

EASTLEIGH BOROUGH COUNCIL

**Statement of Accounts
and Annual Governance Statement
for the financial year 2008-09**

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EXPLANATORY FOREWORD

1 Introduction

The accounting statements that follow show the Council's financial performance for the year 2008-09. The style of presentation of the statement is determined by a code of practice that the Council is legally required to follow. The Council's accounts for the year 2008-09 consist of the following statements:

- **Statement of Accounting Policies** - the purpose of which is to explain the basis of recognition, measurement and disclosure of transactions and other events in the accounts.
- **Statement of Responsibilities for the Statement of Accounts** - this statement describes the Authority's and Chief Financial Officer's responsibilities in relation to the administration of the Council's affairs.
- **The Accounting Statements** - there are five core financial statements, listed below:

Income and Expenditure Account - report of the net cost for the year of all the functions for which the Council is responsible, together with a summary of how that cost has been financed from central government grants and income from local taxpayers.

Statement of Movement on the General Fund Balance - a statement of the amounts in addition to the Income and Expenditure Account for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund.

Statement of Total Recognised Gains and Losses (STRGL) - This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth.

Balance Sheet - a fundamental statement of the Council's financial position at the year end. It shows balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Cash Flow Statement - this consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- **Notes to the Accounts** - these are essential notes that the reader will find of particular assistance regarding interpretation of the core financial statements.
- **Collection Fund** - this account reflects the statutory requirement for the Council (as a billing Authority) to maintain a separate Collection Fund, which shows the transactions of the Council as a billing Authority in relation to non-domestic rates and the council tax. The statements to the fund illustrate the way in which these have been distributed to preceptors and the General Fund.
- **Notes to the Collection Fund** - further explanatory information about the collection fund.
- **Independent auditors report to the members of Eastleigh Borough Council**
- **Glossary of terms**

1 Introduction (continued)

- **Annual Governance Statement - including details on the effectiveness of the system of Internal Control** - regulation 4(2) of The Accounts and Audit Regulations 2003 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with the Statement of Accounts.

The preparation and publication of the Annual Governance Statement in accordance with "Delivering Good Governance in Local Government" fulfils the statutory requirement. Readers of this Statement of Accounts will therefore find reference to the effectiveness of the system of internal control within the Annual Governance Statement for 2008-09.

2 Statutory changes regarding the SORP 2008

For 2008-09, the statements contained within this set of accounts incorporate some changes from the statement of accounts that the Council produced in 2007-08 and earlier years. The substantive changes that have effect on the Council are:

- **Application of Accounting Standards** - the SORP 2008 has been updated for changes in accounting standards and Urgent Issues Task Force abstracts and the new Statement of Principles for Financial Reporting Interpretation for Public Benefit Entities.
- **Depreciated Replacement Cost method** of valuing property - the circumstances in which it would be appropriate to use the depreciated replacement cost method of valuing property has been clarified following publication of a paper by the Royal Institute of Chartered Surveyors.
- **Clarification amendments made to Financial Instruments reporting** - contains improvements in the classification of fair value through profit and loss, exchange and designation of financial instruments.
- **Cash Flow Statement Revenue Activities** - amendment to clarify that the application of the indirect method of calculation is acceptable, whereby the gross cash receipts from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year.

EXPLANATORY FOREWORD continued

3 Net revenue service expenditure and sources of funding, compared to budget

The 2008-09 service expenditure, interest payable and other operating costs is disclosed in the table below, showing income from grants, local taxpayers and other sources, compared to the approved budget for the year.

2007-08 Net revenue service expenditure and sources of funding		2008-09		
Actual		Approved Budget	Actual	
Net Exp £000		Net Exp £000	Net Exp £000	Variance £000
18,510	Net Cost of Services	19,205	18,101	(1,104)
300	Interest payable and similar charges	270	195	(75)
(1,257)	Interest and investment income	(1,303)	(1,227)	76
1,829	All other operating costs	3,011	3,502	491
19,382	Net Operating Expenditure	21,183	20,571	(612)
(7,564)	Demand on the Collection Fund	(7,893)	(7,893)	-
(1,066)	General government grants	(1,033)	(1,055)	(22)
(6,354)	Non-domestic rates redistribution	(6,662)	(6,662)	-
4,398	Deficit for the year	5,595	4,961	(634)
(4,787)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund	(4,451)	(4,150)	301
(389)	Decrease (Increase) in General Fund Balance	1,144	811	(333)

• Summary of financial performance - The overall revenue position for the Income and Expenditure Account in 2008-09 results in a surplus of £811,000 being transferred to the General Fund Reserve. This compares favourably against the approved budget for the financial year, which projected a contribution being required from the General Fund Reserve of £1,144,000.

The Management Team intend to undertake a review in 2009-10 to consider areas where budget forecasts were significantly inaccurate, and whether methods relating to the computation of future budgets should be improved. However, the favourable variance will enable members to approve the following initiatives in early 2009-10.

Core Strategy Transport Assessment
Public Transport Publication
Greenways Travel Plan
Internal Audit
'Active Eastleigh' Activities
Asset Management Plan

Accommodation Consultants
Eastleigh River Side
Core Strategy
Town Centre Regeneration
LABGI

EXPLANATORY FOREWORD continued

4 Material assets acquired or liabilities incurred in the year

Items of capital expenditure that resulted in material additions to fixed assets in the year are listed below.

Material assets acquired

2007-08 £000	Items of material capital expenditure that resulted in addition to fixed assets in the year 2008-09 (The amount of expenditure for the same assets is given for 2007-08).	2008-09 £000
	- Black Horse House	3,824
62	The Point Phase 3	493
939	Vehicle Replacement Programme	448
40	Hiltingbury Community Building	178
3	Compass Document Management System	167
	- Kitchen Waste Expansion	133
	- Netley Abbey Station Road Recreation Ground	93
1,044	Total value of all material capital expenditure items that resulted in fixed assets in the year 2008-09	5,336

Material liabilities incurred

No new material liabilities arose in the financial year 2008-09. The Council's balance sheet includes references to liabilities such as creditors, cash overdrawn, borrowing, capital contributions unapplied and pensions. However, these total liabilities stated at the end of the financial year 2008-09 are comparable to the position at the end of the previous financial year.

Each of the liabilities are discussed in some detail within the notes to the accounts starting on page 24.

5 Other significant changes

● **Significance of pensions liability** - Under the requirements of Financial Reporting Standard 17 (FRS17), costs of services delivered by the Council are restated to include an actuarially assessed cost of the increased liability falling upon the Council in respect of pensions under the Local Government Pension Scheme, as opposed to the actual employer contributions paid during the year in accordance with the scheme.

Adjustments are made to the cost of services in the Income & Expenditure account to ensure that the impact on council tax is neutral. The requirements are linked to the Pension scheme's assets and liabilities, offset by a Pension Reserve.

At 31 March 2009 there was a Pension liability of £33.56million (m) with a corresponding negative Pension Reserve. This Pension liability is the difference between the value at 31 March 2009 of the scheme's assets (investments and other items) attributable to the Council and the present value of the liabilities relating to pensions for Council employees (past and present). The Pension liability of £33.56m at 31 March 2009 has significantly changed from 31 March 2008 (£19.77m).

EXPLANATORY FOREWORD continued

5 Other significant changes continued

- **Material charge or credit** - the Council secured the purchase of a major town centre building called Black Horse House for the capital sum of £3.824m in March 2009. The building is a major asset addition to the Council's investment property portfolio.
- **Significant change in accounting policies** - there have been no significant changes to the Council's accounting policies in the financial year 2008-09 other than those required to comply with changes to the SORP 2008.
- **Major change in statutory function** - there have been no changes in statutory functions made in the year 2008-09.

6 Current borrowing facilities and capital borrowing

The table below shows the changes to borrowing related to capital expenditure incurred. Debt was incurred in relation to the purchase of Black Horse House in 2008-09.

2007-08 £000	Changes made to borrowing as defined by the Prudential Code for the year 2008-09	2008-09 £000
3,806	Accumulated Prudential Code debt outstanding at the beginning of the year	3,660
	<u>Transactions in the year</u>	
-	Purchase of Black Horse House funded by borrowing	3,824
(146)	Minimum revenue provision transferred to I & E Account	(140)
3,660	Prudential Code debt outstanding at the end of the financial year	7,344

Current borrowing is entirely of a short-term nature, and continues to remain relatively minor. Short-term loans relate to borrowing repayable on demand or within 12 months. These loans are taken to maintain cash flow, due to the nature of the money market. The table below shows the borrowing at the end of the year 2008-09, compared to the position at the end of the previous financial year.

31 03 08 £000	Current borrowing	31 03 09 £000
(754)	Short-term borrowing	(742)
(26)	Long-term borrowing Refer to the table at the top of page 6 for maturity analysis	-
(780)	Total of all current borrowing	(742)

EXPLANATORY FOREWORD continued

6 Current borrowing facilities and capital borrowing continued

The Council was able to fully discharge a small element of outstanding long-term debt during the year 2008-09 and now has no long-term debt. The table below provides details:

31 03 08 £000	Maturity analysis of the long-term borrowing	31 03 09 £000
	Maturity within:	
(2)	>1 to <2 years	-
(7)	>2 to <5 years	-
(11)	>5 to <10 years	-
(6)	>10 years	-
(26)	Total long-term borrowing	-

7 Summary of the Council's internal and external sources of funds to meet capital expenditure

The resources applied to finance the year's capital expenditure therefore fully accord to the equivalent value of the year's expenditure. The table below gives a brief analysis of the resources applied.

2007-08 £000	Capital expenditure and resources applied for the year	2008-09 £000
5,584	Capital expenditure resulting in the creation of fixed assets	6,868
4,775	Revenue expenditure funded from capital under statute	4,043
10,359	The above revenue expenditure funded from capital under statute forms part of the deficit on the Income and Expenditure at page 19 Total capital expenditure in the year	10,911
	Resources applied to finance capital expenditure incurred in the year	
	<u>External resources</u>	
1,218	Grants	1,652
2,314	Developer's contributions	2,174
	<u>Internal resources</u>	
6,481	Capital receipts	3,019
271	Revenue contribution to capital	149
75	Use of reserves	93
10,359	Total of all resources applied to finance capital expenditure	7,087
-	Use of prudential code borrowing to finance specific element of the capital expenditure	3,824
10,359	Total capital expenditure in the year	10,911

The Council's actual capital expenditure in the year was £10,911,000. The Council achieved 89% of the final approved capital budget of £12,200,000.

STATEMENT OF ACCOUNTING POLICIES

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2008-09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2008 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

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 stocks on the balance sheet where the items purchased are of a material nature.

Works are charged as expenditure when they are completed, before which they are carried as assets under construction on the balance sheet.

Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment. Interest accruals are an integral part of the carrying amount of financial instruments.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

STATEMENT OF ACCOUNTING POLICIES continued

3 Provisions continued

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4 Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the council - these reserves are explained in the relevant policies that follow.

5 Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme meaning that the liabilities of the Hampshire County Council 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, employee turnover rates, etc, and extrapolation of projected earnings for current employees.

Liabilities are discounted to their value at current prices in respect of the Council after the accounting date using the projected unit method. Allowance is made for the expected future increases in pay and pension. The liability value represents the amount of money that needs to be set-aside now to meet the benefits that the Council is committed to provide for the service up to the accounting date on the basis of the assumptions made.

STATEMENT OF ACCOUNTING POLICIES continued

6 Retirement Benefits continued

The assets of the Hampshire County Council pension fund attributable to the Council are included in the balance sheet by making assumptions about their long-term rate of return. In particular, the key financial assumption for discount rates at 31 March 2009 and 31 March 2008 are based on the Hewitt derived AA corporate bond yield curve and the average weighted liability duration for the Employer.

The change in the net pension's liability is analysed into seven components:

Current service cost - the increase in liabilities arising from years of service earned this year - allocated in the Income and Expenditure Account 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Income and Expenditure Account.

Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Income and Expenditure Account.

Gains/losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses.

Contributions paid to the Hampshire County Council pension fund - cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits - the Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

8 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.

Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are combined in the Income and Expenditure Account as part of Net Cost of Services.

9 Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Amortisation on software licences is applied over a 5 year period utilising the straight line method. Detailed information on amortisation is given on page 32.

10 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties (which were subject to a revaluation at 1 April 2004), and assets surplus to requirements have been included on the balance sheet at full market value.

10 Tangible Fixed Assets continued

- Other land and buildings - lower of net current replacement cost or net realisable value in existing use.

- Vehicles, plant and equipment - historic cost (lower of net current replacement cost or net realisable value)

- Infrastructure assets and community assets - depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties - existing use value.

- Specialised operational properties - depreciated replacement cost.

- Investment properties - market value.

- Assets under construction - historic cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment losses previously charged to a service revenue account.

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

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted in one of the following two ways:

- Where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account.

- Otherwise - written off against any revaluation gains attributable to the relevant asset in the revaluation reserve with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

STATEMENT OF ACCOUNTING POLICIES continued

10 Tangible Fixed Assets continued

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts associated to housing related item disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. The Council's policy is disclosed in the table below.

Asset classification	Years	%	Depreciation method
Buildings, community, infrastructure	-	2	reducing balance
Land and Investment properties	-	-	not depreciated
Vehicles	5	-	straight line
Playgrounds	10	-	straight line
Plant and equipment	3 - 15	-	straight line
Assets under construction	-	-	not depreciated

Detailed information on depreciation is given on page 32.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service account.

11 Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service; and other losses where there are no accumulated gains in the revaluation reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12 Revaluations

In accordance with the accounting code of practice, periodic revaluation of fixed assets is undertaken every five years or less. Upon revaluation, the fixed assets figure in the balance sheet is amended to reflect the revised valuation along with a corresponding entry in the revaluation reserve. Most land and buildings were subject to revaluation on 1 April 2004 following work undertaken by RICS qualified staff in the District Valuer Service of the VOA.

13 Income from disposals of fixed assets

Income received from the disposal of fixed assets has been applied to the usable capital receipts reserve on the balance sheet with the exception of some housing asset disposals which are deemed to be revenue income as they are under £10,000. At the time of disposal, the net book value of the asset sold is deducted from the relevant fixed asset category on the balance sheet and written off against the fixed asset restatement account. In addition, receipts for less than £10,000 derived from the sale of vehicles are retained by services and not applied to the Usable Capital Receipts Reserve.

14 Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets for the Council. Revenue expenditure funded from capital under statute charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

15 Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

16 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

16 Financial Liabilities continued

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

17 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 - are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

17 Financial Assets continued

Available-for-sale assets - are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. These instruments could be traded on any market day and are therefore categorised as short-term investments on the balance sheet.

- Assets are maintained in the Balance Sheet as short-term investments at fair value. Values are based on the following principles:
- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

18 Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost.

19 Contingent Liabilities

Where the Council is aware of potential liabilities (usually from pending court decisions) that are likely to occur a provision is made. Where it is unlikely but possible, a contingent liability is disclosed in the notes to the accounts.

20 Contingent Assets

Where the Council is aware of significant contingent assets, a note is contained in the accounts describing the nature, value and date of potential receipt.

21 Area Based Grant

From 2008-09, Local Area Agreement Grant has been replaced by Area Based Grant (ABG). The Council recognises that it is a non-ringfenced grant, and no conditions on its use are imposed as part of the grant determination. This allows for full local control over how the funding can be used. ABG is a general grant, included in the Income and Expenditure Account with other general income sources such as income from the collection fund and NNDR distribution.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

CLlr S Holes

Vice Chair in the Chair of Audit & Risk Management Committee

Date: 23rd June 2009

The Chief Financial Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority SORP

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents fairly the financial position of Eastleigh Borough Council and its income and expenditure for the year ended 31 March 2009.

Nick Tustian CPFA

Corporate Director (CFO)

This document was signed on June 23rd 2009. A copy of the signature can be made available by contacting Eastleigh Borough Council Financial Services Unit on 023 8068 8005 or emailing corporate.accountancy@eastleigh.gov.uk

Date: 23rd June 2009

INCOME AND EXPENDITURE ACCOUNT

This statement is fundamental regarding the Council's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Council's functions.

2007-08 Net Exp £000	Income and Expenditure Account	2008-09 Gross Exp £000	2008-09 Gross Income £000	Net Exp £000	Note
590	Central Services to the Public	1,392	593	799	
12,110	Cultural, Environmental and Planning Services	21,458	11,052	10,406	
1,505	Highways, Roads and Transport Services	6,579	5,401	1,178	
670	Housing Services	29,882	28,624	1,258	
11	Social Services	164	154	10	
3,624	Corporate and Democratic Core & non-distributed costs	6,817	2,367	4,450	
18,510	Net Cost of Services	66,292	48,191	18,101	
(789)	Deficit/(Surplus) arising on the disposal of fixed assets			92	
1,868	Precepts of local precepting authorities			1,970	
300	Interest payable and similar charges			195	51
(1,257)	Interest and investment income			(1,227)	51
750	Pensions interest cost and expected return on pensions assets			1,440	1
19,382	Net Operating Expenditure			20,571	
(7,564)	Demand on the Collection Fund			(7,893)	
(1,066)	General government grants			(1,055)	
(6,354)	Non-domestic rates redistribution			(6,662)	
4,398	Deficit for the year			4,961	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This is a statement of the amounts in addition to the Income and Expenditure Account deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund.

2007-08 Net Exp £000	Statement of movement on the General Fund balance	2008-09 Net Exp £000	Note
4,398	Deficit for the year on the Income and Expenditure Account	4,961	
(4,787)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Reconciling items within this amount are shown below)	(4,150)	
(389)	(Increase)/Decrease in General Fund Balance for the year	811	2
<u>2,687</u>	General Fund Balance Brought Forward	<u>3,076</u>	42
3,076	General Fund Balance Carried Forward	2,265	42
2007-08 Net Exp £000	Detail of the statutory and non-statutory amounts debited and credited to the General Fund	2008-09 Net Exp £000	
	Amounts included in the Income & Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(57)	Amortisation of intangible fixed assets	(83)	14
(1,761)	Depreciation and impairment of fixed assets	(2,063)	15
2,328	Government grants deferred amortisation	2,481	32
(4,775)	Revenue expenditure funded from capital under statute	(4,043)	
789	Net gain on the sale of fixed assets	(92)	
(3,750)	Net charges made for retirement benefits in accordance with FRS17	(3,210)	33
	Amounts not included in the Income & Expenditure Account, but required to be included by statute when determining the Movement on the General Fund Balance for the year		34 & 35
146	Minimum revenue provision for capital financing	140	38
271	Capital Expenditure charged in year to the General Fund Balance	149	
2,120	Employer's contributions payable to the HCC pension fund	2,240	34
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
(98)	Net transfer to/(from) reserves	331	43
(4,787)	Net Additional Amount required to be credited to the General Fund Balance for the year	(4,150)	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account it includes unrealised gains and losses relating to the valuation of fixed assets and investments, the re-measurement of the net liability to cover the cost of retirement benefits and other relevant items to show the increase/(decrease) in net worth of the balance sheet.

2007-08 Net Exp £000	Statement of total recognised gains and losses	2008-09 Net Exp £000	Note
(4,398)	(Deficit) for the year on the Income and Expenditure account (page 18)	(4,961)	
12,301	Surplus arising on the revaluation of fixed assets	-	37
-	Surplus arising on the revaluation of available for sale financial assets	42	41
9,890	Actuarial gains and losses on Pension Fund assets and liabilities	(12,820)	36
23	Surplus/(Deficit) on the Collection Fund relating to Eastleigh Borough Council	(37)	
17,816	Total recognised gains/(losses) in the year	(17,776)	

BALANCE SHEET

The balance sheet represents a quantitative summary of the Council's financial condition at a specific point in time, including assets, liabilities and net worth.

@ 31 March 2008			Balance Sheet	@ 31 March 2009			Note
£000	£000	£000		£000	£000	£000	
322			Intangible assets	275			14
			Tangible fixed assets				
			Operational assets				
32,878			Other land and buildings	32,973			15
5,440			Vehicles, plant and equipment	5,268			15
1,353			Infrastructure Assets	1,326			15
10,636			Community Assets	10,311			15
			Non-Operational assets				
22,340			Investment Properties	26,164			15
966			Assets Under Construction	2,026			15
	73,935		Total Fixed Assets		78,343		
10			Long-term investments	-			25
433			Long-term debtors	381			26
		443			381		
		74,378	Total long-term assets			78,724	
125			Stocks and work in progress	122			
7			Cash and bank	12			
6,254			Debtors	5,938			27
19,856			Investments	12,095			28
	26,242		Total current assets		18,167		
(754)			Short-term borrowing	(742)			51
(7,866)			Creditors	(6,833)			29
(1,250)			Bank overdraft	(2,547)			51
	(9,870)				(10,122)		
		16,372	Total current assets less current liabilities			8,045	
		90,750	Total assets less current liabilities			86,769	
	(26)		Long-term borrowing		-		51
	(65)		Provisions		(65)		30
	(7,708)		Capital contributions unapplied		(6,394)		31
	(3,708)		Government grants deferred		(5,053)		32
	(19,770)		Liability related to defined benefit pension scheme		(33,560)		33
		(31,277)	Total long-term liabilities			(45,072)	
		59,473	Total assets less liabilities			41,697	

BALANCE SHEET continued

@ 31 March 2008 £000		@ 31 March 2009 £000	Note
	Represented by:		
	- Revaluation Reserve	-	37
64,021	Capital Adjustment Account	63,400	38
(19,770)	Pensions Reserve	(33,560)	33
10,148	Usable Capital Receipts Reserve	7,393	39
101	Deferred Capital Receipts	59	40
	- Available for Sale Financial Instruments Reserve	42	41
3,076	General Fund Balance	2,265	42
1,897	Earmarked reserves	2,098	43
			44
			&
			45
59,473		41,697	

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit & Risk Management Committee on 23rd June 2009.

Nick Tustian CPFA

Corporate Director (CFO)

This document was signed on September 28th 2009. A copy of the signature can be made available by contacting Eastleigh Borough Council Financial Services Unit on 023 8068 8005 or emailing corporate.accountancy@eastleigh.gov.uk

Date: 28th September 2009

CASH FLOW STATEMENT

The cash flow statement presents movements in cash and other assets that are similar to cash (cash equivalents). The purpose of the cash-flow statement is to explain the movement in cash and bank balances held by the Council from the end of the previous financial year (2007-08) through to the end of the financial year 2008-09.

Restated

2007-08 £000	Cash flow statement	2008-09		
		£000	£000	£000
2,991	Net Revenue Activities cash (inflow)/outflow			6,288
	Returns on Investments and Servicing of Finance			
	Cash outflows:			
12	Interest paid			1
	Cash inflows:			
(1,017)	Interest received			(1,176)
(1,005)	Net Returns on Investments and Servicing cash (inflow)/outflow			(1,175)
	Capital activity			
	Cash outflows:			
5,174	Purchase of fixed assets		6,576	
669	Other capital cash payments		178	
5,843				6,754
	Cash inflows:			
(12,600)	Sale of fixed assets		(14)	
(3,182)	Capital grants received		(2,032)	
(876)	Other capital cash receipts		(790)	
-	Sale of long-term investments		(10)	
(16,658)				(2,846)
(10,815)	Net capital activity cash (inflow)/outflow			3,908
(8,829)	Net cash (inflow)/outflow before financing			9,021
	Management of liquid resources			
7,403	Net increase/(decrease) in short term deposits			(7,786)
	Financing			
	Cash outflows:			
2,598	Repayments of amounts borrowed			686
	Cash inflows:			
(1,506)	New short-term loans raised in the year			(629)
(334)	Net movement in cash			1,292

Restated to reflect requirements of the SORP 2008.

Reconciliations for the cash flow statement are at note 50 on page 52.

NOTES TO THE ACCOUNTS

1 Pensions interest cost and expected return on pensions assets

Detail of the pensions' interest charge shown in the I & E Account (£1,440,000 for the year 2008-09) and the expected return on pension's assets is provided in significant detail within notes 33 to 36 starting on page 39.

2 Statement of the significance of the movement on the General Fund balance for the year

The Income and Expenditure Account on page 18 brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set-aside in providing services during the financial year.

However, the accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Council needs to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the financial year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account is reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance contained on page 19 provides the necessary reconciliation. The detail of the reconciling transactions is included within the core financial statements to enable the reader to identify the decrease in the General Fund Balance for the year in the sum of £811,000.

NOTES TO THE ACCOUNTS continued

3 Trading Operations

The following trading operations are included within the body of the Income and Expenditure Account.

2007-08 £000	Trading Operations	Expenditure £000	2008-09 Income £000	Net (Profit) / Loss £000
(36)	Environment Trade Refuse	500	(538)	(38)
(1,254)	Health and Prosperity Corporation Estates	485	(2,019)	(1,534)
(48)	Open Air Markets	15	(90)	(75)
(392)	Wessex House	608	(1,026)	(418)
44	Transport and Streetscene Highway Maintenance and Construction	191	(78)	113
(1,686)	Total of Trading Operations	1,799	(3,751)	(1,952)

4 Section 137 expenditure

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. Authorities are required to disclose any expenditure incurred under s137(3) such as contributions to charities, not-for-profit organisations providing a public service in the United Kingdom and mayoral appeals which is not otherwise authorised. This expenditure amounted to £41,527 in 2008-09 (£42,475 in 2007-08).

5 Publicity expenditure

Section 5 of the Local Government Act 1986 requires Local Authorities to keep a separate account of expenditure on publicity. In accordance with the 1986 Act, there has been no expenditure on party political activities. The total expenditure on advertising and publicity is given below:

2007-08 £000	Publicity Account	2008-09 £000
47	Recruitment advertising	54
179	Promotional advertising	148
4	Other publicity	4
230	Total of all expenditure on publicity	206

NOTES TO THE ACCOUNTS continued

6 Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. Eastleigh Borough Council sets charges for the work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Non-Chargeable	Chargeable	Total Building Control
	2008-09	2008-09	2008-09
	£000	£000	£000
Total Expenditure	75	391	466
Total Income	(2)	(406)	(408)
Deficit/(Surplus) for the year	73	(15)	58
Comparatives for the previous year	2007-08	2007-08	2007-08
	£000	£000	£000
Total Expenditure	59	350	409
Total Income	-	(350)	(350)
Deficit for the previous year	59	-	59

7 Agency income and expenditure

The Council currently undertakes work on an agency basis for Hampshire County Council. The reimbursable expenditure for the year 2008-09 was £890,389 and comparison to the previous financial year is shown in the table below.

2007-08	Agency income and expenditure	2008-09
£000		£000
223	Environmental	235
8	Traffic regulation order works	15
189	Capital schemes	414
225	Administration	226
645	Expenditure reimbursed by income from Hampshire County Council	890

NOTES TO THE ACCOUNTS continued

8 Local Authority Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2008-09 income in the sum of £88,618 was received in respect of charges to other public bodies for providing payroll services, trade refuse, pest control services and dog waste bin emptying.

2007-08 £000	Local Authority Goods and Services Act 1970	2008-09 £000
88	Charge to other public bodies	89

9 Government grants not attributable to specific services

2007-08 £000	Government Grants not attributable to specific services	2008-09 £000
1,066	General government grants	927
-	- Area based grant	128
6,354	Non-domestic rates redistribution	6,662
7,420	Total of all Government Grants not attributable to specific services	7,717

The council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government funding to finance work towards jointly agreed objectives for local public services. The original agreement and action plan was signed in February 2006 and the outcomes, indicators and targets were updated in 2007-08.

In 2008-09 a new national Local Area Agreement framework was introduced which required LAA partnerships to select up to 35 of the new national indicators as priorities for the development of targets for agreement with government. As well as these targets the government also included 10 statutory early years targets. With the new national framework the LAA arrangements, which continued to involve the partners identified below, changed from a voluntary to a statutory obligation for public sector organisations.

The purpose of the Hampshire LAA is:

- To provide over arching management in Hampshire for delivering agreed LAA priority targets
- To agree specific outcomes and targets that will be achieved over the life of each LAA 3 year agreement.
- To form an agreement between relevant Public, Private and Voluntary sector organisations capable of delivering cross cutting outcomes.
- The LAA Partners are: - Hampshire County Council; 11 Hampshire District Councils; the Fire and Rescue Service; Hampshire Constabulary; The Primary Care Trust; Hampshire Strategic Partnership; District Strategic Partnerships and a range of other County wide organisations. More information can be found at <http://www3.hants.gov.uk/localareaagreement.htm>

Eastleigh Borough Council is an LAA Local authority partner that is not the accountable body.

NOTES TO THE ACCOUNTS continued

10 Total remuneration to elected and coopted Members

A detailed analysis of the payments made to members in respect of basic, responsibility and special allowances can be found on the Council's website by referring to the agenda of the Council's Cabinet meeting held on 18th June 2009. Information on these members' allowances was also disclosed in a local newspaper in June 2009. The disclosure shown below is made as a requirement of the Local Authorities (Members' Allowances) Regulations 2003. In accordance with the SORP 2008 the table shows all reimbursement to members including travelling, subsistence and other minor sums for the years 2007-08 and 2008-09. The total amount shown does not include employer's insurance contributions associated with these payments.

2007-08	Total remuneration to elected and coopted Members	2008-09
Restated		£000
£000		£000
377	Total members' allowance paid in the year	394

"Restated" to reflect requirements of the SORP 2008.

11 Number of officers whose remuneration in the year was £50,000 or more

This information is a requirement of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit Regulations 2006.

2007-08	Number of employees whose remuneration was in the range:	2008-09
No		No
13	£50,000 to £59,999	14
2	£60,000 to £69,999	5
2	£70,000 to £79,999	2
2	£80,000 to £89,999	1
1	£90,000 to £99,999	-
1	£100,000 +	1
21	Total number of officers whose remuneration exceeded £50,000	23

12 Audit Fees

Audit fees charged were £141,324 in the year. These fees are analysed in the table below.

2007-08	Audit Fees	2008-09
£000		£000
101	Work related to Code of Practice Audit	100
24	Certification of grant claims	31
6	Inspections of a statutory nature	7
5	All other work	3
136	Total of all audit fees	141

NOTES TO THE ACCOUNTS continued

13 Leases

Vehicles and plant - the Council uses vehicles and plant financed under terms of an operating lease. The amount paid under these arrangements in 2008-09 was £29,544 (2007-08 £95,848).

Commitments under operating leases - the Council was committed at 31 March 2009 to making payments of £9,429 under operating leases, comprising the following elements:

Commitments under operating leases for vehicles and plant	£000
Leases expiring in the year 2009-10	9
Leases expiring between 2010-11 and 2013-14	-
Leases expiring after 2013-14	-

The Council holds no finance leases.

14 Intangible assets

Software licences are held in relation to information systems. The cost is written off over the five-year life of the licences once they become operational.

The table below gives an analysis of the movement in intangible assets.

Movement in intangible assets	£000
Purchase software licences	
Balance at 31 March 2008	322
Additions	36
Written off to revenue in year (amortisation)	(83)
Balance at 31 March 2009	275

NOTES TO THE ACCOUNTS continued

15 Summary of capital expenditure and fixed asset disposals

In accordance with the requirements of the SORP 2007 cumulative depreciation up until 31 March 2007 was netted off against the book value of related assets to enable all assets to be stated as "net book value" as at 31 March 2007. Hence, the value of the assets as at 31 March 2008 and 2009 under the heading "Balance Sheet amount" on operational fixed assets below represents the net book value of those assets with accumulated depreciation for the periods 2007-08 and 2008-09 deducted.

Movement on operational fixed assets						
Operational	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Infra- structure £000	Community Assets £000		Total of all operational assets £000
Cost or valuation						
At 1 April 2008	33,381	6,521	1,380	10,786		52,068
Additions	160	1,182	-	144		1,486
Disposals	-	(176)	-	(300)		(476)
Reclassifications	431	10	-	19		460
Revaluations	-	-	-	-		-
At 31 March 2009	33,972	7,537	1,380	10,649		53,538
Depreciation and impairments						
At 1 April 2008	(503)	(1,081)	(27)	(150)		(1,761)
Charge for 2008-09	(496)	(1,329)	(27)	(211)		(2,063)
Disposals	-	141	-	23		164
Reclassifications	-	-	-	-		-
Revaluations	-	-	-	-		-
At 31 March 2009	(999)	(2,269)	(54)	(338)		(3,660)
Balance sheet amount:						
At 31 March 2009	32,973	5,268	1,326	10,311		49,878
At 31 March 2008	32,878	5,440	1,353	10,636		50,307

All assets are owned by the council, no assets being financed by finance lease or Private Finance Initiative (PFI).

NOTES TO THE ACCOUNTS continued

15 Summary of capital expenditure and fixed asset disposals continued

Movement on non-operational fixed assets				
Non-operational	Investment Properties £000	Assets under construction £000		Total of all non- operational assets £000
Cost or valuation				
At 1 April 2008	22,340	966		23,306
Additions	3,824	1,520		5,344
Disposals	-	-		-
Reclassifications	-	(460)		(460)
Revaluations	-	-		-
At 31 March 2009	26,164	2,026		28,190
Depreciation and impairments				
At 1 April 2008	-	-		-
Charge for 2008-09	-	-		-
Disposals	-	-		-
Reclassifications	-	-		-
Revaluations	-	-		-
At 31 March 2009	-	-		-
Balance sheet amount:				
At 31 March 2009	26,164	2,026		28,190
At 31 March 2008	22,340	966		23,306

16 Information about depreciation and amortisation methodologies

Depreciation is provided for on all assets with a determinable finite life (except for land and investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. The Council's policy is disclosed in the table on the following page.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written to the Income and Expenditure Account to offset depreciation charges made for the related assets in the relevant revenue service.

NOTES TO THE ACCOUNTS continued

16 Information about depreciation and amortisation methodologies continued

Detail of depreciation and amortisation methodologies applied to assets

Asset classification	Depreciation and amortisation methodology
Intangible	<p>Held at historic cost</p> <p>Amortised using straight line method of 20% each year (to nearest £10)</p> <p>If operational in first six months then amortised from 1 October ; second six months from 1 April of the following year</p> <p>Non-operational held as assets under construction</p> <p><i>No deminimis level set</i></p>
Buildings	<p>Held at net current value</p> <p>Depreciated at the rate of 2% per annum on reducing balance to nearest £100</p> <p>Freehold land not depreciated</p> <p><i>Deminimis level set at £5,000</i></p>
Vehicles, plant and equipment	<p>Held at historic cost (the lower of net current replacement cost or net realisable value)</p> <p>Depreciated using straight line method over the asset life determined for that particular asset.</p> <p>Play, recreation and other equipment to the nearest £10</p> <p>Plant and vehicles to the nearest penny</p> <p><i>Deminimis level for IT hardware set at £1,000 No deminimis level set for vehicles, plant and other equipment</i></p>
Infrastructure and community	<p>Held at historic cost</p> <p>Depreciated at the rate of 2% per annum on reducing balance; to nearest £100</p> <p><i>Deminimis level set at £5,000</i></p>
Investment properties	<p>Held at market value</p> <p>Not depreciated</p>
Assets under construction	<p>Held at historic cost</p> <p>No depreciation applied whilst under construction</p>

NOTES TO THE ACCOUNTS continued

16 Information about depreciation and amortisation methodologies continued

A reconciliation between the movements on depreciation and impairment quoted in the tables on pages 29 & 30, (intangible fixed assets & operational fixed assets) related to the revenue effect for depreciation shown at page 19 is given in the table below .

Reconciliation between depreciation and impairment written against fixed assets compared to the General Fund entries made on page 19.	2008-09 £000
<u>Transactions on the balance sheet (fixed assets)</u>	
Amortisation of intangible fixed assets	(83)
Depreciation on operational fixed assets	(2,063)
Impairment on operational fixed assets	-
Total of all depreciation and impairment written against assets	(2,146)
<u>Transactions made within the statutory and non-statutory amounts debited and credited to the General Fund (page 19)</u>	
Amortisation of intangible fixed assets	(83)
Depreciation and impairment of fixed assets	(2,063)
Total charges in the revenue account for depreciation	(2,146)

17 Changes in depreciation

There have been no changes in depreciation methodology in the year 2008-09.

18 Classes of fixed assets held on the balance sheet at current value

The classes of fixed assets held on the balance sheet at current value are Other Land and Buildings.

19 Details relating to the last full asset valuation

The last full asset revaluation was undertaken on 1 April 2004 by the District Valuer South East, an office of the Valuation Office Agency. The VOA are an external body and their staff engaged on the valuation were RICS qualified (Royal Institute of Chartered Surveyors).

The bases of valuation and amounts are given in the table below.

Classification of property	Basis of valuation at 1 April 2004	Amounts £000
Non-specialised operational property	Valued to Existing Use Value (EUV)	8,022
Specialised operational property	Valued using Depreciated Replacement Cost (DRC)	16,578
Non-operational property	Valued at Market Value (MV)	21,770

NOTES TO THE ACCOUNTS continued

20 Details relating to the last full asset valuation - subsequent valuations

Subsequent valuations were made by the Valuation Office Agency for the following properties:

Property	Basis of valuation and date	Amounts £000
Wessex House	EUV 4 June 2004	4,400
Car park, Swan centre, 8h Wells Place	MV 1 April 2005	1,080
Hanns Place car park	EUV 31 March 2006	125
Public convenience, Bishopstoke	MV 1 April 2005	118

The Council is not aware of any material changes in value and therefore the valuations have not been updated in 2008-09. The date for the next full valuation is 1 April 2009. Further details are contained in note 49 (Post Balance Sheet events).

21 Information on assets held

The Council has ownership of assets described in the table below.

Statement of Fixed Assets at 31 March 2009	
Asset Category	Quantity
Operational Assets:	
Other Land and Buildings	
● Civic Offices	1
● Hedge End Depot	1
● Eastleigh Business Centre	1
● The Point Dance & Arts Centre	1
● Fleming Park Leisure Centre	1
● Fleming Park Bowling Green	1
● Fleming Park Golf Course	1
● Car Parks	14
● Market Sites	1
● Public Conveniences	3

NOTES TO THE ACCOUNTS continued

21 Information on assets held continued

Statement of Fixed Assets at 31 March 2009 continued		
Asset Category	Quantity	Area (acres)
Operational Assets (continued):		
Vehicles, Plant & Equipment		
• Vehicles	106	
• Plant & equipment	117	
Infrastructure Assets	85	161.00
Community Assets		
• Allotments		27.68
• Cemeteries	3	
• Community Centres	6	
• Other Community facilities	18	
Parks:		
• Itchen Valley Country Park		319.44
• Lakeside		56.75
• Ecology Park		5.95
• The Lakes		14.55
• Other Parks		4.21
Leisure Facilities:		
• General leisure facilities	4	
• Public Open Spaces		182.35
• Woodland sites	16	62.00
• Recreation and playgrounds		158.63
• Grazing land		296.38
Investment Properties	36	
Assets Under Construction	24	11.77

NOTES TO THE ACCOUNTS continued

22 Summary of capital expenditure and financing

2007-08 £000	Capital expenditure and financing	2008-09 £000
6,350	Opening capital financing requirement	6,204
	<u>Capital investment</u>	
33	Intangibles	36
4611	Operational assets	1,486
941	Non-operational assets	5,344
4,775	Revenue expenditure funded from capital under statute	4,043
	<u>Sources of finance</u>	
(6,481)	Capital receipts	(3,019)
(3,532)	Government grants and other contributions	(3,826)
(75)	Earmarked reserves	(93)
(418)	Sums set aside from revenue (revenue contribution to capital outlay and minimum revenue provision)	(289)
6,204	Closing capital financing requirement	9,886
	<u>Explanation of movements in year</u>	
(146)	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	3,682
(146)	Increase/(Decrease) in capital financing requirement	3,682

23 Significant commitments under capital contracts

The Council has the following significant commitments under capital contracts at 31 March 2009.

Significant commitments under capital contracts	Contract Date	Estimated Completion date	Total contract value £000
Point Phase 3 Dance & Arts Centre	Jan-09	Nov-09	2,600
Swan Centre Pay on Foot	Sep-08	Apr-09	259
Hiltingbury Lower Car Park	Oct-08	Apr-09	58
Total significant commitments under capital contracts at 31 March 2009			2,917

24 Balance sheet analysis of Financial Instruments

The following notes (numbers 25 to 29) provide analysis and detail of balance sheet elements that are also included within the detailed notes on financial instruments to be found at notes 51 through to 54, starting on page 56.

25 Long-term investments

The Council has no long-term investments as at 31st March 2009, having redeemed the debenture in respect of the Local Government Association (LGA) during the financial year 2008-09. Analysis of the long-term investments is given in the table on the following page.

NOTES TO THE ACCOUNTS continued

25 Long-term investments continued

31 03 08 £000	Long-term investments	31 03 09 £000
10	Debenture (LGA Properties)	-
10	Total of all long-term investments	-

26 Long-term debtors

31 03 08 £000	Long-term debtors	31 03 09 £000
141	Housing Association Loans	134
125	Mortgages	81
109	Car Loans to staff	108
58	Other	58
433	Total of all long-term debtors	381

Long-term debtors continue to decrease each year. An element of the mortgages shown above relate to the sale of former Council houses. A deferred credit is held on the balance sheet relating to these former sales. As principal amounts are repaid by mortgagees this deferred credit is released as a usable capital receipt, or as a revenue receipt in circumstances where the principal sum paid is less than £10,000.

27 Debtors

Gross	Bad debt provision	Debtors net of provision	Debtors	Gross	Bad debt provision	Debtors net of provision
31 March 2008 £000	31 March 2008 £000	31 March 2008 £000		31 March 2009 £000	31 March 2009 £000	31 March 2009 £000
1,583	(352)	1,231	Council Tax arrears including court costs	1,547	(332)	1,215
589	(146)	443	NNDR arrears including court costs	452	(116)	336
4	(4)	-	Community Charge arrears	4	(4)	-
2	-	2	Community Charge court costs	2	-	2
870	(348)	522	Benefits	928	(371)	557
2,000	-	2,000	Government and Public Bodies	2,426	-	2,426
1,961	(254)	1,707	Other Debtors	1,339	(274)	1,065
349	-	349	Payments in Advance	337	-	337
7,358	(1,104)	6,254	Total of all	7,035	(1,097)	5,938

NOTES TO THE ACCOUNTS continued

28 Investments including accrued interest

The short term investments relate to temporary investments of surplus cash made in the money market. It is an efficient use of surplus cash on a short term basis. Investments are made in accordance with a strictly defined policy approved regularly by the Council's Cabinet.

31 03 08 £000	Investments including accrued interest	31 03 09 £000
12,254	Temporary investments	10,326
4,474	Money market funds	1,174
3,128	Business reserve accounts	595
19,856	Total of all investments at year end (includes accrued interest)	12,095

29 Creditors

An analysis of creditors is shown in the table below.

31 03 08 £000	Creditors	31 03 09 £000
(606)	Council Tax	(576)
(1,193)	NNDR	(435)
(1,600)	Government and Public Bodies	(1,672)
(3,199)	Other creditors	(2,845)
(90)	Deposits held	(104)
(1,178)	Payments received in advance	(1,201)
(7,866)	Total of all creditors	(6,833)

30 Provisions

Provisions relate to liabilities of uncertain timing or amount that will be incurred.

31 03 08 £000	Provisions	31 03 09 £000
(65)	Early retirement Costs	(65)
(65)	Total provisions	(65)

NOTES TO THE ACCOUNTS continued

31 Capital contributions unapplied

The capital contributions shown on the balance sheet is entirely composed of developer's contributions, awaiting allocation to fund either capital or revenue activities. In certain limited circumstances sums may eventually be repaid to the developer.

31 03 08 £000	Capital contributions unapplied	31 03 09 £000
(7,708)	Total Capital contributions unapplied	(6,394)

32 Government grants deferred

Government grants deferred relates to the unamortised balance of assets resulting from capital expenditure funded by grants and external contributions.

31 03 08 £000	Government grants deferred	31 03 09 £000
(2,504)	Opening balance for the year	(3,708)
	Movements in the year	
(3,532)	Capital expenditure financed by government grants and contributions	(3,792)
	- Adjustment to capital financing for the year 2007-08	34
2,206	Revenue expenditure funded from capital under statute written off	2,294
	- Revenue expenditure funded from capital under statute written off for 2007-08	(34)
122	Depreciation	153
(3,708)	Total government grants deferred	(5,053)

33 Defined benefits pensions

Eastleigh Borough Council participates in the Local Government Pension Scheme administered by Hampshire County Council, which is a defined benefit scheme based on final pensionable salaries. The disclosures within this note relate to funded pensions.

In accordance with Financial Reporting Standard No 17 (FRS17) – Retirement Benefits disclosure of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

Under the SORP 2008 the Council has adopted the amendment to FRS17 published on 7th December 2006. This amendment is effective for accounting periods beginning on or after 6th April 2007. The amendment introduces key changes regarding disclosures and states that the fair value of assets should comprise the bid-value for quoted securities, rather than the mid-market value.

The effect of this change is that the value of scheme assets at 31 March 2008 has been restated in the set of disclosures that follow. The SORP 2008 indicates that the change in pension liabilities does not necessitate a prior period adjustment, but should be accounted for as part of the actuarial gains and losses. The movement in the STRGL for 2008-09 on page 20 therefore accommodates the change in the valuation of liabilities for 31 March 2008 and consolidates this change into the total movement in pension fund assets for the year 2008-09.

NOTES TO THE ACCOUNTS continued

33 Defined benefits pensions continued

A reconciliation of the pension fund balances shown in the 2007-08 statement of accounts to the pension fund statements in respect of 2007-08 and 2008-09 contained in notes 34 & 35 of this set of accounts is provided at note 36.

34 Defined funded benefits pensions

The Council's regular contributions to the Fund for the accounting period ending 31 March 2010 are estimated to be £2.16m. In addition, Strain on the Fund contributions may be required.

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS17 purposes were as shown below.

Principal financial assumptions (% per annum)	31 March 2007 %	31 March 2008 %	31 March 2009 %
Inflation	3.2	3.7	3.4
Rate of general increase in salaries	4.7	5.2	4.9
Rate of increase to pensions in payment	3.2	3.7	3.4
Rate of increase to deferred pensions	3.2	3.7	3.4
Discount rate	5.3	6.8	6.7

Principal demographic assumptions

Post retirement mortality	31 March 2008	31 March 2009
Males		
Base table (in 2007)	PNMA00 (*1a) with allowance for MC improvement for factors to 2007	PNMA00 (*1a) with allowance for MC improvement for factors to 2007
Scaling to above base table rates	110%	110%
Cohort improvement factors (from 2007)	100% of MC (*2)	80% of LC (*3)
Minimum underpin to improvement factors	1.00%	1.25%
Future lifetime from age 65 (currently aged 65)	21.3	22.2
Future lifetime from age 65 (currently aged 45)	23.2	24.5
Females		
Base table (in 2007)	PNFA00 (*1b) with allowance for MC improvement for factors to 2007	PNFA00 (*1b) with allowance for MC improvement for factors to 2007
Scaling to above base table rates	110%	110%
Cohort improvement factors (from 2007)	100% of MC	60% of LC
Minimum underpin to improvement factors	0.50%	1.25%
Future lifetime from age 65 (currently aged 65)	23.4	24.2
Future lifetime from age 65 (currently aged 45)	24.6	26.4

*1a - PNMA00 Pensioners, Males, Normals, Amounts

*1b - PNFA00 Pensioners, Females, Normals, Amounts

Cohort Study identifies a group of people and follows them over a period of time to see how their exposures affect their outcomes

*2 Medium Cohort *3 Long Cohort

NOTES TO THE ACCOUNTS continued

34 Defined funded benefits pensions continued

Expected return on assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS17.

	Long-term expected rate of return 31 March 2007 % pa	Asset split at 31 March 2007 %	Long-term expected rate of return 31 March 2008 % pa	Asset split at 31 March 2008 %	Long-term expected rate of return 31 March 2009 % pa	Asset split at 31 March 2009 %
Equities	7.7	67.2	7.6	61.9	7.0	55.2
Property	6.7	4.5	6.6	5.8	6.0	7.3
Government bonds	4.7	20.7	4.6	26.6	4.0	27.4
Corporate bonds	5.3	2.7	6.8	0.0	5.8	3.9
Other	5.6	4.9	6.0	5.7	1.6	6.2
Total	6.9	100.0	6.7	100.0	5.7	100.0

Basis used to determine expected return

Eastleigh Borough Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within these notes. The overall expected rate of return is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund at 31 March 2009.

Reconciliation of funded status to the balance sheet	Value as at 31 March 2007 Restated £M's	Value as at 31 March 2008 £M's	Value as at 31 March 2009 £M's
"Restated" to reflect requirements of the SORP 2008.			
Notional value of assets	49.72	50.18	40.18
Present value of liabilities	(76.27)	(68.58)	(72.26)
Net pension liability	(26.55)	(18.40)	(32.08)

Analysis of income and expenditure	Period ending 31 March 2008 £M's	Period ending 31 March 2009 £M's
Current service cost	2.27	1.54
Past service cost	0.73	0.23
Interest cost	4.05	4.66
Expected return on assets	(3.38)	(3.31)
Expense recognised	3.67	3.12

NOTES TO THE ACCOUNTS continued

34 Defined funded benefits pensions continued

Changes to the present value of liabilities during the financial year	Period ending	Period ending
	31 March 2008	31 March 2009
	£M's	£M's
Opening present value of liabilities	(76.27)	(68.58)
Current service cost	(2.27)	(1.54)
Interest cost	(4.05)	(4.66)
Contributions by participants	(0.69)	(0.75)
Actuarial gains on liabilities	12.58	0.82
Net benefits paid out	2.85	2.68
Past service cost	(0.73)	(0.23)
Closing present value of liabilities	(68.58)	(72.26)

Changes to the fair value of assets during the financial year	Period ending	Period ending
	31 March 2008	31 March 2009
	£M's	£M's
Opening fair value of assets	49.72	50.18
Expected return on assets	3.38	3.31
Actuarial losses on assets	(2.78)	(13.62)
Contributions by the employer	2.02	2.24
Contributions by participants	0.69	0.75
Net benefits paid out	(2.85)	(2.68)
Closing fair value of assets	50.18	40.18

Actual return on assets	Period ending	Period ending
	31 March 2008	31 March 2009
	£M's	£M's
Expected return on assets	3.38	3.31
Actuarial losses on assets	(2.78)	(13.62)
Actual return on assets	0.60	(10.31)

Analysis of amount recognised within the STRGL	Period ending	Period ending
	31 March 2008	31 March 2009
	£M's	£M's
<i>See note 36 on page 46 for detail of the reconciled amount that appears in the STRGL on page 20.</i>		
Total actuarial gains/(losses)	9.80	(12.80)
Total gain/(loss) in STRGL	9.80	(12.80)

Take up of option to convert pension to lump sums	For pre-2008	For post-2008
	service %	service %
Take up of option to convert pension to lump sums	25.0	75.0

NOTES TO THE ACCOUNTS continued

34 Defined funded benefits pensions continued

History of asset values, present value of liabilities and surplus/deficit	Period ending	Period ending	Period ending	Period ending	Period ending
	31 March	31 March	31 March	31 March	31 March
	2005	2006	2007	2008	2009
	£M's	£M's	£M's	£M's	£M's
Fair value of asset	37.65	46.75	49.80	50.18	40.18
Present value of liabilities	(63.28)	(72.47)	(76.27)	(68.58)	(72.26)
Surplus/(deficit)	(25.63)	(25.72)	(26.47)	(18.40)	(32.08)

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for the periods 2008 & 2007 have been re-measured for this purpose. Asset values for periods ending 2006 & 2005 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

History of experience gains and losses	Period ending	Period ending	Period ending	Period ending	Period ending
	31 March	31 March	31 March	31 March	31 March
	2005	2006	2007	2008	2009
	£M's	£M's	£M's	£M's	£M's
Experience gains/(losses) on assets	1.17	6.26	(0.07)	(2.78)	(13.62)
Experience gains/(losses) on liabilities	2.73	0.02	(0.16)	(0.25)	(0.27)

The history of experiences gain/(loss) on liabilities shown has not been re-stated for the periods 2007, 2006 & 2005 and includes the experience relating to unfunded liabilities.

35 Defined unfunded benefits pensions

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007.

As described in Note 33, Eastleigh Borough Council participates in the Local Government Pension Scheme administered by Hampshire County Council, which is a defined benefit scheme based on final pensionable salaries. The disclosures within this note relate to unfunded pensions.

In accordance with Financial Reporting Standard No 17 (FRS17) – Retirement Benefits disclosure of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

In the accounting period ending 31 March 2010 the Employer expects to pay £0.11M directly to beneficiaries.

The latest actuarial valuation of the unfunded benefits took place as at 31 March 2009. The principal assumptions used by the independent qualified actuaries in updating the latest valuation for FRS17 purposes were as shown below.

NOTES TO THE ACCOUNTS continued

35 Defined unfunded benefits pensions continued

Principal financial assumptions (% per annum)	31 March 2007 %	31 March 2008 %	31 March 2009 %
Inflation	3.2	3.7	3.4
Rate of increase to pensions in payment	3.2	3.7	3.4
Discount rate	5.3	6.8	6.7

Principal demographic assumptions

The principal demographic assumptions for unfunded pensions are exactly as stated for the funded pensions. Reference to these assumptions can be made in the table entitled "principal demographic assumptions" shown at Note 34 on page 40.

Reconciliation of funded status to balance sheet	31 March 2007 £M's	31 March 2008 £M's	31 March 2009 £M's
Present value of liabilities	(1.56)	(1.44)	(1.48)
Net pension (liability)	(1.56)	(1.44)	(1.48)

Analysis of Income and Expenditure	31 March 2008	31 March 2009 %
Interest cost	0.08	0.09
Expense recognised	0.08	0.09

Changes to the present value of unfunded liabilities during the financial year	Period ending 31 March 2008 £M's	Period ending 31 March 2009 £M's
Opening present value of liabilities	(1.56)	(1.44)
Interest cost	(0.08)	(0.09)
Actuarial gains/(losses) on liabilities	0.10	(0.06)
Net benefits paid out	0.10	0.11
Closing present value of unfunded liabilities	(1.44)	(1.48)

Analysis of amount recognised within the STRGL	Period ending 31 March 2008 £M's	Period ending 31 March 2009 £M's
Total actuarial gains/(losses)	(0.10)	0.06
Total gain/(loss) in STRGL	(0.10)	0.06

See note 36 on page 46 for detail of the reconciled amount that appears in the STRGL on page 20.

NOTES TO THE ACCOUNTS continued

35 Defined unfunded benefits pensions continued

History of present value of liabilities and surplus/deficit	Period ending	Period ending	Period ending	Period ending	Period ending
	31 March 2005 £M's	31 March 2006 £M's	31 March 2007 £M's	31 March 2008 £M's	31 March 2009 £M's
Present value of liabilities	-	-	-	1.44	1.48
Surplus/(deficit)	* See note below			(1.44)	(1.48)

History of experience gains and losses	Period ending	Period ending	Period ending	Period ending	Period ending
	31 March 2005 £M's	31 March 2006 £M's	31 March 2007 £M's	31 March 2008 £M's	31 March 2009 £M's
Surplus/(deficit)	* See note below			0.00	(0.03)

* In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note presents the history of liabilities, and experience gain/(loss) on liabilities for periods ending 2008 and 2009. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits on page 43.

36 Reconciliation of funded and unfunded pension statements to the balance sheet

Funded and unfunded pension information is quoted separately in the preceding notes 34 & 35 of this statement of accounts. Note 33 indicates that no prior period adjustment is made in respect of the year 2007-08 in relation to the changes made in the valuation of Pension Fund liabilities as at 31st March 2008. The following reconciliation demonstrates the fund analysis from 31 March 2008 through to 31st March 2009 specifying the change in valuation for 2007-08.

Analysis of the pension fund reserve	Period ending 31 March 2008 £M's	Period ending 31 March 2009 £M's
Pension fund reserve (Page 22 of the Statement of Accounts 2007-08)	(19.77)	
Change of valuation of the fair value of assets (bid-value for quoted securities, rather than the mid-market value)	(0.07)	
Total (adjusted) pension reserve as at 31st March 2008	(19.84)	
Funded pensions (as per table on page 41)	(18.40)	(32.08)
Unfunded pensions (as per table shown higher on this page)	(1.44)	(1.48)
Total (adjusted) pension reserve as year end	(19.84)	(33.56)

NOTES TO THE ACCOUNTS continued

36 Reconciliation of funded and unfunded pension statements to the balance sheet continued

Movement on the STRGL on page 20 for 2008-09	Period ending 31 March 2009 £M's
Total actuarial gains/(losses) for funded pensions (page 42)	(12.80)
Total actuarial gains/(losses) for unfunded pensions (page 44)	(0.06)
Fair value valuation adjustment (2007-08)	(0.07)
Fair value valuation adjustment (2008-09)	0.11
Movement on the STRGL on page 20 for 2008-09	(12.82)

37 Revaluation Reserve

The Revaluation Reserve was created in accordance with the SORP 2007 requirements as at 1 April 2007. The purpose of this account is to reflect movements in fixed assets resulting from revaluations and disposals.

2007-08 £000	Revaluation Reserve	2008-09 £000
-	Opening balance for the year	-
	<u>Movements in the year:</u>	
12,301	Revaluation of operational fixed assets	-
(12,308)	Disposals of operational fixed assets	-
7	Transfer to Capital Adjustment Account - Book value of assets sold	-
-	Closing balance	-

38 Capital Adjustment Account

This account is used for the financing of capital expenditure, and for the application of minimum revenue provision and voluntary revenue provision.

2007-08 £000	Capital Adjustment Account	2008-09 £000
61,322	Opening balance for the year	64,021
	<u>Movements in the year</u>	
6,827	Financing of capital expenditure related to the Council's internal resources	3,295
	- Adjustment to capital financing for the year 2007-08	(34)
(2,571)	Revenue expenditure funded from capital under statute written off	(1,750)
	- Revenue expenditure funded from capital under statute written off for 2007-08	34
146	Minimum revenue provision	140
(1,696)	Depreciation	(1,992)
(7)	Transfer from Revaluation Reserve - Book value of assets sold	-
	- Book value of assets sold/transferred	(314)
64,021	Closing balance	63,400

NOTES TO THE ACCOUNTS continued

39 Usable Capital Receipts Reserve

The accumulated capital receipts held in this reserve represent the proceeds from the disposal of fixed assets. The receipts are held pending their use to finance future capital expenditure.

2007-08 £000	Usable Capital Receipts Reserve	2008-09 £000
3,500	Opening balance for the year	10,148
	Movements in the year	
13,129	Capital receipts received in the year	264
(6,481)	Financing of capital expenditure earmarked from capital receipts	(3,019)
10,148	Closing balance	7,393

40 Deferred Capital Receipts

These capital receipts represent the principal outstanding on mortgages relating to council houses previously sold by the Council.

2007-08 £000	Deferred Capital Receipts	2008-09 £000
134	Opening balance for the year	101
(33)	Receipts released related to mortgage repayments	(42)
101	Closing balance	59

41 Available for Sale Financial Instruments Reserve

This reserve holds the fair value movements on the 'Available for Sale' financial assets, and this amount will be recognised when the asset is redeemed or sold.

2007-08 £000	Available for Sale Financial Instruments Reserve	2008-09 £000
	- Opening balance for the year	-
	- Movements in the year	42
	- Closing balance	42

42 General Fund Balance

The General Fund reserve is effectively held as the main resource to fund a deficit or absorb a surplus resulting from the net General Fund expenditure for each financial year.

2007-08 £000	General Fund Balance	2008-09 £000
2,687	Opening balance for the year	3,076
389	Contribution to/(from) the General Fund in the year	(811)
3,076	Closing balance	2,265

NOTES TO THE ACCOUNTS continued

43 Earmarked reserves

The movement of these reserves was as follows:

31 03 08 £000	Movements in earmarked reserves	31 03 09		
		£000	£000	£000
		(To)/From General Fund	Used to finance capital exp	
45	Uninsured losses	-	(1)	44
25	Interest equalisation	-	-	25
358	Local Area Committees	58	(50)	366
50	Leasing/Interest	-	-	50
53	Highways Agency Fund	(50)	-	3
28	On Street Parking	17	-	45
64	Green Energy	(3)	-	61
450	Grange Park	50	-	500
25	Sidings Maintenance	5	-	30
22	Healthy Living Network	(3)	-	19
25	Wessex House	-	-	25
50	Wessex House Financing	-	-	50
5	Quob Lane Sewer	-	-	5
4	Meals on Wheels	-	-	4
70	The Point	13	-	83
59	Biodiversity Projects	(11)	-	48
104	Recycling	82	-	186
115	HCC Agency Contract Balfour Beatty	(20)	-	95
-	- Capital financing	76	(76)	-
-	- Capital financing capital financing adjustment 07-08	(34)	34	-
2	Insurance	(1)	-	1
-	- Specific Purpose Vehicle for Housing	76	-	76
-	- Building Control	15	-	15
98	Community and Health	(5)	-	93
122	Other reserves	66	-	188
1,774	Total for all earmarked reserves (exc collection fund)	331	(93)	2,012
123	Eastleigh Borough Council's collection fund reserve			86
1,897	Total for all earmarked reserves			2,098

The purpose of each of the reserves shown above at 31 March 2009 is given below:

Uninsured losses - For losses that are not met via the Council's main insurance provider. Use of this reserve assists to reduce the revenue impact of liabilities which otherwise could cause major distortion to the Council's General Fund Revenue Account.

Interest equalisation - Potential unexpected variations in interest rate effects borne by the Council allow for a cautious level of protection for the General Fund Revenue Account.

Local Area Committees (LAC) - Delegated reserves re LAC use on future projects and initiatives.

Leasing/Interest - Variations in the revenue effect of contracted operating leases and related interest charges allow for a level of protection for the General Fund Revenue Account.

NOTES TO THE ACCOUNTS continued

43 Earmarked reserves (descriptions of the nature of reserves) continued

Highways Agency Fund - Income received in relation to Section 38 Agreements to offset future expenditure in relation to the schemes

On Street Parking - Surplus generated from the Decriminalised Parking Services

Green Energy - Reserve for Green Energy initiatives funded by grants from various bodies

Grange Park - Specific reserve for drainage and sewer works currently being carried out at Grange Mobile Home Park

Sidings Maintenance - Reserve for future maintenance at the Sidings industrial units

Healthy Living Network - Composed of unused income (sponsorship, sales etc,) obtained during the term of the Lottery Funded Healthy Living Network between 2002 and 2006 and will be used to sustain the services such as the Mobile Creche and the Healthy Eastleigh web site.

Wessex House - Reserve for specific capital works at Wessex House in line with the programme.

Wessex House Financing - Surplus held in reserve in case of down turn in rental income at Wessex House

Quob Lane Sewer - Future maintenance of sewer

Meals on Wheels - Reserve for major capital expenditure on the meals on wheels service, and will be used for the redecoration and refurbishment of the meals on wheels kitchen and office areas.

The Point - Reserve for future losses which could occur during the transition phase of the redevelopment of The Point

Biodiversity Projects - Specific reserve for Biodiversity projects - Wetlands projects and Damsel Fly project

Recycling - Reserve created from sale of recyclable materials and used in the Waste Management area.

HCC Agency Contract Balfour Beatty - for potential liabilities arising from the Hampshire County Council Agency Agreement and Balfour Beatty

Capital financing - Reserve used by the Council to accumulate capital resources and ultimately apply these resources to finance an element of the capital programme

Insurance - Specific purpose of this reserve is described on page 50

Specific Purpose Vehicle for Housing - Reserve to finance a housing initiative in 2009-10 or later

Building Control - Held in relation to the trading activity regarding partnership with Southampton City Council

Community and Health - Held in relation to community and health initiatives

NOTES TO THE ACCOUNTS continued

43 Earmarked reserves (descriptions of the nature of reserves) continued

Other minor and various reserves for example Fair Trade & Street Lighting

Collection Fund - Eastleigh Borough Council's element of the statutory collection fund

44 Insurance reserve

The Council operates an insurance reserve making allocations of internal insurance charges to service accounts for the provision of risk cover for equipment. A brief summary of the activity for the year is given in the table below.

2007-08 £000	Insurance reserve	2008-09 £000
38	Opening balance for the year	2
	Movements in the year	
	- Charges to the General Fund services for internal risk cover related to items of equipment	7
	- Internal settlements	(8)
(36)	Transfer to the Income and Expenditure Account	-
2	Closing balance	1

45 Eastleigh Borough Council's element of the Collection Fund

The SORP 2008 states that the preferred solution is to account for the collection fund balance (a surplus at the end of the financial year 2008-09) as partly an increase in resources for the Council (increasing the net worth on the balance sheet), and stating the remaining elements of the balance as amounts payable to precepting bodies (within creditors on the Council's balance sheet).

2007-08 £000	Eastleigh Borough Council's element of the Collection Fund	2008-09 £000
914	Surplus on the collection fund at the end of the financial year as stated in the collection fund statements on page 63	660
	Less:	
(791)	Elements of the above surplus transferred to creditors at the year end for the major preceptors (Hampshire County Council, Hampshire Police Authority and Hampshire Fire & Rescue)	(574)
123	Closing balance - Eastleigh Borough Council's element of the collection fund surplus	86

46 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to 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 within note 50 on page 54 relating to the Cash Flow Statement. Disclosure regarding related parties needs to be reported for the following bodies:

- Members of the Council
- Officers
- All other public bodies (except central government - see paragraph above)
- Pension fund
- Assisted organisations
- Management contracts
- Companies and joint ventures

One elected member declared his interest as Chair to the Hiltingbury Community Centre Association as the Centre benefitted from buildings works funded by the Council in the sum of £177,850.

During the financial year 2008-09 the Council continued with its partnerships with Southampton City Council for the provision of the Building Control service, and with Gosport Borough Council for the provision of the Internal Audit service. Strategic focus and decision making remains with the Council, drawing only on the staffing resources from these other Councils to continue to provide the services defined.

47 Analysis of net assets employed

There is a requirement to disclose the net assets employed for the General Fund and Trading Operations.

31 03 08 £000	Analysis of net assets employed	31 03 09 £000
32,663	General Fund	10,608
26,810	Trading Operations	31,089
59,473	Total	41,697

NOTES TO THE ACCOUNTS continued

48 Contingent liabilities

Significant contingent liabilities resulting from the housing stock transfer in March 1996 still exist, together with other liabilities that could potentially impact on the Council. These liabilities are included in the table below:

31 03 08	Contingent liabilities	31 03 09
£000		£000
174	Potential for capital maintenance costs on transferred housing units	116
120	Landscape maintenance regarding pedestrian access to housing units	80
72	Highway maintenance for road systems integral to housing sites	48
366	Total contingent liabilities regarding housing stock transfer made in 1996	244
15	Hamble Jetty - in the event of the partial or total destruction of the jetty	15
72	Concessionary fares scheme - related to potential costs that could arise regarding the Government's strategy on transport issues	-
	- Wildern Mill planning application outcome	100
	- Wide Lane Land - dependent on potential changes in land valuation	71
87	Total all other contingent liabilities	186
453	Total	430

49 Events after the balance sheet date

The Council acquired a major asset of land south of Shakespeare Road, Eastleigh for the sum of £8.1m in May 2009.

The Council commissioned the Valuation Office Agency to value investment properties and other land and buildings on 1st April 2009, in accordance with a regular five yearly cycle. Initial indications were that the investment properties increased by £4.6m and other land and buildings by £1.1m.

50 Cash Flow reconciliations

Restated

2007-08	Reconciliation of the net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow.	2008-09
£000		£000
4,398	Income and Expenditure Account deficit for the year	4,961
(300)	Charges not paid in cash	(195)
789	Non-cash movements regarding the disposal of fixed assets	(92)
(1,630)	FRS17	(970)
(57)	Amortisation of intangible fixed assets	(83)
(1,761)	Depreciation and impairment of fixed assets	(2,063)
2,328	Government grants deferred amortisation	2,481
1,005	Net interest on balances	1,175
33	Deminis deferred receipts transferred to GF revenue account	42
108	Capital contributions (dev cons) transferred to GF revenue account	113
(23)	Collection Fund	37
(68)	Bishopstoke Parish Council precept transferred to investment	(80)
4,822		5,326
(1,831)	Change in net current assets related to revenue activities	962
2,991	Balance as per the revenue activities net cash flow contained within the Cash Flow statement on page 23.	6,288

NOTES TO THE ACCOUNTS continued

50 Cash Flow reconciliations continued

2007-08 £000	Reconciliation of items under the Financing and Management of Liquid Resources sections to the opening and closing Balance Sheets	2008-09 £000
19,856	Closing short-term investments for the year	12,095
8,102	Opening short-term investments for the year	19,856
11,754	Increase/(Decrease) in short-term investments	(7,761)
(4,351)	Non-cash movements in short-term investments	(25)
7,403	Financing and management of liquid resources	(7,786)

2007-08 £000	Reconciliation of the movement in cash to the movement in net funds	2008-09 £000
334	Movement in cash, contained on the cash flow statement on page 23	(1,292)
	<u>Movement in short-term funds</u>	
11,754	Investments	(7,761)
1,059	Borrowing	12
	<u>Movement in long-term funds</u>	
(4,000)	Investments	(10)
4	Borrowing	26
9,151	Movement in net funds	(9,025)

NOTES TO THE ACCOUNTS continued

2007-08 £000	Total Government Grants received in cash	2008-09 £000
	Department for Communities and Local Government	
(1,066)	Revenue Support Grant	(927)
(6,354)	Distribution from NNDR Pool	(6,662)
	- Council tax efficiency information	(10)
	- Cost of collection	(4)
(39)	Homelessness Initiatives Grants	(39)
(494)	Planning Delivery Grant	(415)
(196)	Local Authority Business Growth Incentive	(124)
(37)	Defective Housing Renovations	(32)
(50)	Defective Repurchases	(19)
	- Area based grant planning policy climate change	(22)
(8)	Gypsy & Traveller Grant	-
	- Beacon status award	(73)
(8)	UK On Line Grant	(8)
	- New Growth Point	(463)
	- European Social Fund	(34)
(329)	Disabled Facilities Grants	(360)
(8,581)	Sub-total:	(9,192)
	Department for Culture, Media and Sport	
	- Free swimming	(36)
	- Sub-total:	(36)
	Department for Environment, Food and Rural Affairs	
(9)	Air Quality	(5)
(18)	Stewardship Grant	(16)
	- Waste Performance Efficiency Grant	-
	- Waste & Resources Action Programme	-
(5)	Single Payment Scheme	(6)
	- Contaminated Land	-
(32)	Sub-total:	(27)
	Department for Health	
(46)	Smoke Free	-
(46)	Sub-total:	-
	Department for Justice	
	- Data standards grant	(3)
	- Sub-total:	(3)
(8,659)	Sub-total of all grants on this page	(9,258)

The above table continues on page 55

NOTES TO THE ACCOUNTS continued

2007-08 £000	Total Government Grants received in cash	2008-09 £000
(8,659)	Sub-total of grants on page 54	(9,258)
	Department for Work and Pensions	
(687)	Housing and Council Tax Benefit Administration	(669)
(4,648)	Housing and Council Tax Benefit Subsidy	(4,489)
(20,783)	Housing Benefit Rebates	(20,085)
	- Anti Fraud Incentive subsidy	-
(10)	Housing Benefit Discretion Rent Allowance	(12)
(98)	Housing Benefit Local Housing Act	-
(13)	Housing Benefit Management Information System	-
(25)	Housing Benefit Employment Support Allowance	(2)
(43)	Non HRA Rent Allowances Subsidy	(59)
(26,307)	Sub-total:	(25,316)
	Department of Transport	
(60)	Concessionary Travel	(305)
(60)	Sub-total:	(305)
	Other Bodies	
(4)	Hampshire County Council - Eastleigh Strategic Partnership	-
(217)	Hampshire County Council - Local Area Agreements	-
	Hampshire County Council - Area Based Grant	(105)
	Hampshire County Council - Youth Opportunities Fund	(104)
	- Hampshire Primary Care Trust	(27)
(2)	Forestry Commission - Stewardship grants	(3)
(84)	Other Local Authority Grants	(62)
(19)	Health & Safety Executive	-
	Lottery funding	(40)
	- Arts Council	(122)
(100)	Energy Savings Trust	-
(120)	Hampshire County Council - Sale of Recyclables	(335)
(546)	Sub-total:	(798)
(35,572)	Total of all government grants received in cash	(35,677)

NOTES TO THE ACCOUNTS continued

51 Financial Instruments

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

Long-Term 31 March 2008 £000	Short-Term 31 March 2008 £000	Borrowings and investments disclosed in the balance sheet	Long-Term 31 March 2009 £000	Short-Term 31 March 2009 £000
(26)	(2,004)	Financial liabilities at amortised cost	-	(3,289)
10	19,863	Loans and receivables	-	8,942
-	-	Available for sale financial assets	-	3,165

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

31 March 2008 £000	Gains and losses recognised in the Income and Expenditure Account and the STRGL in relation to financial instruments	31 March 2009 £000
300	Financial Liabilities Interest from Financial Liabilities measured at amortised cost	195
(1,257)	Financial Assets Interest from Loans and receivables	(1,192)
-	Yield from available for sale financial assets	(35)
(957)	Net (gain) for the year	(1,032)

There are no losses or gains on derecognition or impairment to disclose for either of the two financial years quoted in the above table.

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value has been 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:

- estimated interest rates at 31 March 2009 to calculate a discount rate equal to the current rate instrument from a comparable lender
- determination of the structure and terms of a comparable instrument
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are shown in the table on the next page:

NOTES TO THE ACCOUNTS continued

51 Financial Instruments continued

Carrying amount 31 March 2008 £000	Fair Value 31 March 2008 £000	Loans and receivables and financial liabilities fair values	Carrying amount 31 March 2009 £000	Fair Value 31 March 2009 £000
19,873	19,815	Loans and receivables	8,942	8,919
-	-	Available for sale financial assets	3,165	3,207
(2,030)	(2,030)	Financial Liabilities	(3,289)	(3,289)

The fair value of loans and receivables combined with available for sale financial assets is higher than the carrying amount for 2008-09 because the Council's portfolio of investments includes a small number of fixed rate investments where the interest rate is higher than the rates available for similar investments at the balance sheet date. This guarantee to receive interest above current market rates increases the amount the Council would have received if it were to make an agreement to permit early redemption.

The Council's activities expose it to a variety of financial risks:

- 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 that financial losses might arise for the Council as a result of changes in such measures as interest rates and stock market 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 central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies for covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

52 Credit risk - Financial Instruments

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score, together with determination of maximum duration and categorisation of investment sum. Considerable review and examination of the Council's investments was undertaken in the latter months of the financial year, as the extent of the banking crisis developed in the United Kingdom. The information on the following page provides a summary of the Council's investment strategy for the year 2008-09.

52 Credit risk - Financial Instruments continued

Strategy for specified investments at the beginning of 2008-09

The Council's specified investments were in the following investment instruments and classified as "Specified Investments" for a maximum maturity period of 12 months:

- Term deposits in banks and building societies with a minimum ratings as follows (long-term A or equivalent; short-term F1 or equivalent; individual B/C or equivalent, support 1, 2, or 3). The limit is £3m per institution, with the exceptions as below.
- Certificates of deposit with banks and building societies meeting the above credit criteria;
- Deposits with other local authorities;
- Money Market funds with a AAAM rating or equivalent and a Constant Net Asset Value (Constant NAV); the limit is £3m per institution (subsequently changed to £5m in January 2009)
- UK Government bonds (Gilts); and,
- UK Treasury Bills.

Strategy for non-specified investments during 2008-09

"Non-Specified Investments" satisfied all the criteria of "Specified Investments"; however the maximum maturities were as shown below. They covered the following investments (where applicable):

Investments	Criteria	Maximum duration
a) UK government bonds	Gilts are Triple-A-rated	10 years
b) Bonds issued by Multilateral Development Banks	Triple-A-rated or equivalent	Restricted to a maximum of 40% of overall investments and maximum maturity of 5 years
c) Bonds issued by institutions where the bond has an explicit UK Government Guarantee	Triple-A-rated or equivalent	Maximum of 40% of overall investments and maximum maturity of 5 years
d) Deposits including callable deposits and forward deposits, and certificates of deposit with banks and building societies with a 'AAA' or 'AA' category.	Long-term rating in the 'Double-A' category or 'Triple-A' category; support rating of 1 or 2	5 years
e) Bonds and floating rate notes issued by corporate bodies	Issue and issuer rating having as a minimum a long-rating in the 'Double-A' category	Maximum of 25% of overall investments and maximum maturity of 5 years
f) Money Market Funds and Collective Investment Schemes		Maximum of 40% of overall investments. These funds do not have a fixed maturity date

52 Credit risk - Financial Instruments continued

The banking crisis refocused attention on the treasury management priority of security of capital monies invested. The Council reviewed its approach and assessed a wider range of indicators for credit strength rather than a pure reliance upon credit ratings.

Financial markets and financial institutions remained in a state of heightened risk as the impact of the banking crisis continued to adversely affect the global economy. The Council's investment activities were restricted in the later months of 2008-09 as a consequence in order to demonstrably address the prevailing higher risk backdrop.

The Council imposed a restriction regarding the use of the investment instruments outlined in the previous pages in the closing months of 2008-09, and investments in banks and building societies (on a term or certificate of deposit basis) were limited to UK banks and building societies that have a minimum Double-A long term credit rating and F1+ short term rating and are participants in the UK Government's Credit Guarantee Scheme (CGS). The Council limits investment into each institution to a maximum of £5m.

The core strategy for investment defined on page 58 therefore remains in abeyance until the Council, together with their treasury management advisors deem that the economic crisis no longer poses significant risk to the investment potential for the Council.

The Council had no interest in Icelandic banks on 31st March 2009.

The changes to the policy for investments were made in January 2009 as part of a review of the treasury management process in light of the economic circumstances that prevailed at that time.

Customers are assessed, taking into account their financial position, past experience and other factors.

The Council also receives income from Council Tax, Business Rates and for Housing Benefit overpayments. These are statutory debts and whilst the Council endeavours to collect this income, it cannot choose who its counter-parties are in relationship to these debts. Such statutory debts are not classified as financial instruments, and for this reason no reference to statutory debts is contained within the tables on the following page.

NOTES TO THE ACCOUNTS continued

52 Credit risk - Financial Instruments continued

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Analysis summarising the Council's potential maximum exposure to credit risk					
@ 31 March 2008			@ 31 March 2009		
Estimated maximum exposure to default & uncollectability	Amount @ 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions @ 31 March 2009	Estimated maximum exposure to default & uncollectability	
£000	£000	%	%	£000	
	A	B	C	(A * C)	
- Deposits with banks and financial institutions *	12,107	-	-	-	
- Long-term debtors #	381	-	-	-	
18 Court costs	98	17.7	16.3	16	
- Government & Public Bodies *	2,426	-	-	-	
6 Customers	1,339	0.4	0.2	3	
24				19	

* The Council does not expect any default in relation to these elements.

The Council does not expect any default that could ultimately result in financial loss in relation to this element

The Council does not generally allow credit for customers, such that £0.992m (£1.171m in 2007-08) of the £1.339m balance (£1.961m in 2007-08) is past its due date for payment. Note 27 on page 37 shows a provision of £0.274m (£0.254m in 2007-08) relating to these customers. The past due amount can be analysed by age as follows:

31 March 2008 £000	Customer balances past their due date for payment	31 March 2009 £000
938	Less than two months	512
25	Two to five months	85
58	Five months to one year	131
150	More than one year	264
1,171	Total	992

53 Liquidity risk - Financial Instruments

The Council has ready access to borrowings from the Public Works Loans Board, and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council currently has significant investments, and should the market present unfavourable interest rates regarding borrowing there is a strategy of reducing investments to maintain liquidity. The maturity analysis of financial liabilities is given in the table below:

31 March 2008 £000	Maturity analysis of financial liabilities	31 March 2009 £000
(9,867)	Less than three months	(10,122)
(2)	Three to six months	-
(1)	Six months to one year	-
(26)	More than one year	-
(9,896)		(10,122)

All trade and other payables are due to be paid in less than one year. The above table does not include capital contributions of £6,394,000 (£7,708,000 in 2007-08). The Council expects to apply this sum to revenue and capital activities in future years.

54 Market risk - Financial Instruments

Interest rate risk

The Council is exposed to some risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have an impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rate - the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rate - the fair value of borrowings will fall
- Investments at variable rate - the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rate - the fair value of investments will fall. Where fixed rate investments have short maturities, the effect will be similar to that for variable rate investments, as the replacement investments will generate more income to the Income and Expenditure Account.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and directly effect the General Fund balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

NOTES TO THE ACCOUNTS continued

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly monitoring during the year. This allows for any adverse changes to be accommodated.

According to the above strategy, at 31 March 2009, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2008-09 would have been:

Year Ending 31 March 2008 £000	Effect in the financial year of a 1% higher interest rate	Year Ending 31 March 2009 £000
11	Increase in interest payable on variable rate borrowings	13
(192)	Increase in interest receivable on variable rate investments	(187)
(181)	Additional interest that would have been to the benefit of the Income and Expenditure Account if interest rates had been 1% higher in the year	(174)

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

55 Price risk and foreign exchange risk

The Council has no equity shares or shareholdings, and has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to fluctuations regarding price and foreign exchange risks.

56 Date the accounts were signed and authorised for issue

These accounts were signed by the Corporate Director (CFO) - Nick Tustian CPFA, and approved by the Vice Chair in the Chair of Audit & Risk Management Committee - Cllr S Holes on 23rd June 2009.

Subsequent amendments to these accounts were made during the external audit process, and the balance sheet on page 22 carries a statement authorised by the Chief Financial Officer that "these financial statements replace the unaudited financial statements authorised at the meeting of the Audit & Risk Management Committee on 23rd June 2009".

COLLECTION FUND

This account reflects the statutory requirement for a billing authority to maintain a separate collection fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax. It also illustrates the way in which these have been distributed to preceptors and the General Fund.

2007-08		Collection Fund	2008-09	
£000	£000	INCOME	£000	£000
52,865		Income from Council Tax	55,651	
4,369		Transfers from General Fund: Council Tax Benefits	4,728	
43,195		Income collectable from business rate payers	46,899	
-		Contributions Adjustment of previous year's community charges	-	
	<u>100,429</u>	Total Income		<u>107,278</u>
		EXPENDITURE		
	56,990	Precepts and demands from County and District		60,580
42,886		Business rate: Payment to national pool	46,678	
154		Costs of collection	153	
	<u>43,040</u>			<u>46,831</u>
		Bad and doubtful debts Increase in provisions		
151		Business rate payers	61	
59		Council tax	60	
	210			121
	<u>100,240</u>	Total Expenditure		<u>107,532</u>
		MOVEMENT ON FUND BALANCE		
	189	(Deficit) for year		(254)
	725	Balance brought forward		914
	<u>914</u>	Balance carried forward		<u>660</u>

NOTES TO THE COLLECTION FUND

Note 1 - Rateable values used for Business ratepayers

2007-08	2008-09
109,799,884 Total rateable value as at 31 March	111,072,814
44.4p National Non-Domestic Rate for the year	46.2p
44.1p Small business rate relief	45.8p

Note 2 - Council Tax Base for 2008-09 by banding

Band	Value Range	No. of dwellings	Ratio to Band D	Band D equivalents
A-	Band A with disabled reduction	6.75	5/9	3.8
A	Up to £40,000	3,462.25	6/9	2308.2
B	£40,001 to £52,000	8,591.25	7/9	6682.1
C	£52,001 to £68,000	15,014.50	8/9	13346.2
D	£68,001 to £88,000	8,446.50	9/9	8446.5
E	£88,001 to £120,000	6,410.25	11/9	7834.8
F	£120,001 to £160,000	2,666.00	13/9	3850.9
G	£160,001 to £320,000	918.50	15/9	1530.8
H	Over £320,000	16.75	18/9	33.5
Summary of band D equivalents				44036.8
Band D equivalent of reduction in discount on second homes				69.9
Reduction for non collection				-661.6
Local Tax Base				43445.1

NOTES TO THE COLLECTION FUND continued

Note 3 - Collection Fund Precepts

2007-08 £000		2008-09 £000	£000
41,103	Precept from Hampshire County Council	43,402	
436	Surplus contributable to Hampshire CC	729	
41,539			44,131
5,392	Precept from Hampshire Police Authority	5,888	
57	Surplus contributable to Hampshire Police Authority	96	
5,449			5,984
2,412	Precept from Hampshire Fire and Rescue	2,530	
26	Surplus contributable to Hampshire Fire and Rescue	43	
2,438			2,573
5,614	Precepts and demands from Eastleigh Borough Council	5,789	
82	Surplus contributable to Eastleigh Borough Council	133	
5,696			5,922

2007-08 £000	Precepts and demands from Parish and Town Councils	2008-09 £000	£000
68	Bishopstoke	80	
168	Botley	179	
83	Bursledon	84	
274	Fair Oak and Horton Heath	312	
153	Hamble Le Rice	160	
571	Hedge End	579	
254	Hound	264	
297	West End	312	
1,868			1,970
56,990	TOTAL		60,580



ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

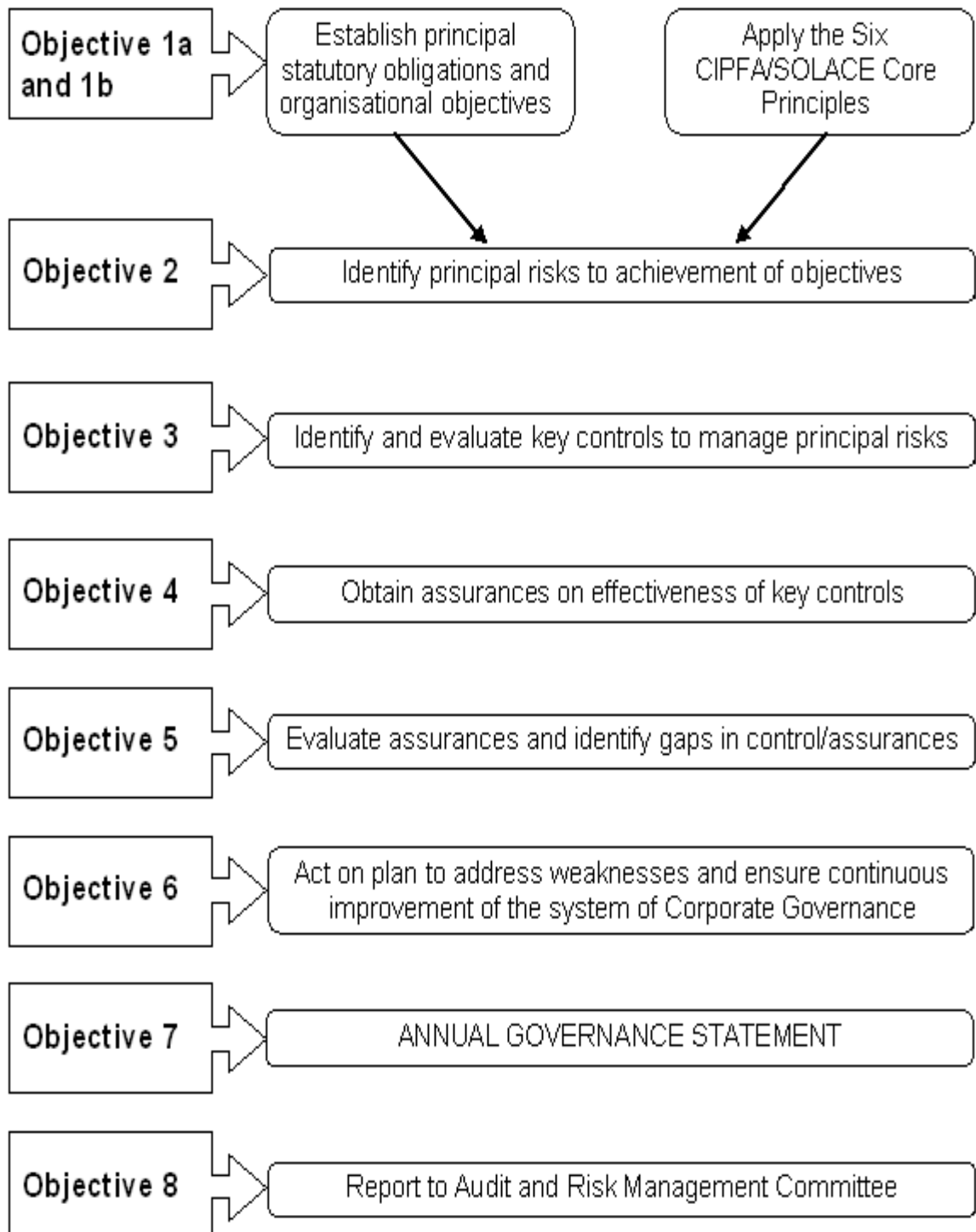
1. Eastleigh Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Eastleigh Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Eastleigh Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
3. Eastleigh Borough Council has completed the Corporate Governance Compliance Checklist which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy is available on the Council's website.
4. Eastleigh Borough Council has also approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at <http://www.eastleigh.gov.uk/>. This statement explains how Eastleigh Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

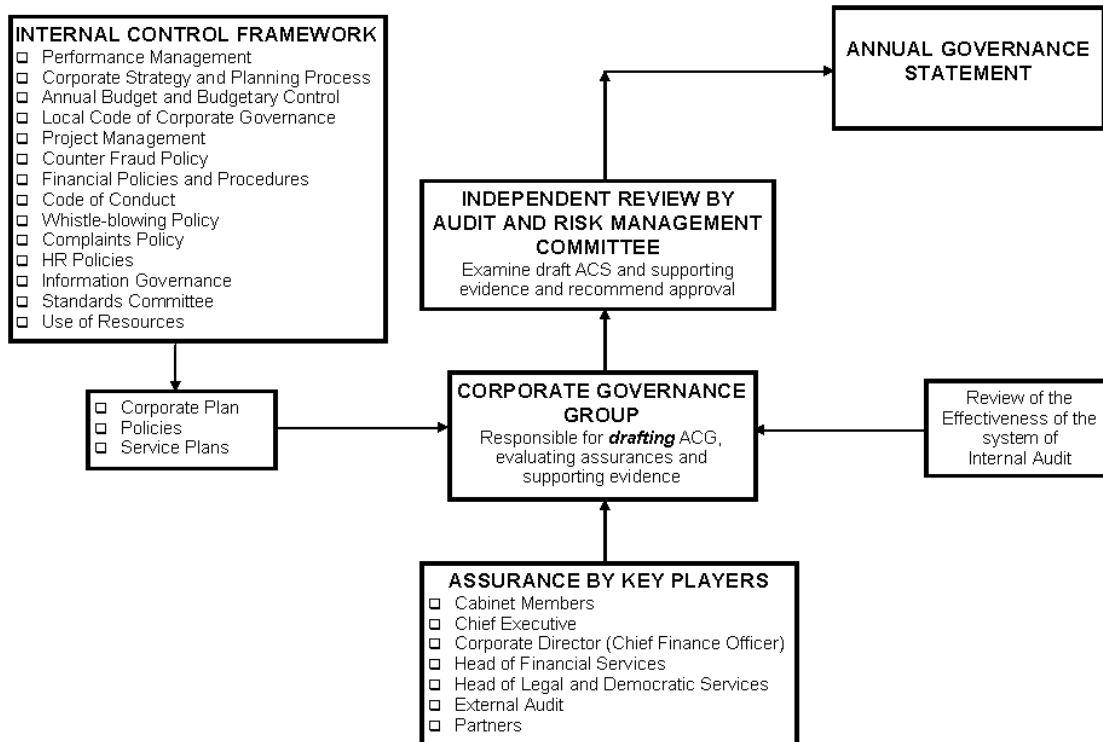
The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of

internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Eastleigh Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

7. The governance framework has been in place at Eastleigh Borough Council for the year ended 31 March 2009 and up to the date of the approval of the 2008/2009 Statement of Accounts.





The above provide assurance on the adequacy and effectiveness of controls over key risks

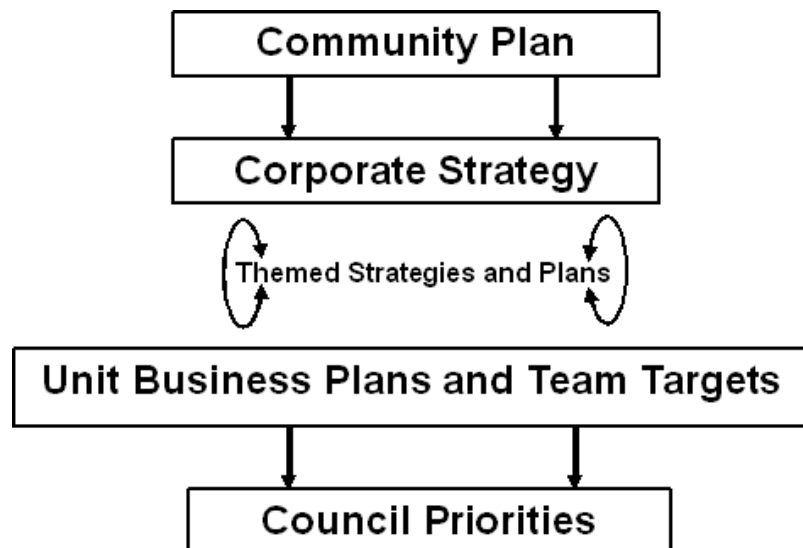
(The diagrams above detail the process of how the Annual Governance Statement is created)

The Governance Framework

8. Our governance framework derives from six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services - a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office of Public Management. The Commission utilised work done by , amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:
 - 8.1 focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
 - 8.2 members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - 8.3 promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- 8.4 taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - 8.5 developing the capacity and capability of members and officers to be effective; and
 - 8.6 engaging with local people and other stakeholders to ensure robust public accountability.
9. The Council is undertaking the following in respect of these core principles:
- 9.1 *Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area*
 - 9.1.1 The Eastleigh Community Plan was developed by Eastleigh Strategic Partnership and is made up of a number of elements:
 - 9.1.1.1 A set of underpinning principles
 - 9.1.1.2 A long term vision for the Borough
 - 9.1.1.3 Eight themes which, in consultation with residents, were identified as important priorities for the Borough
 - 9.1.1.4 A set of theme-based aims and associated short term actions.
 - 9.1.2 The Plan is currently being reviewed in parallel with the development of the Core Strategy of the Local Development Framework. This review includes consultation with the full membership of the Eastleigh Strategic Partnership (our LSP).
 - 9.1.3 Full details can be accessed at www.eastleighstrategicpartnership.org/esp-1.
 - 9.1.4 The Council's Corporate Strategy sets out our aims and key priorities for the area and the actions we propose to take to achieve them. It provides the focus for the development of our service plans and our action plans for staff - the people who ultimately put the strategy into action.
 - 9.1.5 The strategy is driven by our primary purpose to improve the quality of life for all local people. Consequently, the wide range of initiatives included in the strategy has evolved from work with many people:
 - ❖ Our communities
 - ❖ Our partners
 - ❖ Our staff
 - ❖ Our elected councillors

- 9.1.6 The Cabinet receives an annual medium term financial strategy covering a four-year period, which is used to set initial parameters for the coming budget process.
- 9.1.7 We are committed to encourage all members of the local communities to contribute to, and participate in, the work of the Council. We regularly seek the views of Eastleigh Borough Residents through "Viewpoint", a programme of surveys conducted by the Council using its Citizens' Panel, which comprises 800 to 1,000 residents on rotational basis.
- 9.1.8 The diagram below sets out the various links in the process of establishing and monitoring the achievements of the Council's ambitions, and shows the links between the Community and Council plans which then feed into, and are informed by, service plans, service targets and individual employees via specific areas of responsibility allocated to them:



The Council has a Performance Management Framework which was refreshed in 2008. The Council utilises a dedicated IT system (QPR) to record, monitor and report upon performance management information. The system is driven by the Corporate Strategy which focuses attention on Council ambitions, priorities and the targets set in the Local Area Agreement (this sets out the priorities for a local area agreed between central government, the Council, the local strategic partnership and other key partners). This is cascaded through Unit Business Plans, individual employee appraisals and action plans.

- 9.1.9 Management Team, the Cabinet and Scrutiny Panels monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve or recommend corrective

action where necessary. This reporting is undertaken using a traffic light system so as to make interpretation of the results easier.

- 9.1.10 The reporting process is under constant review in order to develop its maximum potential, and we are exploring ways in which the financial information can be more closely linked to the service performance information.
- 9.1.11 The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.
- 9.1.12 Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised.
- 9.1.13 The Council's Corporate Procurement Strategy, approved by Cabinet in October 2006, and which will be reviewed in 2009/10, provides a consistent strategic framework within which to undertake and continuously develop procurement to deliver the Council's corporate objectives, to improve performance and deliver efficiencies. The Strategy encompasses the policy objectives of the National Procurement Strategy and adapts and prioritises them to meet the Council's local context. The Strategy recognises that the Council cannot achieve its objectives alone and emphasises the need to work in collaboration with public, private, social enterprise and voluntary sector partners. A core theme throughout the Strategy is the Council's commitment to social, economic and environmental sustainability. This is a priority throughout the whole procurement life cycle.
- 9.1.14 The Council reviewed its financial procedural rules in February 2007.
- 9.1.15 Risk Management is monitored by the Strategic Risk Management Group (SRMG), which meets approximately every six weeks. The Group reviews risk arrangements and advises the Audit and Risk Management Committee on risk issues within the Council and on existing and planned risk controls.
- 9.1.16 Risks are reported by use of risk registers (also known as risk matrices). Each unit is required to update its own register on a quarterly basis as part of the performance management process. In addition, a corporate register

exists to record high level risks which affect the work of several units or even the whole Council.

9.1.17 A Risk Management User Guide was published in May 2008.

9.1.18 In December 2007, a new Risk Management Framework was produced which included within it a revised policy, an implementation strategy, new risk management processes, a schedule of responsibilities and details of methods to adopt for effective risk management. The document also included revised terms of reference for the SRMG, and was approved by the Resources Scrutiny Panel in January 2008.

9.2 *Members and Officers working together to achieve a common purpose with clearly defined functions*

9.2.1 The Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The Constitution reflects the "Leader and Cabinet" model following the Local Government Act 2000.

9.2.2 The main decision-making committee is the Cabinet, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by Council. Meetings are open to the public except where personal or confidential matters are being discussed. In addition, senior and other officers of the Council can make decisions under delegated authority - again the extent of these delegations is set out in the Constitution. The Council publishes a forward plan which contains details of key decisions to be made by the Cabinet and, occasionally, other committees. Each Cabinet member has a specific portfolio of responsibilities requiring them to work closely with senior and other employees so as to achieve the Council's ambitions. The Council has not adopted individual decision-making powers for the portfolio holders, with a couple of exceptions as detailed in the Constitution.

9.2.3 Management Team meets on a regular basis to develop policy issues commensurate with the Council's aims, objectives, and priorities. Management Team also considers other internal control issues, including risk management, performance management, compliance, efficiency and value for money, and financial management. Management Team meets with Cabinet members on a monthly basis ("Management Liaison") to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues.

- 9.2.4 The management scheme of delegation was reviewed in 2008, and republished as *Management Responsibilities and Delegation*.
- 9.2.5 The Council's Unit Heads receive a briefing from a member of Management Team every Monday morning on key issues happening in and around the Council. Additionally, there is a more interactive monthly "Senior Liaison" meeting where two or three significant topics of current concern to the Council can be explored in more depth and shared approaches agreed. The nature of Senior Liaison means that every Unit gets involved in corporate and strategic issues, and has ownership of what is decided.
- 9.2.6 In addition there are specific groups established to progress issues on a corporate basis.
- 9.2.7 The most significant are the programme boards which oversee the implementation of a portfolio of linked projects. Programme management has been reviewed and strengthened in 2008.
- 9.2.8 Other specific groups include:

GROUP	PRINCIPAL OBJECTIVES
Civic Offices Travel Plan Working Group	<ul style="list-style-type: none"> ❖ To reduce the carbon footprint of staff commuting to the Civic Offices ❖ To reduce the carbon footprint of employees travelling during the course of work ❖ To improve the air quality of Eastleigh in accordance with the Eastleigh AQMA (Air Quality Management Area) ❖ To improve car park management on the Fleming Park Campus ❖ To contribute to reducing congestion on the local road network ❖ To promote the Council's

GROUP	PRINCIPAL OBJECTIVES
	sustainability and planning commitment by "practising what it preaches"
E-Gov Board	❖ To promote and oversee e-government initiatives throughout the Council
	❖ To ensure that new/proposed IT projects and schemes are compatible with existing systems, risk-assessed and workable
Equalities and Diversity Working Group	❖ Development of policies, practices and procedures in relation to: <ul style="list-style-type: none"> ❖ Service planning and delivery ❖ Employment issues ❖ Ensuring effective communication <ul style="list-style-type: none"> ❖ Development and monitoring of service equality action plans
Procurement Executive Group	❖ Review, implement and monitor the Council's procurement rules and procedures <ul style="list-style-type: none"> ❖ Agree variations to Contract Standing Orders ❖ Oversee: <ul style="list-style-type: none"> ❖ The introduction of e-procurement ❖ The procurement strategy ❖ The contracts register ❖ The procurement guidance ❖ Advise on procurement matters, identify and promote improvements and support the procurement process generally
Strategic Risk Management Group	❖ To raise the level of management awareness and accountability for the service risks identified by the Group <ul style="list-style-type: none"> ❖ To develop risk management as part of the culture of the Council ❖ To provide a mechanism for risk management issues to be discussed and disseminated to

GROUP	PRINCIPAL OBJECTIVES
	all areas of the Council ❖ To prioritise and accelerate the risk management strategy recommendations which are critical to the achievement of corporate objectives
	❖ To advise the Audit and Risk Management Committee on risk issues within the Council and on existing and planned risk controls
	❖ To advise the Audit and Risk Management Committee on risk issues within the Council and on existing and planned risk controls
Alcohol Project Board	❖ To monitor and manage the implementation of the Eastleigh Alcohol Harm Reduction Strategy and Action Plan

9.2.9 The Council has also adopted a number of codes and protocols that will govern both member and officer activities. These are:

- 9.2.9.1 Members Code of Conduct
- 9.2.9.2 Protocol on Councillor/Staff Relations
- 9.2.9.3 Code of Conduct for Members and Officers regarding planning matters
- 9.2.9.4 Members' Declarations of Interest
- 9.2.9.5 Member/Officer relations
- 9.2.9.6 Gifts and hospitality

9.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

9.3.1 The Council has designated the Head of Legal and Democratic Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive he will report to the Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision implemented until the report has been considered.

- 9.3.2 All Council services are delivered by trained and experienced people. All posts have a detailed Role Profile and Person Specification. Training needs are identified on an on-going basis (eg, weekly 1:1 meetings) and also through the Annual Appraisal and Personal Development Scheme.
 - 9.3.3 The Council achieved re-accreditation under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.
 - 9.3.4 The Development Control Unit has achieved accreditation under the Charter Mark standard, which is the Government's national standard for excellence in customer service. The Council, led by its Sustainability Team, was awarded Beacon Council status in 2008 for "Tackling Climate Change".
 - 9.3.5 The financial management of the Authority is conducted in accordance with the financial rules set out in Parts 2 and 4 of the Constitution and with Financial Regulations. The Council has designated a specific Corporate Director as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a four-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Strategy.
 - 9.3.6 The Council maintains an Internal Audit section, which operates to the standards set out in the *Code of Practice for Internal Audit in Local Government in the UK*. This section is now being operated under a partnership arrangement with Gosport Borough Council.
 - 9.3.7 Individual Units have produced Business Plans to cover the time period 2008/09. These Plans are updated each year so as to incorporate the Corporate Strategy requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.
- 9.4 *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
- 9.4.1 The Council has several committees which carry out regulatory or scrutiny functions. Following a review of scrutiny in 2007/08 these are:
 - 9.4.1.1 five Local Area Committees to determine planning applications and related matters and to take all other decisions at a local level whenever this can be done (eg, in respect of traffic schemes, community initiatives, youth issues);

- 9.4.1.2 a Standards Committee which promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils with the Borough;
- 9.4.1.3 an Audit and Risk Management Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the Council;
- 9.4.1.4 a Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- 9.4.1.5 four scrutiny panels, aligned with the Council's Strategic Priorities and Cabinet portfolios, which review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. These are:
 - ❖ Community Wellbeing
 - ❖ Environment
 - ❖ Prosperity
 - ❖ Resources

9.5 *Developing the capacity and capability of members and officers to be effective*

- 9.5.1 The Council has a Member Development Group comprising of Members and Officers. The Group drives Member training and development as a whole as well as developing related initiatives and projects. Since 2007/08, we have offered timetabled monthly training sessions covering a wide range of subjects from skills development (eg, chairing skills, time and case management, personal safety and public speaking) to need-to-know subjects (eg, development control, finance and Code of Conduct). We have also sponsored two Members to undertake the new Postgraduate Certificate in Local Governance being offered by South Bank University and South East Employers.
- 9.5.2 As part of their annual allowance members receive an amount for training which is only released once all mandatory training courses set for the year have been attended.

- 9.5.3 All staff receive an annual appraisal with their Line Manager. This serves as a review of achievements, addresses any areas of concern and provides an opportunity to consider future objectives and to devise a Personal Development Plan. Training and support needs are considered at these meetings.
- 9.5.4 An electronic document and records management system was purchased in 2008, and which is now being rolled out across the Council. This will enable it to better locate and manage its stored information and data, plus other knowledge material. This is as part of the coherent, co-ordinated knowledge and information management strategy designed to enhance the accessibility, value and usefulness of the corporate resource that information, data and knowledge represents.
- 9.6 *Engaging with local people and other stakeholders to ensure robust public accountability*
- 9.6.1 The Council actively encourages public participation at all its meetings with a 15 minute "open" session at the start, so that issues of concern that fall within the remit of that meeting can be aired. There is then the opportunity for the public to ask questions, give support to or raise concern on specific agenda items as they are dealt with.
- 9.6.2 The Local Area Committee structure means that the Council can take decisions at a local level. The meetings are held in the areas they cover and public attendance is usually higher than if such meetings were all held in the Civic Offices.
- 9.6.3 Much of the work the Council undertakes is done with public consultation at a level appropriate to the situation. For example, the Council commenced a community governance review in 2008 to ask residents in the unparished area of the Borough whether they want a Parish Council. Four out of five areas consulted indicated a wish to be parished, and so this will be progressed in 2009 and 2010. Similar public consultation was undertaken in 2007 when the Council reviewed its polling places and districts. The Council has a proven track record of working well in partnership with the parish and town councils in the area.
- 9.6.4 The Council also produces a number of very popular publications that help and assist residents. These include the pocket-sized A-Z of Council Services and the Street Guide. Residents can also receive SMS text alerts to advise them on Council initiatives and local activities. The Council's website is updated regularly and contains a wealth of information on the Council and work in which it is involved.

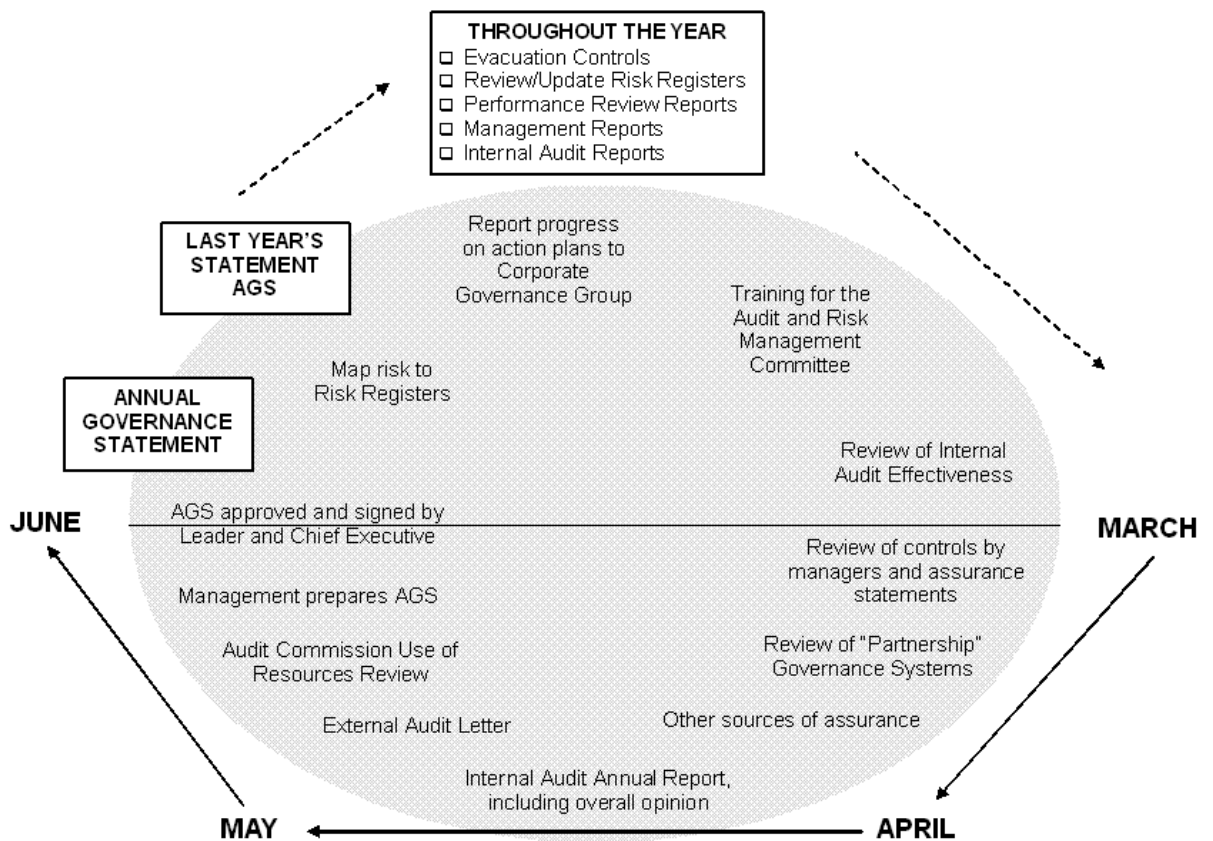
9.6.5 The Council is also transparent in the way it offers a right of recourse to staff and the public. The Council's Whistle-blowing Procedure and formal Complaints Procedure are available on the Council's website.

Review of Effectiveness

10. The Council has responsibility for conducting, at least annually, a review of the effectiveness its governance framework including the system of internal control.

11. As a result of this review, the Council's timetable for preparing future Annual Governance Statements (AGS) is as follows:

January	Commence updating the AGS, Local Code of Corporate Governance and the Governance Compliance Checklist
March	Production of an updated draft AGS, and circulation for comments by senior managers, following the circulation and completion of the Corporate Governance Compliance Checklist. Consideration of, and input into, these documents by Management Team, followed by the Audit and Risk Management Committee.
June	Finalisation and approval by the Audit and Risk Management Committee of the AGS and Code.



12. The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2008/2009.
13. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
14. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:
 - 14.1 The Head of Legal and Democratic Services (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
 - 14.2 The Council has four scrutiny panels. They can establish sub-groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet. Members can "call-in" a decision (also known as a "Minority Order") which has been made but not yet implemented, to enable it to consider whether the decision is appropriate. This is set out in detail in Paragraphs 23.2 to 23.6 of Part 4 of the Constitution, which can be found on the Council's website. The Scrutiny Panel arrangements were reviewed in 2007/08, and the recommendations implemented in

2008/09. There is now a Scrutiny Management Group for the chairs and vice-chairs of the scrutiny panels to further develop the effectiveness of scrutiny and to organise business.

- 14.3 In June 2007 the Standards Committee considered the revised Members' Code of Conduct and recommended its adoption in its model form (this was approved by Council in July 2007), together with arrangements for training Members in its requirements. The Council organised five sessions on this, in both 2007 and 2008, and opened these up to Parish and Town Councillors as well.
 - 14.4 Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan (and regarded as high, medium or low priority) and requires agreement by service managers and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.
 - 14.5 At its meeting in December 2008, the Audit and Risk Management Committee finalised and confirmed its Terms of Reference, thus establishing a clear framework for the Council's audit function and providing an independent assurance of adequacy of risk management and the associated control environment.
15. The Audit and Risk Management Committee, established at Annual Council in May 2008, has had a productive first year. Full details of the Committee and the business conducted can be found on the Council website under the committee meetings section.

Governance Issues

- 16. The following governance issues were identified during 2008/09 as a result of the review of arrangements and by the work of external and internal audit.

NO	ISSUE	ACTION/PROGRESS TO DATE
	Monitoring of critical event logs.	Key events to be identified and independently reviewed.
	Network penetration testing.	Planned and will take place after the network upgrade.
	The electronic and internet policy to be reviewed.	Planned to be reviewed by the ICT Security Group in 2009/10.

NO	ISSUE	ACTION/PROGRESS TO DATE
	Ensure effective monitoring of IT systems.	Monitoring has been introduced and is taken to the ICT Group (chaired by Corporate Director) quarterly.
	A Disaster Recovery Plan to be implemented and tested on a regular basis.	The plan is on schedule and will be tested annually.
	<p>Continued embedding of risk management (including positive risks) through:</p> <ul style="list-style-type: none"> ❖ Improved risk identification and subsequent mitigation. ❖ Improved risk registers that feed into the corporate risk register with action to reduce/mitigate risk. ❖ Comments from audit reviews fed back into the relevant risk register. 	Progress being monitored and reviewed by the Strategic Risk Management Group
	Robust notification and management of staff movements (starters/leavers) in order to properly manage the access to our information network.	HR establishing a robust system to notify ICT of all starters and leavers, for completion during this year.
	There were issues highlighted by both internal and external audit around the monthly preparation and reviewing of the Council's key control account reconciliations.	Resources have been assigned to perform independent monthly reconciliations on a timely basis.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

This document was signed on June 30th 2009. A copy of the signature can be made available by contacting Eastleigh Borough Council Financial Services Unit on 023 8068 8005 or emailing corporate.accountancy@eastleigh.gov.uk

Signed:

Councillor Keith House
Leader of the Council

Bernie Topham
Chief Executive

Date: 30 June 2009

Date: 30 June 2009

Independent auditor's report to the Members of Eastleigh Borough Council

Opinion on the financial statements

We have audited the financial statements of Eastleigh Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for Eastleigh Borough Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure and cashflows for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls.

Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises of the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

Date:

This document was signed on September 28th 2009. A copy of the signature can be made available by contacting Eastleigh Borough Council Financial Services Unit on 023 8068 8005 or emailing corporate.accountancy@eastleigh.gov.uk

Notes:

- (a) The maintenance and integrity of the Eastleigh Borough Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Eastleigh Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers LLP
Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

Date: This document was signed on September 28th 2009. A copy of the signature can be made available by contacting Eastleigh Borough Council Financial Services Unit on 023 8068 8005 or emailing corporate.accountancy@eastleigh.gov.uk

GLOSSARY OF TERMS

Accruals basis - accounting for income and expenditure during the financial year in which it is earned or incurred, not when money is received or paid.

Amortised cost - is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

Area based grant - general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Audit Commission - the independent public body responsible for ensuring that public money is spent economically, efficiently and effectively in the areas of local government, housing, health, criminal justice and fire & rescue services.

Balances - the accumulated excess of income over expenditure in the Income & Expenditure Account. This balance is needed as a cushion against unforeseen expenditure.

Best value - delivering economy, efficiency and effectiveness to secure continuous service improvement – “providing the quality services you want at a price you are willing to pay”.

Best Value Accounting Code of Practice (BVACOP) – the code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities.

Book value – the value of a fixed asset, such as a building or machine, as recorded in an organisation’s books. It is the lower of the depreciated cost and the recoverable amount. The recoverable amount is the higher of the value in use and the net realisable amount.

Budget requirement – planned spending to be met from council tax, general government grant and national non-domestic business rates.

Capital adjustment account - The purpose of the capital adjustment account will be to bear the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets, the historical cost of deferred charges and to be credited with the resources set aside to finance capital expenditure.

Capital expenditure - expenditure for capital purposes comprises the acquisition, construction, replacement or enhancement of land, buildings, plant, machinery and vehicles which adds to and not merely maintains the value of an existing asset. Advances of long-term loans and grants may also be included as capital expenditure in some situations.

Capital programme – a list of capital projects approved to start in a specified financial year.

Capitalisation – treatment of expenditure as capital rather than as revenue.

Capital Receipts - these are the proceeds from the sale of capital assets. In some limited circumstances, a proportion must be paid into a central government pool, but the remainder is available for new capital projects.

GLOSSARY OF TERMS continued

Cash limit – a defined figure set at the start of the financial year to represent the maximum amount that a service can spend.

Collection Fund - under Part VI of the Local Government Finance Act 1988, charging authorities are required to maintain a Collection Fund. The accounts record Council Tax and Non-Domestic Rates collected by the authority along with payments to precepting authorities (i.e. Hampshire County Council, Hampshire Police Authority, Hampshire Fire & Rescue, Parishes serving parts of the Borough and the Councils' own General Fund).

Community asset - an asset that the Council intends to hold forever, that has no determinable useful life and that may have restrictions on its disposal.

Comprehensive Performance Assessment – this considers how well the Council is run, and will affect how services are delivered in the future.

Contingent asset - a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingency provision – a sum included as a central provision within the budget to meet expenditure where timing and scale are uncertain.

Contingent liability – a potential liability that is uncertain because it depends on the outcome of a future event.

Continuing services - services that the Council will continue to provide in the following financial year.

Corporate and Democratic Core - this comprises all activities in which local authorities engage specifically because they are elected, multi purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service. There is therefore no logical basis for apportioning these costs to services.

Council tax - a domestic property tax based on capital values with a personal element (a 25% discount for single adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor - an individual or body to which the Council owes money at the Balance Sheet date. Creditors may also be described as "trade payable and other payables".

Current asset - an asset that is realisable or disposable within less than one year without disruption to services..

Current liability - a liability that is due to be settled within one year.

Current service costs - the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Debtor - an individual or body that owes money to the Council at the Balance Sheet date. Debtors may also be described as "receivables".

GLOSSARY OF TERMS continued

Deferred capital receipts - these are amounts resulting from asset sales where the income is received in instalments over agreed periods. They derive mainly from mortgages on the sale of Council properties (from a time when the Council still operated a Housing Revenue Account).

Deferred charges - for 2008-09 onwards deferred charges has been replaced with the term Revenue expenditure funded from capital under statute.

Defined benefit pension scheme - a pension scheme in which the pensioner's benefits are specified, usually relating to his or her length of service and final salary.

Deposit - a receipt held that is repayable in prescribed circumstances.

Depreciated replacement cost - the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open-market value for the existing use of a specialised property.

Depreciation - the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary increase in pension payments - this increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Doubtful debt - a debt that the Council is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

Emoluments - sums paid to employees, including any expenses or non-monetary benefits, which are taxable, but excluding pension contributions made by the employee.

Exceptional item - an item identified separately in the accounts because of its exceptional nature to ensure the presentation of the accounts is fair.

Existing use value - the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Expected rate of return on pension assets - reflects the actual split between the various asset classes and the pension fund actuary's expected rate of return on each asset class at the start of an accounting period.

Fair value - is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Reporting Standards - accounting standards are prepared by the Accounting Standards Board to apply as far as possible to all accounting entities within the United Kingdom. They apply to all local authorities where they comply with specific legal requirements and are relevant to local authority activities.

GLOSSARY OF TERMS continued

Finance lease - under this type of lease, the organisation paying the lease is treated as if it owns the goods. It gains the profits that would come with ownership but it also suffers the losses.

Financial instruments - represent where a contract gives rise to a financial asset of one entity a financial liability or equity instrument of another. The term "financial instrument" covers most financial assets and financial liabilities. Typical financial instrument liabilities are trade payables, other payables, borrowings and financial guarantees. Typical financial instrument assets are bank deposits, trade receivables, loans receivable, other receivables & advances and investments.

Fixed asset - an asset that yields benefits to the Council and the services it provides for a period of more than one year.

Formula Spending Share (FSS) - the government view of the Council's expenditure "needs" for grant distribution purposes. Calculation is based on a national formula.

Going concern - the concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheets assume no intention to curtail significantly the scale of operations.

Government grants and other contributions deferred - an account that reflects the value of fixed assets in the balance sheet that are financed by specific government grants and other external contributions.

Government grants released - the reduction in the value of a government grant deferred when the corresponding fixed asset is depreciated or disposed of.

Gross revenue expenditure - the total cost of providing the Council's services before deducting income from government grants, or fees and charges for services.

Historical cost - the amount originally paid for a fixed asset.

Impairment loss - a loss arising from an event that significantly reduces an asset's value. Examples are physical damage or a significant decline in the asset's market value during the year.

Infrastructure asset - fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created.

Interest costs on pension - interest on the Council's element of the pension fund.

GLOSSARY OF TERMS continued

Internal recharge - a charge made by one part of the Council to another.

Internal trading account - a service within the Council that operates on a trading basis.

Investment properties - Interest in land and/or buildings:

- in respect of which construction work and development have been completed, and
- which is held for its investment potential, any rental income being negotiated at arm's length.

Long-term borrowing - a loan repayable in more than one year from the Balance Sheet date.

Long-term debtor - an individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

Market value - the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Minimum Revenue Provision - the minimum charge that must be made to the Income & Expenditure Account to set-aside sums for the repayment of borrowing that has been incurred to finance capital expenditure.

National business rate - charges collected by the Council from non-domestic properties at a national rate in the pound set by the government. The proceeds are pooled nationally and distributed to areas in proportion to their population.

Net assets - the amount by which assets exceed liabilities.

Net book value - the current book value of an asset or liability expressed as its original book value net of any accounting adjustments such as depreciation.

Net current liabilities - the amount by which current liabilities exceed current assets.

Net current replacement cost - is the gross current replacement cost, reduced to reflect the physical and functional obsolescence and environmental factors, in order to arrive at the value of the building to the business at the relevant date.

Net operating expenditure - expenditure net of income but before allowing for contributions to and from reserves, revenue financing of capital and provision for debt repayment.

Net realisable value - the existing use value of the asset (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Net revenue expenditure - gross expenditure less fees and charges for services and specific grants, but before the deduction of revenue support grant and national non-domestic business rates.

Net worth - the amount by which assets exceed liabilities (same as net assets).

Non-distributed costs - these are overheads for which no user now benefits and should not be apportioned to services.

GLOSSARY OF TERMS continued

Non-operational asset - a fixed asset held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or development.

Operational asset - a fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

Operational lease - under this type of lease, the risks and rewards of ownership of the leased goods stay with the company providing the goods on lease.

Past service cost - for a defined benefit scheme, the increase in the present value of the scheme's liabilities related to employee service prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Payment in advance - a payment for a service due to be received in a future year.

Post Balance Sheet event - an event that occurs between the Balance Sheet date and the date that the statement of accounts is authorised for use.

Precept - the demand made on the Collection Fund by a number of local government bodies.

Provisions - amounts set-aside in the accounts for liabilities taken where the timing or amount of the settlement of that liability is uncertain.

Realised capital resources - usable capital resources arising mainly from the disposal of fixed assets.

Receipts in advance - a receipt that is attributable to a future year.

Recoverable amount - the value of an asset in its most profitable use, which equates to the higher of either the asset's value in use or net realisable value.

Related party - two or more parties are related when, during the financial period:

- One party has direct or indirect control over another party;
- The parties are subject to common control from the same source;
- One party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times.

Influence from the same source results in one of the parties entering into a transaction which is against its own separate interests.

Reserves - these are set up with a particular purpose in mind. The sums are voluntarily set-aside from surpluses to fund anticipated future payments.

Residual life - the assumed remaining life of a fixed asset used in calculating the depreciation charge.

Revaluation reserve - absorbs the increase in the valuation of fixed assets, but remains a non-distributable reserve in the lower equity area of the balance sheet.

Revenue contribution to capital outlay - the financing of capital expenditure directly from revenue as opposed to financing by borrowing or from other capital resources.

GLOSSARY OF TERMS continued

Revenue expenditure funded from capital under statute - expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year are written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

Revenue expenditure - the day to day cost an authority incurs in providing services.

Short-term investments - an investment that is readily realisable.

Specific grants - central government grants to finance a particular services.

Statement of Accounting Practice (SAP) - accounting practices recommended by the major accounting bodies. Although not all SAPs are relevant to local authorities, they form a guide to best practice that in general should be followed.

Stocks - goods that are acquired in advance of their use in providing services of their resale.

Straight-line basis - dividing a sum equally over a number of years.

Supported capital expenditure (SCE) - central government authorisation for the Council to finance capital expenditure by any form of credit agreement such as loans or finance leasing.

Unrealised capital resources - capital resources that are not usable because they are tied up in fixed assets such as property.

Useful life - the period over which the Council will benefit from the use of a fixed asset.

Value in use - the net present value of future cash flows obtainable as a result of an asset's continued use, including those resulting from its ultimate disposal.

Value to business - the measure of the potential benefits from owning an asset or the potential loss that would arise if the owner were to be deprived of the asset, which equates to the lower of either the asset's net current replacement cost or recoverable amount.

Work in progress - a product or service that is incomplete at the end of the year.

Write off - elimination of an asset over a defined period, usually by means of charging or crediting the Income & Expenditure account.