1 April	6,738	6,438
Upward revaluation of assets	204	61
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(185)	(2,475)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	19	(2,414)
Difference between fair value depreciation and historical cost depreciation	(319)	(310)
Amount written off to the Capital Adjustment Account	(319)	(310)
Balance at 31 March	6,438	3,714

5.0 NOTES TO THE BALANCE SHEET

5.11.2 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
- disposed of and the gains are realised.

	31 March 2017	31 March 2018
	£000	£000
Balance at 1 April	0	8
Upward revaluation of investments	8	11
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0	(8)
Balance at 31 March	8	11

5.11.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements in accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

5.0 NOTES TO THE BALANCE SHEET

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	Restated 31 March 2017 £000	31 March 2018 £000
Balance at 1 April	24,410	23,236
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,321)	(1,657)
Revaluation gains or (losses) on Property, Plant and Equipment	(354)	(2,911)
Amortisation of intangible assets	(69)	(26)
Revenue expenditure funded from capital under statute	(810)	(734)
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	(19)	(6)
	<u>(2,573)</u>	<u>(5,333)</u>
Adjusting amounts written out of the Revaluation Reserve	319	310
Net written out amount of the cost of non-current assets consumed in the year	<u>(2,254)</u>	<u>(5,023)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	58	21
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	719	916
Application of grants to capital financing from the Capital Grants Unapplied Account	260	0
Statutory provision for the financing of capital investment charged against the General Fund balance	29	178
Capital expenditure charged against the General Fund balance	14	0
	<u>1,080</u>	<u>1,116</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	30
Balance at 31 March	<u><u>23,236</u></u>	<u><u>19,358</u></u>

5.0 NOTES TO THE BALANCE SHEET

5.11.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The council uses the account to manage fair value adjustments regarding soft loan for Bramshot Farm. Entire amount of £234,684.10 stated in Balance Sheet represents adjustment for Bramshot Farm Loan received from Hampshire County Council.

5.11.5 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements in accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed at the time the council makes the employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between 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.

	31 March 2017	31 March 2018
	£000	£000
Balance at 1 April	(23,453)	(25,930)
Re-measurement of the net defined benefit liability / (asset)	(2,044)	(190)
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	(1,320)	(1,560)
Employer's pensions contributions and direct payments to pensioners payable in the year	887	987
Balance at 31 March	(25,930)	(26,693)

5.0 NOTES TO THE BALANCE SHEET

5.11.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	Total	Council Tax	Non-domestic Rates	Total
	31 March 2017 £000	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000
Balance at 1 April	(1,281)	118	(1,595)	(1,477)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	(196)	(62)	859	797
Balance at 31 March	<u>(1,477)</u>	<u>56</u>	<u>(736)</u>	<u>(680)</u>

5.11.7 Accumulated Absences Account

Benefits payable during employment are short-term employee benefits due to be settled wholly 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render services to the council. Where wages/salaries, overtime, and any other allowances have not physically been paid for within the period but relates to the period then the period will be charged by the means of an accrual.

However these transactions must not have a financial impact upon the General Fund. To mitigate this accrual a corresponding entry will be made to the Accumulated Absences Account.

5.0 NOTES TO THE BALANCE SHEET

	31 March 2017	31 March 2018
	£000	£000
Balance at 1 April	(36)	(30)
Settlement or cancellation of accrual made at the end of the preceding year	36	30
Amounts accrued at the end of the current year	(30)	(43)
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	6	(13)
Balance at 31 March	(30)	(43)

5.12 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases) together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

Revenue Expenditure Funded by Capital under Statute - These amounts represent expenditure on capital grants and other payments which do not result in an asset belonging to the council. Under the government's capital controls this expenditure would be treated as revenue expenditure. These amounts should be written off over a period consistent with the consumption of the economic benefits controlled by the council. As the council does not control the economic benefits arising from this particular expenditure, 100% of the expenditure is written off to revenue in the year it is incurred, leaving no balance at the end of the year.

The expenditure (net of grants received) is written off to the Capital Adjustment Account via the Movement in Reserves Statement.

5.0 NOTES TO THE BALANCE SHEET

	Restated 2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	905	20,566
Capital Investment		
Property, Plant and Equipment	19,931	981
Revenue Expenditure Funded from Capital under Statute	810	734
Sources of Finance		
Capital Receipts	(58)	(21)
Government grants and other contributions	(979)	(916)
Sums set aside from revenue		
Direct revenue contributions	(14)	0
Minimum Revenue Provision	(29)	(178)
Closing Capital Financing Requirement	20,566	21,165
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	19,661	599
Increase/(decrease) in Capital Financing Requirement	19,661	599

5.0 NOTES TO THE BALANCE SHEET

5.13 FINANCE 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.

Embedded leases within contracts - There is a requirement for the council to identify any instances where there are contracts in place to provide a service to the council and consider whether there are any embedded leases within these contracts. Where such instances are identified the council is required to identify the element of the contractual payments made in respect of these assets and to account for these as a finance lease as above.

5.13.1 Council as Lessee

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

Lease payments are apportioned between:

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

The assets acquired under these leases are carried as Property, Plant and Equipment in the balance sheet at the following net amounts.

	2016/17	2017/18
	£000	£000
Vehicles, Plant, Furniture and Equipment	14	0
	<u>14</u>	<u>0</u>

5.0 NOTES TO THE BALANCE SHEET

The council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2017	31 March 2018
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
- current	4	0
- non-current	4	0
Finance costs payable in future years	1	0
	10	0

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 no contingent rents were payable. Minimum lease payments are included at their present values.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Not later than one year	4	0	3	0
Later than one year and not later than five years	4	0	3	0
	8	0	7	0

5.0 NOTES TO THE BALANCE SHEET

5.13.2 Council as Lessor

Finance leases – Where the council grants a finance lease over property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor, and
- Finance income Credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

The council received no material rental income from properties under finance leases.

5.14 DEFINED BENEFIT PENSION SCHEME

5.14.1 Participation in pension schemes

Employees of the council are members of the Local Government Pension Scheme, administered by Hampshire County Council (HCC). The Scheme provides defined benefits to pension scheme members (retirement lump sums and pensions) earned as employees worked for the council.

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

- The liabilities of the HCC pension scheme 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, employees turnover rates etc and projections of earnings for current employees.

5.0 NOTES TO THE BALANCE SHEET

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- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond (gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years).
 - A significant proportion of the assets of the Scheme are invested in equities. The assets of the HCC pension fund attributable to the council are included in the balance sheet at their fair value:
 - Quoted securities-current bid price
 - Unquoted securities-professional estimate
 - Unitised securities-current bid price
 - Property-market value
 - The change in the net pensions liability is analysed into seven components:
 - Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned for the year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Net interest on the net defined benefit liability/asset i.e. net interest expense for the council – 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 - this 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.
 - Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses - changes in the net pension's 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 Pension Reserve as Other Comprehensive Income and Expenditure;
-

5.0 NOTES TO THE BALANCE SHEET

-
- Contributions paid to the HCC pension fund - cash paid as the 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 in the year, not the amount calculated in accordance with the relevant standards. This means that in the Movement in Reserve Statement there are appropriations to or from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

As part of the terms and conditions of employment, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in the Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit final payment scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. In addition there is an un-funded defined benefit arrangement under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions' committee of Hampshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The principal risks to the scheme are the longevity assumptions, statutory or structural changes to the scheme, adverse fluctuations in inflation, bond yields and the performance of the equity investment held by the scheme. These risks are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are unfunded defined benefit arrangements under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

5.0 NOTES TO THE BALANCE SHEET

A revised IAS 19 standard applies for accounting periods beginning on or after 1 January 2013. The main changes are to the profit and loss statement. The new standard applies to the figures for the year to 31 March 2014. This has led to a change in accounting policy, however we do not consider it material and have therefore not restated prior years.

The main changes are:

- Removal of the expected return on assets to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
- Some labelling changes to the Profit and Loss charge; 'Service cost' now includes what was previously described as the 'Current Service Cost' plus the 'Past Service Cost' plus any 'Curtailements' plus any 'Settlements'.
- Administration expenses are now accounted for within the Profit and Loss charge but were previously a deduction to the actual and expected return on assets.

5.14.2 Transactions Relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions whereas, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

5.0 NOTES TO THE BALANCE SHEET

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Operating cost comprising:				
Current Service Cost	540	930	0	0
Financing and Investing Income and Expenditure:				
Net interest expense	710	580	70	50
Total Post-employment Benefits Charged to the (Surplus) or Deficit on the Provision of Services	1,250	1,510	70	50
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(7,330)	(290)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,000)	0	(60)	0
Actuarial (gains) and losses arising on changes in financial assumptions	13,990	(80)	180	10
Actuarial (gains) and losses due to liability experience	(3,650)	530	(10)	20
Total Post-employment Benefit (Gains) and Losses Charged to the Comprehensive Income and Expenditure Statement	3,260	1,670	180	80

5.0 NOTES TO THE BALANCE SHEET

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
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	(1,250)	(1,510)	(70)	(50)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions to the scheme	730	830	0	0
Retirement benefits payable to pensioners	0	0	157	158

5.14.3 Pension 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Present value of the defined benefit obligation	74,690	75,930	2,301	2,302
Fair value of plan assets	(50,983)	(51,383)	0	0
Net liability arising from defined benefit obligation	23,707	24,547	2,301	2,302

5.0 NOTES TO THE BALANCE SHEET

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening fair value of scheme assets	43,597	50,983	0	0
Interest income	1,460	1,260	0	0
Remeasurement gain/(loss):				
Return on plan assets, excluding the amount in the net interest expense	7,330	290	0	0
Other	76	0	0	0
Contributions from employer	730	830	79	79
Contributions from employees into the scheme	230	260	0	0
Benefits paid	(2,440)	(2,240)	(79)	(79)
Closing fair value of scheme assets	50,983	51,383	0	0

5.0 NOTES TO THE BALANCE SHEET

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening balance at 1 April	64,850	74,690	2,200	2,301
Current service cost	540	930	0	0
Interest cost	2,170	1,840	70	50
Contributions from scheme participants	230	260	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,000)	0	(60)	0
Actuarial (gains) and losses arising on changes in financial assumptions	13,990	(80)	180	10
Actuarial (gains) and losses due to liability experience	(3,650)	530	(10)	20
Benefits paid	(2,440)	(2,240)	(79)	(79)
Closing balance at 31 March	74,690	75,930	2,301	2,302

5.0 NOTES TO THE BALANCE SHEET

5.14.6 Local Government Pension Scheme Assets

The fair value of the scheme assets are:

	2016/17		2017/18		2017/18		2017/18
	£000	Total %	Quoted £000	%	Unquoted £000	%	Total £000
Cash and cash equivalents	1,733	3.4	1,336	2.6	0	0.0	1,336
Equities	30,743	60.3	30,059	58.5	2,107	4.1	32,166
Bonds:							
Corporate	816	1.6	514	1.0	0	0.0	514
Government	12,746	25.0	12,075	23.5	103	0.2	12,177
Property	3,314	6.5	360	0.7	3,237	6.3	3,597
Other*	1,631	3.2	103	0.2	1,490	2.9	1,593
Total	50,983	100	44,446	86.5	6,937	13.5	51,383

*Other holdings cover hedge funds, currency holdings, asset allocation futures and other financial instruments. The return is in line with that of equities.

5.14.7 Basis for Estimating Assets and Liabilities

Results under IAS 19 can change dramatically depending on market conditions which when taken in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension liability on the council's Balance Sheet, Other Comprehensive Income and the IAS 19 pension expense in Cost of Services. The council has disclosed information about the sensitivity of the defined benefit to changes in key assumptions in accordance with the requirements of the revised IAS 19.

The benefits valued allow for the forthcoming revised benefit structure of the Local Government Pension Scheme (Transitional Provisions; Savings and Amendment) Regulations 2014 whereby benefits accrued from 31 March 2014 will be based on a career average revalued salary as opposed to final salary.

5.0 NOTES TO THE BALANCE SHEET

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions. The sensitivity analyses 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 assumption remained constant. The assumptions in longevity, by way of an example, assume that life expectancy increases or decreases for men and women when in practice this is unlikely to occur and also 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, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt Limited, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2017.

Local Government Pension Scheme		
	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	24.0	24.1
- women	27.0	27.2
Longevity at 65 for future pensioners:		
- men	26.0	26.2
- women	29.3	29.4
RPI increases	3.1%	3.2%
CPI increases	2.0%	2.1%
Rate of increase in salaries	3.5%	3.6%
Rate of increase in pensions	2.0%	2.1%
Pension accounts revaluation rate	2.0%	2.1%
Rate for discounting scheme liabilities	2.5%	2.6%

5.0 NOTES TO THE BALANCE SHEET

The impact on the Defined Benefit Obligation in the scheme is:

	Increase in Assumption	Decrease in Assumption
	£000	£000
Assumption adjustment:		
Discount rate (scheme liabilities) - increase/decrease by 0.1%	(1,260)	1,290
Salaries - increase/decrease by 0.1%	160	(160)
Pensions - increase/decrease by 0.1%	1,120	(1,100)
Longevity - increase/decrease by 1 year*	2,230	(2,220)

*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

5.14.8 Impact on the council's cash flows

The objective of the Local Government Pension Scheme is to keep employers' contributions at a rate that is as constant as possible. Hampshire County Council has agreed a strategy with the actuary to achieve a level of 100% over the next few years and the next triennial valuation is due to be completed on 31 March 2020. Funding levels are monitored annually. The council anticipates paying £939,810 in expected contributions to the scheme in 2017/18.

Benefits accrued up to 31 March 2014 were based on final salary and length of service. Changes to the structure of the LGPS from 1 April 2014 result in benefits accruing from that date being based on a career average salary but with various protections for those members in the scheme prior to the 1 April 2014.

5.0 NOTES TO THE BALANCE SHEET

5.15 EVENTS AFTER THE BALANCE SHEET DATE

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the Balance Sheet date – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the Balance Sheet date – the Statement of Accounts is not adjusted to reflect such events, but where such events have a material effect disclosure is made in the Notes to the Accounts of the nature of the events and their estimated financial effect.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The council had no material items for consideration in 2017/18.

6.0 NOTES TO THE CASH FLOW STATEMENT

6.01 OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2016/17	2017/18
	£000	£000
Interest received	142	122
Interest paid	(218)	(284)

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

	2016/17	2017/18
	£000	£000
Depreciation and Amortisation	1,389	1,683
Impairment and downward valuations	354	2,911
Net book value of disposed assets	19	6
(Increase) / Decrease in Stock	1	0
(Increase) / Decrease in Debtors	(852)	1,042
Increase / (Decrease) in Creditors	(459)	2,250
Increase / (Decrease) in Provisions	(82)	(355)
Movement in Pension Liability	512	652
Changes in fair value of investment properties	0	(30)
Movement in Fair Values of Financial instruments	0	(235)
	<u>882</u>	<u>7,924</u>

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

6.0 NOTES TO THE CASH FLOW STATEMENT

	Restated 2016/17 £000	2017/18 £000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(57)	(310)
Any other items for which the cash effects are investing or financing cash flows	(4,037)	(4,994)
	<u>(4,094)</u>	<u>(5,303)</u>

6.02 INVESTING ACTIVITIES

	Restated 2016/17 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	(20,406)	(1,061)
Purchases of short and long term investments	(989)	(4,011)
Other payments for investing activities	(1)	0
Proceeds from sale of property, plant and equipment, investment property and intangible assets	57	663
Other receipts for investing activities	4,040	4,995
	<u>(17,299)</u>	<u>585</u>

6.0 NOTES TO THE CASH FLOW STATEMENT

6.03 FINANCING ACTIVITIES

	Restated 2016/17 £000	2017/18 £000
Cash receipts of short and long term borrowing	15,290	0
Other receipts from financing activities		
- NNDR Cash Receipts	1,043	124
Cash payments for finance leases	(29)	(7)
Repayment of short and long term borrowing	(151)	(308)
Other payments from financing activities		
- Council Tax Preceptor Cash	(79)	(716)
	16,074	(906)

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

7.01 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards relevant in respect of accounting changes that are introduced in the 2018/19 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFR 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.

The other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code listed below:

- IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

were not adopted by the EU in time for inclusion in the 2018/19 Code and therefore they have been rolled forward into the development programme for the 2019/20 Code.

7.02 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out within the notes in the Statement of Accounts the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

Future Funding

The funding settlement has increased certainty with the offer of a four-year settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period. The intention of all these future reforms is to put councils in control of their own finances, allowing them to respond efficiently to local needs.

Leases

The council classifies the leases it holds, both as a lessee and lessor, as either operating or finance leases. Under International Financial Reporting Standards the council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific assets and which therefore are considered to contain a lease. The appropriate accounting policy for each lease has been applied to these arrangements (where they have been identified) and as a result additional assets are recognised as Property, Plant and Equipment in the council's Balance Sheet.

7.03 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council may be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £74,000 for every year that useful lives had to be reduced.</p>

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	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>The effects on the net pension liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the pension liability of £1,260,000.</p> <p>However, the assumptions interact in complex ways. During 2017/18, the council's actuaries advised that the net pension liability had increased by £1,240,000 as a result of estimates being revised and the updating of the assumptions.</p>
Provisions	The council has made provision in relation to National Non-Domestic Rate Appeals. This provision is based on an estimation of any future liability and the likelihood that these costs will be incurred.	If the estimates used in the calculation of the provision prove to be inaccurate then there will be further income or expenditure incurred by the General Fund via the Collection Fund.
Arrears	At 31 March 2018, the council had a balance of sundry debtors of £2,492,000. A review of significant balances suggested that an impairment of doubtful debts of £127,000 (5%) was appropriate. However, in the current economic climate it is not certain whether such an allowance may be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £127,000 to set aside as an allowance from revenue.

7.04 RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the previous note, Grant Income.

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

Elected Members of the council have direct control over the council's financial and operating policies. Members are required to observe the Code of Conduct for Councillors, register financial interests in the council's register (maintained under section 81(1) of the Local Government Act 2000) and register the receipt of any gifts/hospitality. There were no material receipts of any gift or hospitality to disclose for 2017/18.

As of the date of the Responsible Finance Officer signing the accounts, there were no returns from elected members outstanding. From those who had returned their declaration, there were no material related parties to disclose.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The council had no material related party transactions with officers during 2017/18.

Related party transactions with the precepting bodies and the pension fund are disclosed in the Defined Benefit Pension Scheme note within these accounts.

The council had no significant interest in companies.

Amounts due to or from those parties able to control or influence the council or to be controlled/ influenced by the council are as follows:

This table has been restated to include loans on the councils Balance Sheet.

	Restated 31 March 2017 £000	31 March 2018 £000
Amounts due to Central Government	(11,112)	(9,719)
Amounts due to Hampshire County Council	(6,530)	(5,745)
Amounts due from Central Government	463	1,481
Amounts due from Hampshire County Council	1,661	571

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

7.05 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are not included within the Comprehensive Income and Expenditure Statement or Balance Sheet, but are disclosed by way of a note to the accounts where a receipt or some other economic benefit is probable (contingent asset), or where there is a possible obligation that may require payment or other transfer of economic funds (contingent liability).

In 2018/19 there were no contingent assets or liabilities.

7.06 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

7.06.1 Disclosure and Nature and Extent of Risk arising from Financial Instruments

The council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the council.
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility the financial loss might arise for the council as a result of changes in such measures as interest rates movements.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a treasury team, under policies approved by cabinet in the annual Treasury Management Strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

7.06.2 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poor's Rating Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category.

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

In summary, the key areas of the Investment Strategy for 2017/18 are that the minimum criteria for investment counterparties include:

- Credit ratings for short term investments of F1, P1, A1 and long term investments of AA-, Aa3, AA with the three main credit rating agencies.
- Money Market Funds with AA rating.
- A maximum of £5 million to be invested with any single institution

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £5 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the councils deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

All investments were made in line with the council's approved credit rating criteria at the time of placing the investment and the council does not expect and losses from the non-performance by any of its counterparties in relation to deposits and bonds.

The council generally does not allow credit for customers; however the past due but not impaired amount can be analysed by age as follows:

	31 March 2017	31 March 2018
	£000	£000
Less than three Months	1,380	2,269
Three to six months	77	61
Six months to one year	39	41
More than one year	98	121
	<u>1,595</u>	<u>2,492</u>

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

7.06.3 Liquidity risk

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 50% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. Previous year restatement includes correction of accounting treatment for Soft Loan received from Hampshire County Council. The maturity analysis of financial liabilities is as follows:

	Restated 31 March 2017 £000	31 March 2018 £000
Less than one year	558	1,064
Between one and five years	6,170	5,984
Between five and ten years	2,343	1,872
Between ten and fifteen years	2,042	2,087
Between fifteen and twenty years	2,277	2,327
More than twenty years	1,749	1,262
	15,139	14,596

All trade and other payables are due to be paid in less than one year.

7.06.4 Market 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:

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services would rise
- Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

As at 31 March 2018 there was no material exposure to changes in interest rates as the majority of investment activity was undertaken externally and at a fixed rate of interest. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements with these accounts.

7.07 FURTHER ACCOUNTING POLICIES

The majority of the accounting policies which the Council adopts have been put before their respective statements and notes to aid the readability and understanding of this document. However there are a few which cover the accounts as a whole and don't necessarily relate to just one area, these are detailed below.

Accruals of Income and Expenditure – Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

- Revenue from sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

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.

Investments - The council accounts for investments in accordance with the Treasury Management Strategy, which is set annually.

The council's investment priorities are:

- the security of capital and
- the liquidity of its investments
- the yield on maturity of the investment

Minimum revenue provision (MRP)

Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the council to make an annual charge to revenue to contribute towards the reduction in its overall borrowing requirement - known as a Minimum Revenue Provision.

The council has adopted the asset life method of calculating MRP where the charge is spread in equal annual instalments over the life of each asset that creates a borrowing requirement. MRP commences in the financial year following either the year in which the expenditure was incurred or the year when the asset becomes operational.

Any interest costs to the Comprehensive Income and Expenditure Statement in relation to finance leases will also be mitigated by a corresponding MRP adjustment.

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

Overheads

The costs of overheads and support services are charged to those services that benefit from the supply or service. 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.

Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Revenue recognition - Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is recognised when it is probable that future economic benefits will flow to the council and these benefits can be measured reliably.

IFRS 15 (Revenue from Contracts with Customers) is applied in accounting for revenue arising from the following transactions and events:

- the sale of goods
- the rendering of services
- interest, royalties and dividends.
- non-exchange transactions (i.e. council tax)
- where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria

7.0 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

The amount of revenue arising on a transaction is usually determined by agreement between the council and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the council.

VAT - Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the council is not able to recover VAT on expenditure. HM Revenue and Customs allow Local authorities to recover the majority of VAT incurred.

8.0 COLLECTION FUND

The Collection Fund Statement is a record of revenue expenditure and income relating to the council's role as a billing council for council tax and National Non-Domestic Rates (NNDR) in accordance with the requirements of section 89 of the Local Government Finance Act 1988. Its primary purpose is to show the transactions of the billing council in relation to the collection from taxpayers of tax due and distribution of the same to local authorities (including itself) and the Government. Collection Fund Statement items are only included within the Comprehensive Income and Expenditure Account and Balance Sheet when they relate to the council's own entitlements or commitments as distinct from those of Local Government or Central Government partners. Amounts owed to or owing by Taxpayers at the Balance Sheet Date are therefore not shown in the council's Balance Sheet with the exception of the proportion of council tax to which the council itself is entitled.

It also shows how the income is distributed between Hart District Council, Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire and Rescue.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and NNDR. The fund key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as a billing council the council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself.
- While the council tax income for the year credited to the Collection Fund is the accrued income for the year regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing council or paid out of the Collection Fund to major preceptors.
- The council tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and NNDR Income is in substance an agency arrangement:

- Cash collected by the billing council from council tax and Non-domestic Rate debtors belongs proportionately to the billing council and the major preceptors. There will be therefore a debtor/creditor position between the billing council and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from council taxpayers and non-domestic rate payers.

8.0 COLLECTION FUND

	Council Tax	Non- Domestic Rates	Total Collection Fund	Council Tax	Non- Domestic Rates	Total Collection Fund
	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	£000	£000	£000	£000	£000	£000
Amounts required by statute to be credited to the Collection Fund						
Council Tax Receivable (net of benefits' discounts for prompt payment and transitional relief)	(59,902)	N/A	(59,902)	(63,489)	N/A	(63,489)
Transitional protection payments	N/A	828	828	N/A	(797)	(797)
Non Domestic Rates Receivable (net of discretionary and mandatory reliefs)	N/A	(29,511)	(29,511)	N/A	(29,328)	(29,328)
	(59,902)	(28,683)	(88,585)	(63,489)	(30,126)	(93,615)
Amounts required by statute to be debited to the Collection Fund						
Precepts/demands for council tax and shares of non-domestic rating income						
- Hampshire County Council	41,538	2,680	44,219	44,694	2,744	47,438
- Hampshire Police and Crime Commissioner	6,176	N/A	6,176	6,526	N/A	6,526
- Hampshire Fire and Rescue Service	2,409	298	2,707	2,518	305	2,823
- Hart District Council	8,878	11,913	20,790	9,353	12,196	21,549
Payment with respect to central government share of NDR (net of allowable deductions)	N/A	14,891	14,891	N/A	15,245	15,245
Impairment of Debts/Appeals						
- write-off of uncollectable debts	0	0	0	0	0	0
- change in the impairment allowance for doubtful debts	22	107	129	125	604	729
- change in allowance for loss of income on appeals	N/A	(126)	(126)	N/A	(888)	(888)
Charge to the General Fund for allowable collection costs for non-domestic rates	N/A	98	98	N/A	98	98
(Surplus) or Deficit for Year	(879)	1,178	299	(273)	178	(95)
<i>Continued on next page</i>						

8.0 COLLECTION FUND

Continued from previous page

	Council Tax	Non- Domestic Rates	Total Collection Fund	Council Tax	Non- Domestic Rates	Total Collection Fund
	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	£000	£000	£000	£000	£000	£000
Contribution towards previous year's estimated surplus or deficit:						
- Hampshire County Council	657	(63)	594	481	(209)	272
- Hampshire Police and Crime Commissioner	100	N/A	100	72	N/A	72
- Hampshire Fire and Rescue Service	39	(7)	32	28	(24)	4
- Hart District Council	135	(278)	(143)	103	(930)	(827)
- Central Government	N/A	(348)	(348)	N/A	(1,163)	(1,163)
Movement on the fund	52	482	534	411	(2,147)	(1,736)
Opening fund balance	(837)	3,506	2,668	(785)	3,987	3,202
Closing fund balance	(785)	3,987	3,202	(375)	1,840	1,466

8.0 COLLECTION FUND

8.1 COUNCIL TAX

The average council tax at Band D set by the council was as follows:

	2016/17	2017/18
	£	£
Hampshire County Council	1,079.28	1,133.10
Hampshire Police and Crime Commissioner	160.46	165.46
Hampshire Fire and Rescue Service	62.60	63.84
Hart District Council	156.84	161.84
Town and Parish Councils	73.83	75.27
	1,533.01	1,599.51

8.0 COLLECTION FUND

The amount of income generated in 2017/18 by each council tax band was as follows:

Band	Chargeable Dwellings	Band Multiplier	Band D Equivalent	Council Tax income per band £
A	418	6/9	278.23	447,839
B	1,275	7/9	991.82	1,596,438
C	6,453	8/9	5,735.56	9,231,955
D	7,987	9/9	7,987.12	12,856,076
E	7,017	11/9	8,576.33	13,804,474
F	6,346	13/9	9,166.44	14,754,317
G	3,532	15/9	5,887.33	9,476,257
H	221	18/9	442.60	712,409
			39,065.44	
Class O Exempt Properties			700.90	
Plus allowance for new properties and ending of discounts 0.5%			198.83	
Less allowance for properties being demolished and additional discounts 0.01%			(3.98)	
Assumed losses on collection 1.3%			(516.96)	
Tax Base (equivalent Band D) approved by council			39,444.23	

8.2 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier. The total NDR Rateable Value as at 31 March 2018 was £78,464,496 (£70,274,286 as at 31 March 2017)

The non-domestic rate multiplier for 2017/18 was 46.6 pence for qualifying properties of less than £51,000 rateable value and 47.9 pence for all others (2016/17 48.4 pence and 49.7 pence respectively).

9.0 GROUP ACCOUNTS

Under the terms of IFRS3 where the council has an interest in any other entity, it is required to prepare a Group Income and Expenditure Account and Group Balance Sheet. The council holds no interest in any other entity and therefore no group accounts have been produced.

Where either the council, or its Elected Members or Senior Officers are connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Related Party Transactions note of these accounts.

10.0 GLOSSARY

10.0 GLOSSARY

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g. revenue accounts, capital accounts or by the purpose they serve e.g. management accounts, final accounts, balance sheets.

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (a) recognising
- (b) selecting measurement bases for, and
- (c) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accounting standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- (b) the actuarial assumptions have changed.

10.0 GLOSSARY

Amortisation

The reducing of the value of assets to reflect their reduced worth over time. The term means the same as depreciation, though in practice amortisation tends to be used for the write-off of intangible assets.

Assets

These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.
- Property, Plant and Equipment, assets which are held for use in the production or supply of goods and services, for rental to other, or for administrative purposes.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation, or both.
- Intangible assets, these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

Audit – internal

The council has an internal audit service, they have a wide ranging role and are responsible for auditing key financial systems and all other activities of the council on a rolling programme. They make recommendations to improve internal controls, safeguard assets and secure value for money.

Audit – external

Our external auditor is Ernst and Young LLP. They report to the council on a number of issues, but in this context they provide assurance to the council that this statement of accounts ‘presents fairly’ the council’s financial affairs and position.

Balance sheet

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

Budget

A forecast of the council’s planned expenditure. The level of council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.

10.0 GLOSSARY

Cabinet

The Cabinet is the executive board responsible for undertaking all of the council's functions, except those functions which are reserved to the full council or delegated to committees or officers. When the executive councillors meet collectively they are known as the cabinet.

Capital Adjustment Account

This account includes the amalgamated balances of the Property, Plant and Equipment Restatement Account and the Capital Financing Account at 31 March 2007 and holds financing transactions relating to capital expenditure.

Capital charges

Charges made to service expenditure accounts based on the service's use of property, plant and equipment assets (depreciation and impairment) plus credits relating to government grants and capital contributions used to pay for those assets.

Capital expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment assets, Revenue Expenditure Financed by Capital under Statute (REFCUS), advances (loans) or grants to other individuals/organisations.

Capital receipts

Income received from the sale of property, plant and equipment assets.

Central services to the public

This includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy, which is the leading professional accountancy body for public services.

Code of Practice on Local Authority Accounting in the United Kingdom

Issued by CIPFA, this is the guidance which is followed when preparing these statements. It provides expert support in dealing practically with the preparation of the year-end accounts and is the guidance by which every local authority must follow.

Collection fund

The fund into which are paid amounts of council tax and non-domestic rates and from which are met demands by county and district councils and payments to the national non-domestic rates pool.

10.0 GLOSSARY

Community assets

Community assets are a class of property, plant and equipment assets which are expected to be held by the council in perpetuity. Examples include parks, historic buildings and works of art.

Corporate and democratic core

Comprises all activities which local authorities engage in because they are elected, multi purpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management and bank charges and the costs of democratic representation.

Council tax

A local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

Current service cost (pensions)

The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

Current Value

The amount at which would be paid for the asset in its existing use.

Deferred credits

Income still to be received (or applied in the accounts) where deferred payments (or application) have been allowed. For example the principal outstanding from the sale of former council houses (deferred capital receipts).

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

Depreciation is the measure of the consumption or wearing out of the useful economic life of a property, plant and equipment asset.

10.0 GLOSSARY

Events after the balance sheet date

Those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership of a property, plant and equipment asset to the lessee.

General fund (GF)

This is the primary revenue account which records the cost of providing the majority of the council's services.

Housing benefit

The housing benefit scheme is a national scheme administered at a local level by the council. It is a means-tested service where the council can pay all, or part of, a household's rent or council tax, or both.

Housing benefit subsidy

The government reimburses the Council for most of the housing benefit payments made to residents plus an allowance to cover the costs of administering the scheme.

International Accounting Standard 19 – Employee Benefits

This Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Impairment

A reduction in the value of a property, plant and equipment asset below its carrying amount on the balance sheet.

10.0 GLOSSARY

International financial reporting standards (IFRS)

From the 2010/11 financial year the council had to implement new accounting regulations called IFRS. This resulted in a significant change to the way that budgets and accounts are prepared with different accounting treatment being applied to asset valuations, leases, some accruals and derivatives.

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liabilities

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Minimum revenue provision (MRP)

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes.

National non-domestic rates (NNDR)

The form of local taxation charged on non residential premises at a level set by central government.

Net book value

The amount at which property, plant and equipment assets are included in the balance sheet i.e. their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

Net service expenditure

Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Non-distributed costs

Overheads for which no user now benefits and should not be apportioned to services. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

10.0 GLOSSARY

Operating lease

A lease agreement in which substantially all of the risks and rewards of ownership of a property, plant and equipment asset remain with the lessor.

Outturn

The final total expenditure and income amount in any financial year.

Overheads

The costs of overheads and support services are charged to those services that benefit from the supply or service. 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 councils 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.

Past service cost

The increase in the present value of the pension scheme liabilities, related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

The charge made by another authority on the council to finance its net expenditure. The council currently has the following precepting authorities: Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and all the city, town and parish councils in the district.

Prior period adjustments

The adjustments applicable to prior years arising from the correction of material errors.

Provisions

Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

Related parties

This is defined under Financial Reporting Standard 8. The council is required to disclose material transactions with related parties, which can include central government, subsidiary and associated companies, the Pension Fund, other councils, and chief and senior officers. IAS24 requires

10.0 GLOSSARY

attention to be drawn to the possibility that the reported financial position may have been affected by the existence of related parties and by material transactions with them. Two or more parties are related parties when at any time during the financial period:

- (a) one party has direct or indirect control of the other; or
- (b) the parties are subject to common control from the same source; or
- (c) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- d) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

Reserves

The general capital and revenue balances of the council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked at the discretion of the council (e.g. General Fund and Housing Revenue Account General Reserves). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the capital adjustment account.

Revaluation reserve

This account includes transactions relating to the revaluation and impairment of the councils assets.

Revenue expenditure

Day to day expenditure incurred in the provision of services including salaries and wages, transport and goods and services.

Revenue Expenditure Financed by Capital under Statute (REFCUS)

A type of capital expenditure which may be deferred but which does not give rise to tangible assets. Examples are renovation grants (grants to private individuals and companies to improve housing standards) and capital grants to other organisations.

10.0 GLOSSARY

Revenue support grant

A grant paid by the government in support of the council's revenue expenditure, as part of the Formula Grant.

Section 151 Officer

Another term to describe the Statutory Financial Advisor of the council with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts.

11.0 INDEPENDENT AUDITOR'S REPORT

11.0 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HART DISTRICT COUNCIL

Opinion

We have audited the financial statements of Hart District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Movement in Reserves Statement;
- Balance Sheet;
- Cash Flow Statement;
- Disclosure of the impact of Previous Year correction on page 23-25
- and the related notes 3.01 to 7.07 and 9.0;
- and the Collection Fund and related notes 8.1 to 8.2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hart District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

11.0 INDEPENDENT AUDITOR'S REPORT

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Corporate Service's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2017/2018, other than the financial statements and our auditor's report thereon. The Head of Corporate Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Hart District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

11.0 INDEPENDENT AUDITOR'S REPORT

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibilities of the Head of Corporate Services

As explained more fully in the Statement of Chief Finance Officer Responsibilities set out on page 16, the Head of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Corporate Services is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11.0 INDEPENDENT AUDITOR'S REPORT

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Hart District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Hart District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Hart District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Hart District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

11.0 INDEPENDENT AUDITOR'S REPORT

Use of our report

This report is made solely to the members of Hart District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain, (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
31 July 2018