

EASTLEIGH BOROUGH COUNCIL

Statement of Accounts

for the financial year 2010-11

Nick Tustian CPFA

**Corporate Director
(Chief Finance Officer)**

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EXPLANATORY FOREWORD

a Introduction

The accounting statements that follow show the Council's financial performance for the year 2010-11. The style of presentation of the statement is determined by the Code of Practice on Local Authority Accounting 2010-11 that the Council is legally required to follow. The Council's accounts for the year 2010-11 consist of the following statements:

- **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 prepared under International Financial Reporting Standards (IFRS)**

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus (or deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The (Surplus)/Deficit on Provision of Services is shown in the Movement in Reserves Statement.

2009-10 £000	2010-11 £000
3,865 (Surplus)/Deficit on Provision of Services	(6,489)

The significant difference between the balances on Provision of Services can mainly be attributed to a substantial accounting entry for pensions (IAS 19) in 2010-11 of £12m credit relating to past service costs.

Balance Sheet - The balance sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category are unusable reserves, which reflect equity changes which cannot be distributed.

2009-10 £000	2010-11 £000
32,352 Net worth in the Balance Sheet	45,146
Change in net worth in the Balance Sheet (31 March 2011 over 31 March 2010)	12,794

EXPLANATORY FOREWORD continued

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

All amounts stated in this set of accounts are expressed in round thousands, unless specifically denoted as being displayed to another basis.

- **Accounting Policies** - these are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.
- **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**
- **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 2010-11.

EXPLANATORY FOREWORD continued

b Net Service expenditure and related matters

The 2010-11 service expenditure is presented in the table below, highlighting interest payable and receivable, other operating costs together with income from local taxpayers and government grants. The service expenditure includes the effect of IFRS transactions which are subsequently adjusted out towards the bottom of the table to produce the change in the General Fund Reserve.

2009-10 Net revenue service expenditure and sources of funding		2010-11		
Actual Net Exp £000		Approved Budget £000	Actual Net Exp £000	Variance £000
22,870	Cost of services - continuing operations	9,012	8,992	(20)
2,042	Parish precepts	2,363	2,363	-
-	Payments to the Government Housing Capital Receipts Pool	-	75	75
(525)	(Gain)/Loss on the disposal of Property, Plant and Equipment	(1)	660	661
(7,194)	(Gain) on Investment Property	-	(3,877)	(3,877)
244	Interest and similar charges	400	396	(4)
(267)	Interest and investment income	(427)	(454)	(27)
2,660	Pensions interest	1,610	1,610	-
19,830	Net operating expenditure	12,957	9,765	(3,192)
(8,095)	Demand on the Collection Fund	(8,353)	(8,451)	(98)
(1,634)	General government grants	(1,015)	(1,021)	(6)
(6,236)	Non-domestic rates redistribution	(6,782)	(6,782)	-
8,494	(Surplus)/Deficit for the year	(3,193)	(6,489)	(3,296)
(9,664)	Net additional amount required by statute and non-statutory practices to be debited or credited to the General Fund	2,904	2,348	(556)
1,169	Reverse Capital grants & developers' contributions related to assets	-	2,961	2,961
(74)	Reverse employee benefits (net effect on portfolio in year)	-	(15)	(15)
157	Net transfers to/(from) reserves	108	745	637
82	(Increase)/Decrease in General Fund balance	(181)	(450)	(269)

The actual surplus of £450,000 was budgeted against a surplus of £181,000 producing an overall favourable variance for the financial year 2010-11 of £269,000 for the General Fund.

EXPLANATORY FOREWORD continued

c Material assets acquired or liabilities incurred in the year

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

Material assets acquired

2009-10 £000	Items of material capital expenditure that resulted in addition to non-current assets in the year 2010-11 (The amount of expenditure for the same assets is given for 2009-10).	2010-11 £000
	- Eastleigh House	4,701
	- 4 Twyford Road	1,107
14	Multi-storey Car Park	846
55	Youth Facility in Eastleigh	444
3	10A Pitmore Road	223
8	Itchen Valley Country Park Car Parking	235
1,059	Rosebowl Development	187
	- 51 Kipling Road	174
	- Earth Bar Redevelopment	162
2,328	The Point	135
6	Avenue Park Restoration Project	129
1	Youth Options 73A Hiltingbury	122
212	Woodside Avenue Allotment	103
3,686	Total value of all material capital expenditure that resulted in non-current assets in the year	8,568

Material revenue expenditure financed from capital under statute

Items of capital expenditure that resulted in revenue expenditure financed by capital under statute are listed in the table below:

2009-10 £000	Items of material capital expenditure that resulted in being written to revenue expenditure financed by capital under statute - expenditure for the same scheme is given for 2009-10).	2010-11 £000
641	Wildern Studio Theatre	2,529
798	Disabled Facility Grant	939
255	Housing Association Grant	489
	- Otterbourne Food Waste Transfer Station	111
1,694	Total value of all material capital expenditure that resulted in revenue expenditure financed by capital under statute	4,068

Capital expenditure, in the form of non-current assets and revenue expenditure financed by capital under statute is presented in detail at Note 42 on page 76.

Material liabilities incurred

New material liabilities arose in the financial year 2010-11. The Council continued to acquire further income yielding property assets during the financial year financed by borrowing. In addition, an element of the community investment program relating to other capital items was also financed by borrowing. The borrowing opportunity for both groups of capital expenditure was provided by utilisation of the Prudential Code.

EXPLANATORY FOREWORD continued

c Material assets acquired or liabilities incurred in the year continued

Material liabilities incurred continued

Interest rates on short-term borrowing were relatively attractive during the financial year, and the Council delayed the decision to undertake long-term borrowing in relation to the capital expenditure described in the above paragraph until late in the financial year (2010-11) acquiring £10m of long-term debt from the PWLB in March 2011. For the above reasons, the Council's total net borrowing liability (investments, cash and cash equivalents net of short and long-term borrowing) has significantly increased (in terms of increasing liability) at 31st March 2011 compared to the previous year at 31 March 2010. The table below contains relevant balance sheet information to identify this change.

1 April 2009 £000	31 March 2010 £000	Overall net investment/borrowing position	Change yr on yr £000	31 March 2011 £000
3,306	3,207	Short Term Investments	(59)	3,148
8,801	7,087	Cash and Cash Equivalents	4,997	12,084
(2,547)	(897)	Bank Overdraft	897	-
(742)	(30,815)	Short Term Borrowing	(4,221)	(35,036)
-	-	Long Term Borrowing	(9,000)	(9,000)
		<i>At 31 March 2011, £1m of the £10m long-term borrowing has been reclassified as short-term borrowing</i>		
8,818	(21,418)	Total net investment/borrowing position	(7,386)	(28,804)

d Pensions liability

• **Significance of pensions liability** - Under the requirements of International Financial Reporting Standard IAS 19, 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 Comprehensive Income & Expenditure Statement 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 2011 there was a pension liability with a corresponding negative Pension Reserve. This pension liability is the difference between the value at 31st March 2011 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 at 31st March 2011 has significantly changed from 31st March 2010 position as demonstrated in the table below.

1 April 2009 £000	31 March 2010 £000	Pension liability	Change yr on yr £000	31 March 2011 £000
(33,560)	(49,320)	Net liability related to defined benefit pension scheme	12,870	(36,450)

e Material charges/credits in the accounts

The Council experienced no circumstances of any material and/or unusual charge or credit in the accounts for the year 2010-11.

f Significant changes in accounting policies

For 2010-11, the Council's accounts have been prepared on an IFRS basis which has significant variations to the UK GAAP basis applied in all previous financial years.

The accounting policies applied for 2010-11, and (in the main) retrospectively for 2009-10 are contained within the notes to this set of accounts starting at page 17.

The policies applied have been significantly rewritten by the Council for 2010-11. The list below details significant changes between the two bases.

Refer to page No	Policy item ref	
19	1.06 Cash and Cash Equivalents	<p>Almost all short-term investments are now designated as cash and cash equivalents, making for a significant change in amounts declared as cash and cash equivalents on the balance sheet, and reducing the amounts stated as short-term investments.</p>
23	1.13 Government Grants and Contributions	<p>Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants/contributions will be received. This approach differs from UK GAAP, and has created a substantial change to the Comprehensive Income and Expenditure Statement.</p>
31	1.26 Finance Leases	<p>Finance leases where the Council is the lessee - transfer substantially all the risks and rewards of ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Council expects to receive benefits from their use. Finance leases where the Council is the lessor are recognised as assets held under a finance lease as a receivable (debtor) at an amount equal to the net investment in the lease. The lease repayment receivable is treated as repayment of principal and finance income. The finance income is calculated to produce a constant periodic rate of return on the net investment.</p>

EXPLANATORY FOREWORD continued

f Significant changes in accounting policies continued

Refer to page No	Policy item ref
32	1.27 Borrowing Costs Eligible for Capitalisation

The Council now applies a process of capitalisation of borrowing costs for qualifying assets, in certain circumstances, but only where non-current asset construction exceeds £3m.

g Major change in statutory functions

The Council has not been affected by any change in statutory function during the financial year 2010-11. However, the Council liaised with Hampshire County Council during the financial year in order to plan and assist the County to adopt the statutory function for travel concessions that occurred from 1 April 2011.

h Current borrowing facilities and capital borrowing

The table below shows the changes related to capital expenditure incurred that is financed by borrowing, net of minimum revenue provision calculated in accordance with the Council's policy for the financial year.

2008-09 £000	2009-10 £000	Changes made to borrowing as defined by the Prudential Code	2010-11 £000
3,660	7,344	Accumulated Prudential Code debt outstanding at the beginning of the year	33,029
		<u>Transactions in the year:</u>	
3,824	25,896	Capital expenditure funded by borrowing	12,001
(140)	(223)	Minimum revenue provision	(457)
-	12	Adjustment regarding discharge of liability related to IFRIC 12	12
7,344	33,029	Prudential Code debt outstanding at the end of the financial year	44,585

Borrowing has increased significantly at 31 March 2011 when compared to 31 March 2010. The table below shows the borrowing at the end of the year 2010-11, compared to the position at the end of the previous financial years.

1 April 2009 £000	31 March 2010 £000	Borrowing	31 March 2011 £000
(742)	(30,815)	Short-term borrowing	(35,036)
-	-	Long-term borrowing	(9,000)
(742)	(30,815)	Total of all current borrowing	(44,036)

The information in the above table relates only to borrowing, and this information can additionally be identified in the context of net-borrowing within the table at "c" on page 5.

EXPLANATORY FOREWORD continued

i Internal & external sources of funds for 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.

2008-09 £000	2009-10 £000	Internal & external sources of funds for capital expenditure	2010-11 £000
6,868	28,590	Capital expenditure resulting in the creation of fixed assets	10,126
4,043	3,626	Revenue expenditure funded from capital under statute The above revenue expenditure funded from capital under statute forms part of the surplus/deficit on the Comprehensive and Expenditure Statement at page 12	5,220
10,911	32,216	Total capital expenditure in the year	15,346
		Resources applied to finance capital expenditure incurred in the year	
		<u>External resources</u>	
1,652	1,417	Grants	1,047
2,174	1,219	Developers' contributions	1,914
		<u>Internal resources</u>	
3,019	3,432	Capital receipts	-
242	252	Revenue contribution to capital	384
7,087	6,320	Total of all resources applied to finance capital expenditure	3,345
3,824	25,896	Use of prudential code borrowing to finance specific element of the capital expenditure	12,001
10,911	32,216	Total capital expenditure in the year	15,346

The Council's actual capital expenditure in the year was £15,346,000. The Council achieved 92% of the final approved capital budget of £16,770,000.

j Significant provisions, contingencies and material write-offs

The Council has no significant provisions, contingencies or material write-offs to report in these accounts for 2010-11.

k Material events after the reporting date

These accounts for 2010-11 were authorised by the Corporate Director (CFO) for issue on 30th June 2011. No material events have occurred after this reporting date.

I Impact of the current economic climate

The Council has made appropriate budget plans to cope with the economic downturn that prevailed in 2010-11 and, as with other public bodies, future government funding is now known to be reduced when compared to expectations made prior to the start of the financial year.

Earlier in the financial year 2010-11 the Government announced a Spending Review (SR) that would be undertaken culminating in an outcome declared on 20th October 2010. In advance of the SR the Medium Term Budget Strategy approved at Cabinet on 15th July 2010 (Agenda item 6) set a targeted efficiency saving of £3.9M to be achieved by 2013-14. This was made in reaction to the expectation that "non-protected" departments would see, on average, a reduction in their grants of 25% over a four year period.

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

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 Code).

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 Code

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 gives a true and fair view of the financial position of Eastleigh Borough Council and its income and expenditure for the year ended 31 March 2011.

Nick Tustian CPFA

Corporate Director (CFO)

Date: 30th June 2011

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus) or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in reserves for 2009-10	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance @ 1 April 2009	(2,265)	(3,556)	(7,393)	(13,214)	(35,026)	(48,240)
Deficit on provision of services	3,865	-	-	3,865	-	3,865
Other Comprehensive Expenditure and Income	-	-	-	-	12,023	12,023
Total Comprehensive Income and Expenditure	3,865	-	-	3,865	12,023	15,888
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 38	(3,940)	-	2,820	(1,120)	1,120	-
Net (increase) before transfers to earmarked reserves	(75)	-	2,820	2,745	13,143	15,888
Transfers to/(from) Earmarked Reserves	157	(157)	-	-	-	-
(Increase)/Decrease in year	82	(157)	2,820	2,745	13,143	15,888
Balance @ 31 March 2010	(2,183)	(3,713)	(4,573)	(10,469)	(21,883)	(32,352)
Movement in reserves for 2010-11						
(Surplus) on provision of services	(6,489)	-	-	(6,489)	-	(6,489)
Other Comprehensive Expenditure and Income	-	-	(115)	(115)	(6,190)	(6,305)
Total Comprehensive Income and Expenditure	(6,489)	-	(115)	(6,604)	(6,190)	(12,794)
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 38	5,294	-	(233)	5,061	(5,061)	-
Net (increase) before transfers to earmarked reserves	(1,195)	-	(348)	(1,543)	(11,251)	(12,794)
Transfers to/(from) Earmarked Reserves	745	(745)	-	-	-	-
(Increase) in year	(450)	(745)	(348)	(1,543)	(11,251)	(12,794)
Balance @ 31 March 2011	(2,633)	(4,458)	(4,921)	(12,012)	(33,134)	(45,146)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2009-10				2010-11		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
1,409	(761)	648	Central Services to the Public	1,404	(748)	656
26,346	(9,214)	17,132	Cultural, Environmental and Planning Services	25,359	(11,313)	14,046
6,461	(5,691)	770	Highways, Roads and Transport Services	6,180	(5,737)	443
33,528	(33,769)	(241)	Housing Services	35,993	(34,669)	1,324
150	(138)	12	Social Services	141	(128)	13
7,083	(2,534)	4,549	Corporate and Democratic Core	6,123	(1,823)	4,300
-	-	-	Exceptional item - Pensions past service cost	(11,790)	-	(11,790)
74,977	(52,107)	22,870	Cost of services - continuing operations	63,410	(54,418)	8,992
			Other Operating Expenditure			
2,042	-		Precepts of local precepting authorities	2,363	-	
-	-		Payments to the Government Housing Capital Receipts Pool	75	-	
-	(525)		(Gain)/Loss on the disposal of Property, Plant & Equipment	660	-	
2,042	(525)			3,098	-	
		1,517	Total Other Operating Expenditure			3,098
			Financing and investment income and expenditure			
261	(7,455)		(Gain)/Loss on Investment Pty	372	(4,249)	
244	(267)		Interest payable and similar charges	396	(454)	
2,660	-		Pensions interest cost and expected return on pensions assets	1,610	-	
3,165	(7,722)			2,378	(4,703)	
		(4,557)	Total Financing and Investment Income and Exp			(2,325)
			Taxation and Non-Specific Grant Income			
-	(8,095)		Demand on Collection Fund	-	(8,451)	
-	(1,634)		General government grants	-	(1,021)	
-	(6,236)		NNDR rates redistribution	-	(6,782)	
-	(15,965)			-	(16,254)	
		(15,965)	Total Taxation and Non-Specific Grant Income			(16,254)
		3,865	(Surplus)/Deficit on Provision of Services			(6,489)
			Above balance transferred to the next page			

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT continued

2009-10			2010-11		
Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000
		3,865			(6,489)
		(Surplus)/Deficit on Provision of Services transferred from previous page			
					(115)
		- Capital receipts previously declared as deminimis transferred from Cost of Services			
331	-		-	(514)	
		Adjustment regarding (recognition)/derecognition of asset			
<u>331</u>	<u>-</u>	<u>331</u>	<u>-</u>	<u>(514)</u>	<u>(514)</u>
		Capital Adjustment Account (Investment property revaluations and asset derecognition)			
					(3,211)
		(2,022) Net (gains) on the revaluation of fixed assets			
					(2,500)
		13,780 Actuarial gain and losses on pension fund assets and liabilities			
					<u>35</u>
		(66) Available for Sale Financial Instruments Reserve			
					(6,305)
		12,023 Other comprehensive income and expenditure			
					<u>(12,794)</u>
		<u>15,888</u> Total Comprehensive Income and Expenditure			

BALANCE SHEET

The balance sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

@ 1 April 2009 £000	@ 31 March 2010 £000	Balance Sheet	@ 31 March 2011 £000	Notes
52,195	57,450	Property, Plant & Equipment	64,953	9
26,164	49,198	Investment Property	51,201	10
275	274	Intangible Assets	328	12
-	-	Assets Held for Sale	325	13
381	400	Long Term Debtors	406	15
79,015	107,322	Long Term Assets	117,213	
3,306	3,207	Short Term Investments	3,148	17
122	112	Inventories	142	18
4,481	7,050	Short Term Debtors	4,888	19
8,801	7,087	Cash and Cash Equivalents	12,084	20
16,710	17,456	Current Assets	20,262	
(2,547)	(897)	Bank Overdraft	-	
(742)	(30,815)	Short Term Borrowing	(35,036)	21
(5,334)	(5,675)	Short Term Creditors	(6,497)	22
(65)	(640)	Provisions	(632)	23
(8,688)	(38,027)	Current Liabilities	(42,165)	
-	-	Long Term Borrowing	(9,000)	24
(147)	(135)	Other Long Term Liabilities	(123)	25
(5,090)	(4,944)	Capital Grants Receipts in Advance	(4,591)	26
(33,560)	(49,320)	Net liability related to defined benefit pension scheme	(36,450)	28e
(38,797)	(54,399)	Long Term Liabilities	(50,164)	
48,240	32,352	Net Assets	45,146	

BALANCE SHEET continued

@ 1 April 2009 £000	@ 31 March 2010 £000	Balance Sheet	@ 31 March 2011 £000	Notes
2,265	2,183	General Fund Balance	2,633	33
3,556	3,713	Earmarked reserves	4,458	8
7,393	4,573	Capital receipts reserve	4,921	27
13,214	10,469	Usable Reserves	12,012	
68,597	69,211	Capital Adjustment Account	64,363	28c
86	118	Collection Fund Adjustment Account	216	28f
(198)	(272)	Accumulated Absences Account	(288)	28g
59	37	Deferred Capital Receipts Reserve	28	28d
42	108	Financial Instruments Adjustment Account	73	28b
-	2,001	Revaluation Reserve	5,192	28a
(33,560)	(49,320)	Pensions Reserve	(36,450)	28e
35,026	21,883	Unusable Reserves	33,134	
48,240	32,352	Total Reserves	45,146	

CASH FLOW STATEMENT

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

2009-10 £000	2010-11 £000
3,865 Net (surplus) or deficit on the provision of services	(6,489)
(1,826) Adjust net (surplus) or deficit on the provision of services for non cash movements - see Note 32 on page 62	5,676
(111) Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities - see Note 29 on page 62.	58
1,928 Net cash flows from Operating Activities	(755)
28,100 Investing Activities - see Note 30 on page 62	10,218
(29,964) Financing Activities - see Note 31 on page 62	(15,357)
64 Net increase or decrease in cash and cash equivalents	(5,894)
6,254 Cash and cash equivalents at the beginning of the reporting period	6,190
6,190 Cash and cash equivalents at the end of the reporting period	12,084
(64) Increase/(Decrease) in cash and cash equivalents	5,894

NOTES TO THE ACCOUNTS - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies for application in the year 2010-11 (and retrospectively for the IFRS restatement of 2009-10 information in the 2010-11 statement of accounts)

1.00 Reporting Entity

Eastleigh Borough Council is a Local Authority governed by the Local Government Act 1972. For the purposes of financial reporting Eastleigh Borough Council is a public body.

1.01 Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11, which includes the requirement to comply with International Financial Reporting Standards (IFRS) or their adaptation and applicability for a local authority.

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated. The reporting period for these financial statements is the year ended 31 March 2011.

The financial statements are presented in UK Sterling, rounded to the nearest thousand, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

1.02 Judgements and estimations

The preparation of financial statements in conformity with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 incorporating IFRS requirements requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised when the revision affects only that period. If the revision affects both current and future periods, it is reflected in the respective period to which it relates. Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

1.03 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010-11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit regulations 2003, which those regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise; the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.04 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.

1.05 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.06 Cash and Cash Equivalents

The Council treat the following as Cash and Cash Equivalents:

- Instant Access Call Accounts
- Instant Access Short Term Funds
- Deposits with one day to maturity

The Council treat the following as Investments:

- Notice Call Accounts
- Term Deposits with more than 1 day to maturity
- Certificates of Deposit
- Bonds

The treatment will be determined on the following basis:

- The portfolio, or any proportion thereof, shall be treated as an Investment where the mandate states that settlement is greater than one day, or where the underlying investments can only be settled in greater than one day, or where the underlying investments are exposed to risk of significant change in capital value.
- The portfolio, or any proportion thereof, shall be treated as Cash or Cash Equivalent where the mandate states that settlement is one day or less, and where the underlying investments can be settled in one day or less, and where the underlying investments are not exposed to risk of significant change in capital value.

1.07 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors continued

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

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

1.09 Charges to Revenue for Non-Current Assets

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

- * depreciation attributable to the assets used by the relevant service
- * revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- * amortisation of intangible fixed assets attributable to the service.

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

1.10 Employee Benefits

An accrual for employee benefits (holiday leave, flexible hour's entitlement leave and time off in lieu) is recognised as a liability when benefits are earned but not paid. Holiday leave, flexible hours entitlement leave and time off in lieu is calculated on an actual entitlement basis at the greater of the average or current hourly earnings.

Long-service compensated absences such as long service leave or sabbatical leave, long service benefits and long-term disability benefits are calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. Such matters are only accrued into the accounts where the individual entitlement amount exceeds £10,000. Where applicable, the present value of the estimated future cash flows is calculated using an inflation factor and a discount rate. The inflation rate used is the annual Consumer Price Index. The discount rate used is based on yields on high quality corporate bonds.

1.10 Employee Benefits continued

Termination benefits (where applicable) are recognised in the Comprehensive Income & Expenditure Statement only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary non-occupancy of a post. Such matters are only accrued into the accounts where the individual entitlement amount exceeds £10,000. Recognition of a capitalisation direction is observed if circumstances are applicable.

1.11 Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified.

- Those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the end of the reporting period – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

1.12 Financial Instruments**Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. 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 amount written down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

The Council has no plans to repay any of its borrowings before the agreed settlement date.

1.12 Financial Instruments continued

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

Financial assets

Financial assets are classified into two types:

- (i) Loans and receivables - assets that have fixed or determinable payments but are not quoted on the active market
- (ii) available-for-sale assets - assets that have a quoted market price and / or do not have fixed or determinable payments

Loans and receivables

Loans and receivables are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale assets

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

1.12 Financial Instruments continued

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- (i) instruments with quoted market prices - the market price
- (ii) other instruments with fixed and determinable payments - discounted cash flow analysis
- (iii) 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

1.13 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that;

- the Council will comply with the conditions attached to the payments and
- the grants/contributions will be received.

1.13 Government Grants and Contributions continued

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant / contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant / contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants / contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant / contribution is credited to the relevant Service line or Taxation and Non-Specific Grant income in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment once they have been applied to finance capital expenditure. The Council recognises that Area Based Grant is a non-ring fenced 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 Comprehensive Income and Expenditure Statement as Non-Specific Grant Income.

1.14 Intangible Assets

Intangible assets comprise purchased licenses and internally computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Income & Expenditure Statement on a straight-line basis over the useful life of the intangible asset. Realised gains and losses arising from disposal of intangible assets are recognised in the Comprehensive Income & Expenditure Statement in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Comprehensive Income & Expenditure Statement.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. A common useful economic life applied to software is five years, however this is reviewed as part of the annual asset verification process.

1.15 Inventories (Stocks)

Inventories are measured at the lower of cost and net realisable value, except where inventories are acquired through a non-exchange basis in which case their cost is deemed to be fair value at the date of acquisition. Inventories are also measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In this context inventories do not include work in progress under construction contracts and financial instruments.

1.16 Investment Property

Investment properties are properties which are held solely to earn rental income, for capital appreciation or for both. Investment properties exclude those properties held for strategic purposes or to provide a community service, including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property.

Investment properties are measured initially at cost and subsequently measured at fair value as determined annually by an independent registered valuer. The fair value is determined based on quoted market prices and is the estimated amount for which a property could be exchanged 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.

Any gain or loss arising from a change in fair value is recognised in the Comprehensive Income & Expenditure Statement. Investment properties are not depreciated. A property interest under a finance lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an finance lease classified as an investment property is carried at fair value.

1.17 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 most current CIPFA Best Value Accounting Code of Practice. 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 Comprehensive Income and Expenditure Statement as part of Cost of Services – continuing operations.

1.18 Value Added Tax (VAT)

Income and expenditure in the Comprehensive Income and Expenditure Statement excludes any amounts related to value added tax, as generally all vat paid is recoverable and all vat receivable is passed over to HM Revenue & Customs. Value added tax is only included in the Comprehensive Income and Expenditure Statement whether capital or revenue in nature to the extent that it is irrecoverable.

1.19 Non-Current Assets - Property, Plant and Equipment

The council has accounted for property, plant and equipment in accordance with IAS 16, except where interpretations or adaptations to fit the public sector are detailed in the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11.

Property, plant and equipment are tangible assets that are held in the production or supply of goods or services, for rental to others, or for administrative purposes, and are used during more than one period. A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations.

1.19 Non-Current Assets - Property, Plant and Equipment continued

The following are classes adopted by the Council:

- (a) land;
- (b) land and buildings (excludes investment properties);
- (c) community assets;
- (d) infrastructure assets;
- (e) vehicles;
- (f) plant and equipment (includes office furniture and equipment);
- (g) playground equipment.

Recognition and initial measurement

An asset is recognised if the future economic benefits or service potential associated with the item will flow to the Council and if the cost of the item can be measured reliably. Such costs include those that relate to acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset.

Property, plant and equipment assets are initially measured at historic cost and capitalised on an accruals basis. The measurement of cost is made up of the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where property, plant and equipment are held by the council under a finance lease, they are treated as Council assets and are recognised on the Council's balance sheet.

Donated assets

Donated assets are assets transferred at nil value or acquired at less than fair value. They are recognised at fair value as an asset on the balance sheet.

Measurement after recognition

Infrastructure, community assets and assets under construction (excluding investment property) is measured at historic cost. All other classes of asset are measured at fair value, with the exception of non-property assets, that have short lives or low values (or both), and these are valued using a depreciated historical cost basis.

Classes of assets whose fair value can be measured reliably, such as land and buildings, are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. The carrying amount of an asset can be either increased or decreased as a result of revaluation.

Revaluations (increase)

Increases in valuation are recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the provision of Services on the same asset or reversing a previous revaluation decrease charged to the Surplus or Deficit on the provision of Services on the same asset.

1.19 Non-Current Assets - Property, Plant and Equipment continued**Revaluations (decrease)**

Decreases in valuation i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment) the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (ie up to its historical cost) and thereafter in Surplus or Deficit on the Provision of Services.

The valuation of property assets is undertaken every five years by professionally qualified valuers.

The result of any revaluation of the Council's property, plant and equipment is credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the Comprehensive Income & Expenditure Statement. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Comprehensive Income & Expenditure Statement will be recognised firstly, in the Comprehensive Income & Expenditure Statement up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Comprehensive Income & Expenditure Statement, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, and assets under construction (work in progress). Depreciation is charged to General Fund service revenue accounts, central support services and trading accounts.

It does not amount to a proper charge to the General Fund and such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. On a re-valued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account is made which represents the difference between depreciation based on the re-valued carrying amount of the asset and the depreciation based on the asset's historical cost.

1.19 Non-Current Assets - Property, Plant and Equipment continued

Depreciation - Amortisation periods

The Council's policy is disclosed in the table below

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

Depreciation - Components

Where a significant item of PPE (value over £1 million) has major components (over 20% of total value) with different estimated useful lives, these are depreciated separately.

Reclassification (Order of Events)

When assets are reclassified the accounting entries occur in the following sequence: Depreciate the asset (based on brought forward balances); Add any additions (enhancements etc.); Separate into components (if required); Re-value (using old category method); Reclassify (to new category by derecognising from old category and recognising in new category); Re-value again (using new category method).

Disposals and derecognition

The carrying amount of an item of property, plant and equipment is derecognised either when the asset is disposed of, or when there is no future economic benefit or service potential expected from its use or disposal. The gain or loss arising from derecognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset is included in Surplus or Deficit on the Provision of Services when the item is derecognised.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. For this section of the Code, fair value (for land and buildings) is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the Royal Institute of Chartered Surveyors (RICS) Valuation Standards.

1.20 Non-Current Assets Classified as Held For Sale

Non-current assets are separately classified where their carrying amount will be recovered through a sale transaction rather than through continuing use.

A non-current asset is classified as held for sale where:

- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets,
- A plan to sell the asset is in place, and an active programme to locate a buyer and complete the plan has been initiated,
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a sale within one year from the date of classification or beyond one year where a delay has occurred which is caused by events beyond the Council's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset, and
- Actions required to complete the plan to sell the asset indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is recognised at the lower of its carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the Comprehensive Income & Expenditure Statement.

Fair value is determined by market value. The market value of a property is the estimated amount for which a property could be exchanged 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.

1.21 Private Finance Initiative (PFI)

PFI contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement. As the Council is deemed to control the services that are provided under its PFI and similar arrangement schemes, and as the ownership of the property, plant & equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the property, plant & equipment used under the contracts on the balance sheet. The original recognition of the property, plant & equipment is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the property, plant & equipment. PFI Property, plant & equipment recognised on the balance sheet are revalued and depreciated in the same way as property plant and equipment owned by the Council.

1.21 Private Finance Initiative (PFI) - continued

The amounts payable to the PFI and similar arrangement operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost - an interest charge on the outstanding balance sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement
- Payment towards liability - applied to write down the balance sheet liability towards the PFI operator
- Lifecycle replacement costs - recognised as property, plant & equipment on the balance sheet
A de minimis level of £250,000 of the fair value the property, plant & equipment at the time of recognition on to the Council's balance sheet is determined in relation to providing the full accounting effect for service concession arrangements in accordance with the CODE 2010 adaptation of IFRIC 12.

1.22 Provisions, Contingent Liabilities and Assets**Provisions**

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the amount that will be required to settle the obligation taking into account relevant risks and uncertainties.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.23 Reserves

The Council sets aside specific and general amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be included in the surplus / deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back in to the General Fund Balance in the movement in reserves statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources to the Council. These reserves are explained in the relevant policies that follow.

1.24 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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 is 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 so there is no impact on the level of council tax.

1.25 Operating Leases

Operating leases where the Council is the lessee - Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income & Expenditure Statement on a straight-line basis over the term of the lease, or akin to the terms defined in the lease contract. Lease incentives paid or received are recognised in the Comprehensive Income & Expenditure Statement as an integral part of the total lease payment.

1.26 Finance Leases

Land and buildings elements of finance leases are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

Finance leases where the Council is the lessee - transfer substantially all the risks and rewards of ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Council expects to receive benefits from their use.

Finance leases where the Council is the lessor are recognised as assets held under a finance lease as a receivable (debtor) at an amount equal to the net investment in the lease. The lease repayment receivable is treated as repayment of principal and finance income. The finance income is calculated to produce a constant periodic rate of return on the net investment.

1.27 Borrowing Costs Eligible for Capitalisation

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset (as defined within IAS 23) had not been made. The Council recognises the accounting requirements of IAS 23 and determines the amount of borrowing costs that are eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Council that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining the qualifying asset.

The Council only applies a process of capitalisation of borrowing costs for qualifying assets, in the following circumstances:

- Scheme capital expenditure exceeds £3m
- Scheme capital expenditure results in an asset
- Borrowing is the only source of scheme funding
- Duration of scheme creation is more than one financial year

1.28 Minimum Revenue Provision (MRP)

Amounts calculated for minimum revenue provision are in accordance with the policy approved by Full Council in advance of each financial year. The long-term rate applied for amounts calculated in accordance with an annuity calculation is taken from the published Public Works Loans Board maturity rate applicable as at the last day of the financial year in which such expenditure is incurred that creates the completion.

1.29 Inventories and Long Term Contracts

Inventories are included in the balance sheet at the lower of cost or net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the year.

1.30 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.

1.30 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 2011 and 31 March 2010 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 pensions liability is analysed into seven components:

Current service cost - the increase in liabilities arising from years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement .

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 Comprehensive Income and Expenditure Statement .

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 Comprehensive Income and Expenditure Statement 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.

2 Transition to IFRS

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10. The following paragraphs and table within this Note explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

2a Transition to IFRS - Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

2b Transition to IFRS - Non-Current Assets

Civic regalia has been valued and recognised on the balance sheet for the year 2009-10, and a corresponding credit made to the Capital Adjustment Account.

2c Transition to IFRS - Short-term investments & Cash and cash equivalents

The Council's accounting policy for the recognition of cash and cash equivalents has effectively categorised much of the short-term investments to be restated as cash and cash equivalents. One remaining Eurobond investment is now disclosed as an asset for sale, because it could effectively be traded at any day in the money market. The cash flow statement has also been suitably adjusted for the application of these matters.

2d Transition to IFRS - Short-term creditors

Short-term creditors have reduced because the element relating to government grants conditions met has now been transferred to reserves. An increase in creditors has occurred in recognition of the adjustment to the accounts in relation to employee benefits.

2e Transition to IFRS - Capital Contributions unapplied - Commuted sums

A significant element of developers' contributions relate to commuted sums. The conditions are met for all of these commuted sums and therefore this element has been transferred to earmarked reserves.

2 Transition to IFRS - continued

2f Transition to IFRS - Government grants deferred

Government grants deferred have now been entirely transferred to the capital adjustment account.

2g Transition to IFRS - Revaluation reserve

Revaluations in relation to investment properties are now to be shown within the Capital Adjustment Account.

2h Transition to IFRS - Earmarked reserves - Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, revenue grants and contributions were applied to the General Fund in relation to the expenditure incurred in relation to the grant. Capital grants applied were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

* The balance on the Government Grants Deferred Account at 1 April 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

* Some government grants held as creditors have now been released into the Comprehensive Income and Expenditure Statement as their conditions have been met.

2i Transition to IFRS - Earmarked reserves - Commuted sums

The explanation for this change is given at 2e on page 34.

2i Transition to IFRS - Capital Adjustment Account

The explanation for these changes are given at 2b, 2f & 2g.

The accumulative effect of the adjustments described on this page and the previous page, has resulted in the list of changes shown on page 36 being made to the 2009-10 financial statements:

NOTES TO THE ACCOUNTS continued

Effect on the published balance sheets for the dates shown > appearing on pages 22 & 23 of the 2009-10 statement of accounts	Opening 1 April 09 £000	Closing 31 March 10 £000	Accumulative Effect to 31 March 10 £000
Non-Current Assets <i>Recognise civic regalia</i>	-	150	150
Short-term investments <i>Investments now classified as cash equivalents</i>	(8,789)	1,709	(7,080)
Total adjustment to short-term investments	(8,789)	1,709	(7,080)
Cash and cash equivalents <i>Investments now classified as cash equivalents</i>	8,789	(1,709)	7,080
Short-term creditors <i>Government grants conditions met, now transferred to reserves</i>	240	75	315
Short-term creditors <i>Recognition of employee benefits</i>	(198)	(74)	(272)
Total adjustment to short-term creditors	42	1	43
Capital Contributions unapplied <i>Recognition of commuted sums now held as earmarked reserve</i>	1,304	32	1,336
Government grants deferred <i>Transfer government grants deferred to Capital Adjustment Account</i>	5,053	1,017	6,070
Revaluation reserve <i>Transfer of revaluations in relation to investment properties</i>	-	4,478	4,478
Earmarked reserves <i>Government grants conditions met, now transferred to reserves</i>	(240)	(75)	(315)
Earmarked reserves <i>Recognition of commuted sums now held as earmarked reserve</i>	(1,304)	(32)	(1,336)
Total adjustment to earmarked reserves	(1,544)	(107)	(1,651)
Capital Adjustment Account <i>Transfer government grants deferred to Capital Adjustment Account</i>	(5,053)	(1,017)	(6,070)
Capital Adjustment Account <i>Transfer of revaluations in relation to investment properties</i>	-	(4,478)	(4,478)
Capital Adjustment Account <i>Recognise civic regalia</i>	-	(150)	(150)
Total adjustment to Capital Adjustment Account	(5,053)	(5,645)	(10,698)
Accumulated Absences Account <i>Recognition of employee benefits</i>	198	74	272

3 Accounting standards that have been issued but have not yet been adopted

The Code requires the Council to identify any Accounting Standards that have been issued but have yet to be adopted. There is one such standard which relates to Heritage Assets. Financial Reporting Standard (FRS) 30 on Heritage Assets will require the Council to recognise Heritage Assets as a separate class of assets for the first time in the 2011-12 accounts. Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for the contribution they make to knowledge and culture.

It is not possible at this stage to estimate the value of all of these assets and the impact the changes will have on Balance Sheet (for carrying values and revaluations) and the Comprehensive Income and Expenditure Statement (for depreciation and impairment charges). The balances as at 31 March 2011 will be restated in the 2011-12 financial statements in order to provide comparative figures in the 2011-12 financial statements. For the 2010-11 financial statement, the Council has however retrospectively recognised civic regalia within its IFRS adjustment for 2009-10, and detail of this adjustment is given at Note 2a.

4 Critical judgements in applying accounting policies

There remains a degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

5 Material items of income and expense

Material items of income and expense incurred in the year 2010-11, which are not disclosed on the face of the Comprehensive Income and Expenditure Statement at page 12 are as listed below:

	£000
Purchase of Eastleigh House (funded by Prudential Code borrowing) <i>The above item included within Property, Plant and Equipment on the balance sheet at page 14</i>	4,701
Obtaining funds in relation to a 10 year long-term loan from the PWLB in March 2011 <i>The above item is disclosed on the balance sheet at page 14 as at 31 March 2011, £1m of the amount is short-term</i>	(10,000)
And the following significant item of expenditure shown below is contained within the Comprehensive Income and Expenditure Statement	
Expenditure incurred in relation to the funding of the Berry Theatre at Wildern <i>The above item included within Cultural, Environmental and Planning expenditure as an item of "revenue expenditure funded by capital under statute"</i>	2,529

6 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Annual depreciation charge for buildings would increase proportionately for every year that useful lives had to be reduced.
Provisions	The Council has provisions on the balance sheet in the total sum of £632,000	Difficulty in estimating provision amounts could cause adjustment to the accounts in the coming year
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A credit related to past service costs in the region of £12m was entered into the Comprehensive Income & Expenditure Statement for 2010-11 in relation to a change in preparation from RPI to CPI. The sensitivity of this accounting adjustment demonstrates the exceptional effect that any subsequent adjustment in the coming year in relation to this matter would bear on the Council's accounting for pensions.

7 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Tables of the adjustments between accounting basis and funding basis under regulations for 2010-11 & 2009-10 are provided on the following pages.

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
For the year 2010-11	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,258)	-	-	3,258
Amortisation of intangible assets	(95)	-	-	95
Capital grants and contributions applied	2,961	-	(2,961)	-
Revenue expenditure funded from capital under statute	(5,220)	-	-	5,220
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(958)	-	-	958
Movements in the market value of Investment Properties	368	-	-	(368)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	456	-	-	(456)
Capital expenditure charged against the General Fund	384	-	-	(384)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	2,961	(2,961)
Application of grants to capital financing transferred to the Capital Adjustment Account				
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	299	(299)	-	-
Housing receipts pooled to the Government	(75)	75	-	-

Table continued on the following page:

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations - continued	General	Capital	Capital	Movement
For the year 2010-11	Fund	Receipts	Grants	in Unusable
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	Balance	Reserve	Unapplied	Reserves
	£000	£000	£000	£000
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(9)	-	9
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,940	-	-	(7,940)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,430	-	-	(2,430)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	98	-	-	(98)
Items affecting the Revaluation Reserve				
Charges for depreciation and impairment of non-current assets	(20)	-	-	20
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(16)	-	-	16
Total of all adjustments on page 39 and this page	5,294	(233)	-	(5,061)
Agrees to the specified amounts on page 11	5,294	(233)	-	(5,061)

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
For the year 2009-10				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(6,448)	-	-	6,448
Amortisation of intangible assets	(88)	-	-	88
Capital grants and contributions applied	2,636	-	(2,636)	-
Revenue expenditure funded from capital under statute	(3,647)	-	-	3,647
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(65)	-	-	65
Movements in the market value of Investment Properties	4,629	-	-	(4,629)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	223	-	-	(223)
Capital expenditure charged against the General Fund	252	-	-	(252)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	2,636	(2,636)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	590	(590)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		3,432	-	(3,432)

Table continued on the following page:

NOTES TO THE ACCOUNTS continued

7 Adjustments between accounting basis and funding basis under regulations - continued				
For the year 2009-10	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(22)	-	22
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,360)	-	-	(2,380)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,380	-	-	4,360
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	32	-	-	(32)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(74)	-	-	74
Total of all adjustments on page 41 and this page	(3,940)	2,820	-	1,120
Agrees to the specified amounts on page 11	(3,940)	2,820	-	1,120

NOTES TO THE ACCOUNTS continued

8 Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011-12. Specific reserves are listed below where any year end balance exceeds £25,000.

Earmarked Reserves	Balance as at 1st April 2009	Transfer Out 2009-10	Transfer In 2009-10	Balance as at 31st March 2010	Transfers Out 2010-11	Transfers In 2010-11	Balance as at 31st March 2011
	£000	£000	£000	£000	£000	£000	£000
Commuted Sums	1,304	(50)	82	1,336	-	42	1,378
Grange Park	500	-	50	550	-	50	600
Investment Properties	-	-	100	100	(48)	300	352
Revenue Grants & Cons	240	(180)	257	317	(207)	201	311
Recycling Reserve	186	-	31	217	(169)	186	234
LAC Reserve (HEWEB)	130	(130)	117	117	(117)	138	138
On Street Parking	45	-	27	72	-	34	106
Core Strategy	-	-	30	30	-	71	101
LAC Eastleigh	15	(15)	38	38	(38)	98	98
Carbon Neutral	74	(65)	-	9	-	68	77
Black Horse House	-	-	61	61	(37)	50	74
LAC Reserve (BHH)	50	(50)	76	76	(76)	70	70
Building Control	15	-	22	37	-	27	64
YZONE (BFOHH)	-	-	-	-	-	61	61
Carbon Reductions	-	-	33	33	(4)	23	52
Green Energy	61	-	-	61	(9)	-	52
Leasing/Interest	50	-	-	50	-	-	50
Wessex House Finance	50	-	-	50	-	-	50
Land Charges	-	-	-	-	-	49	49
Ticket Machines	21	-	5	26	-	23	49
Licensing	-	-	17	17	-	23	40
Cap Fin Res Hedge End	7	(51)	61	17	(22)	44	39
Dilapidations	-	-	-	-	-	35	35
Uninsured losses	44	(10)	-	34	-	-	34
Biodiversity Projects	48	(9)	-	39	(8)	-	31
The Sidings Reserve	30	(6)	6	30	(8)	6	28
Community and Health	93	(37)	-	56	(29)	-	27
Wessex House	25	-	-	25	-	-	25
Interest equalisation	25	-	-	25	-	-	25
Community Safety	16	-	21	37	(18)	5	24
Special Purpose Vehicle	76	(56)	-	20	-	-	20
LAC Reserve (BFOHH)	72	(72)	65	65	(65)	11	11
Cap Fin Res Bursledon	36	(13)	1	24	(14)	-	10
Cap Fin Res Eastleigh	29	(9)	9	29	(25)	-	4
The Point Reserve	83	(81)	-	2	-	-	2
HCC Agency Contract	95	(95)	-	-	-	2	2
All other reserves	136	(69)	46	113	(97)	119	135
Total of all reserves	3,556	(998)	1,155	3,713	(991)	1,736	4,458

8 Transfers to/from earmarked reserves - continued

The Council's earmarked reserves are held for specific purposes, details of which are listed below:

Reserve	Purpose
Commuted Sums	Contains funds held until required to be applied to support projects
Grange Park	Future sewage and drainage works costs
Investment Properties	Offset shortfalls in rent and consultant cost re acquisitions
Revenue Grants & Cons	Contains revenue grants and contributions until required for spending
Recycling Reserve	Waste management costs
LAC Reserve (HEWEB)	Future LAC projects and initiatives
On Street Parking	Contains the surplus accrued from decriminalised parking services
Core Strategy	Used to support core strategy requirements
LAC Eastleigh	Future LAC projects and initiatives
Carbon Neutral	Used to support sustainability developments
Black Horse House	For specific capital works at Black Horse House
LAC Reserve (BHH)	Future LAC projects and initiatives
Building Control	Supports the trading partnership arrangement with Southampton CC
YZONE (BFOHH)	Funds used to support the YZONE project development
Carbon Reductions	Funded by the Area Based Grant and used for carbon reduction work
Green Energy	Contains grants used to fund green energy schemes
Leasing/Interest	To offset variations in the revenue effect of lease and interest charges
Wessex House Finance	Used to equalise the effects of rent income shortfall
Land Charges	Funds from central government to offset refunds and fall in income
Ticket Machines	For replacement of vandalised parking ticket machines
Licensing	Future costs of the E2E IT system with Southampton City Council
Cap Fin Res Hedge End	To support LAC capital projects
Dilapidations	Funds to meet the cost of non-current asset dilapidations
Uninsured losses	For losses that are not met via the Council's main insurance provider.
Biodiversity Projects	Funds for specific projects to support wetlands and damsel flies
The Sidings Reserve	Funds for future maintenance works at The Sidings industrial units
Community and Health	Held in relation to community and health initiatives
Wessex House	For specific capital works at Wessex House
Interest equalisation	To offset revenue effects of low interest rates
Community Safety	Used to support community safety initiatives
Special Purpose Vehicle	For refinancing a specific housing initiative
LAC Reserve (BFOHH)	Future LAC projects and initiatives
Cap Fin Res Bursledon	To support LAC capital projects
Cap Fin Res Eastleigh	To support LAC capital projects
The Point Reserve	Reserve to offset future losses during redevelopment of The Point

NOTES TO THE ACCOUNTS continued

9 Property, plant and equipment (PPE)

Movements on balances in 2009-10

	Land & Buildings (includes PFI asset) £000	Vehicles Plant & Equipment £000	Infra- structure Assets £000	Communi- ty & Heritage Assets £000	Assets Under Construc- tion £000	Total PPE Assets £000
Net Book Value at 1 April 2009	33,264	5,268	1,326	10,311	2,026	52,195
<u>Cost or valuation</u>						
As at 1 April 2009	34,269	7,677	1,380	10,669	2,026	56,021
<u>Movements in 2009-10</u>						
Additions	2,864	2,582	39	543	1,443	7,471
Disposals and impairments	(1)	(580)	-	(50)	-	(631)
Reclassifications	493	275	109	265	(687)	455
Revaluations (charged to services)	-	-	-	-	-	0
Revaluations (to the Revaluation Reserve)	1,698	-	-	392	-	2,090
As at 31 March 2010	39,323	9,954	1,528	11,819	2,782	65,406
<u>Accumulated Depreciation</u>						
As at 1 April 2009	(1,005)	(2,409)	(54)	(358)	-	(3,826)
<u>Movements in 2009-10</u>						
Depreciation - annual charge	(500)	(1,331)	(26)	(209)	-	(2,066)
Disposals and impairments	-	561	-	5	-	566
Reclassifications	-	-	-	-	-	0
Depreciation written out to the Revaluation Reserve	(2,476)	-	-	(154)	-	(2,630)
As at 31 March 2010	(3,981)	(3,179)	(80)	(716)	0	(7,956)
Net Book Value at 31 March 2010	35,342	6,775	1,448	11,103	2,782	57,450

NOTES TO THE ACCOUNTS continued

9 Property, plant and equipment (PPE) - continued

Movements on balances in 2010-11

	Land & Buildings (includes PFI asset) £000	Vehicles Plant & Equipment £000	Infra-structure Assets £000	Communi-ty & Heritage Assets £000	Assets Under Construc-tion £000	Total PPE Assets £000
Net Book Value at 31 March 2010	35,342	6,775	1,448	11,103	2,782	57,450
<u>Cost or valuation</u>						
As at 31 March 2010	36,857	10,495	1,528	11,660	2,782	63,322
<u>Movements in 2010-11</u>						
Additions - spend in year	6,423	1,253	4	412	187	8,279
Additions *	-	276	-	238	-	514
Disposals	-	(1,247)	-	(702)	-	(1,949)
Reclassifications	1,845	52	-	(499)	(1,723)	(325)
Revaluations * (charged to services)	-	(749)	-	-	-	(749)
Revaluations * (to the Revaluation Reserve)	2,344	866	-	-	-	3,210
As at 31 March 2011	47,469	10,946	1,532	11,109	1,246	72,302
<u>Accumulated Depreciation</u>						
As at 31 March 2010	(1,515)	(3,720)	(80)	(557)	-	(5,872)
<u>Movements in 2010-11</u>						
Depreciation - annual charge	(741)	(1,498)	(27)	(215)	-	(2,481)
Disposals	-	961	-	43	-	1,004
Reclassifications	(29)	-	-	29	-	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-
As at 31 March 2011	(2,285)	(4,257)	(107)	(700)	-	(7,349)
Net Book Value at 31 March 2011	45,184	6,689	1,425	10,409	1,246	64,953

The last full valuation of Property, Plant and Equipment was carried out by the District Valuer on 1 April 2009.

* These items have been subject to an asset verification exercise carried out during 2010-11.

NOTES TO THE ACCOUNTS continued

10 Investment property assets

The movement in the fair value (estimated market value) of investment property assets is shown below:

2009-10 £000	Investment property assets	2010-11 £000
26,164	Balance at the start of the year	49,198
	Movements in the year	
21,217	Additions - expenditure in year	1,683
4,629	Gain from fair value adjustment	368
(2,344)	Loss from fair value adjustment	(48)
	- Disposals - carrying value written out	-
(468)	Reclassifications	-
49,198	Total	51,201

A full valuation of investment properties was carried out by the District Valuer in 2009-10. All Investment Property valuations were reviewed by in-house staff in 2010-11 in accordance with the requirements of the Code, and valuations were amended where appropriate.

11 Investment property income and expenditure

The Investment Property Income and Expenditure Account is used to record the operating activity relating to investment properties. It does not include expenditure on the acquisition or enhancement of Investment Property as such matters are shown as investing activities and form part of the cost/value of the assets. The net gain of £3.958 million in 2010-11 (£7.194 million in 2009-10) is shown in the Comprehensive Income and Expenditure Statement.

A breakdown of the expenditure and income is shown below:

2009-10 £000	Investment property income and expenditure	2010-11 £000
(4,629)	(Gain) on Revaluation of Investment Property	(368)
(2,826)	Income from Investment Property	(3,881)
(7,455)	Sub-total - gains	(4,249)
261	Maintenance and Running Costs of Investment Property	372
(7,194)	Net (Gain) on investment Property	(3,877)

NOTES TO THE ACCOUNTS continued

12 Intangible assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. A common useful economic life applied to software is five years, however this is reviewed as part of the annual asset verification process.

2009-10 £000	Intangible assets	2010-11 £000
	Balance at the start of the financial year	
415	Cost b/fwd	502
(140)	Accumulated amortisation b/fwd	(228)
275	Net book value of intangible assets	274
	Movements in the year	
97	Additions - purchases	163
(10)	Reclassifications	-
(88)	Amortisation charged to services	(95)
-	Disposals	(14)
	Balance at the start of the financial year	
502	Cost c/fwd	641
(228)	Accumulated amortisation c/fwd	(313)
274	Net book value of intangible assets	328

13 Non Current Assets Held for Sale

To meet the criterion for this asset classification, an authority should have the intention and ability to sell the asset in its present condition.

2009-10 £000	Non-Current Assets held for Sale	2010-11 £000
	Balance at the start of the financial year	
	- Cost b/fwd	-
	- Accumulated amortisation b/fwd	-
	- Net book value of intangible assets	-
	Movements in the year	
	- Additions - purchases	-
	- Reclassifications	325
	- Amortisation charged to services	-
	- Disposals	-
	Balance at the start of the financial year	
	- Cost c/fwd	325
	- Accumulated amortisation c/fwd	-
	- Net book value of intangible assets	325

NOTES TO THE ACCOUNTS continued

14 Contractual Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancements of Property, Plant and Equipment in 2010-11 but future years contractual liabilities relate only to the Multi-Storey car park at Eastleigh Town in the sum of £70,794. Similar commitments at 31 March 2010 were £69,454.

15 Long term debtors

Long-term debtors are listed in the table below:

2008-09 £000	2009-10 £000	Long term debtors	2010-11 £000
134	128	Housing Association Loans	121
80	53	Mortgages (ex Housing Revenue Account properties & renovations)	35
108	170	Car loans to staff	201
59	49	Other	49
381	400	Total long-term debtors	406

16 Nature and extent of risk arising from financial instruments

The term financial instruments is used to describe arrangements that are governed by a contract and appear as assets for one of the contracting parties and liabilities for the other. The financial instruments embodied in the Council's accounts are comprised of:

Long-Term 1 April 2009 £000	Short-Term 1 April 2009 £000	Long-Term 31 March 2010 £000	Short-Term 31 March 2010 £000	Category	Long-Term 31 March 2011 £000	Short-Term 31 March 2011 £000
-	(3,289)	-	(31,712)	Financial liabilities at amortised cost	(9,000)	(35,036)
-	12,107	-	10,294	Loans and receivables	-	15,232

16 Nature and extent of risk arising from financial instruments - continued

Nature and extent of risks arising from financial instruments

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 loss 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. Treasury risk management is carried out by a central treasury team, under policies approved by Council's Audit and Risk Management Committee. The Council's treasury management team provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed below.

For specified investments:

- Term deposits in banks and building societies with a minimum ratings as follows (long-term A+ or equivalent; short-term F1 or equivalent, support 1, 2, or 3). The limit is £7.5m per institution, with the exceptions as below.
- 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 £7.5m per institution
- UK Government bonds (Gilts); and,
- UK Treasury Bills.

(the maximum maturity of each of the above instruments will be 12 months)

For non specified investments:

Non-Specified Investments will satisfy all the criteria of Specified Investments; however the maximum maturities will be as shown below. The maximum exposure to all non-specified investments will be £14.5m. They will cover the following investments:

NOTES TO THE ACCOUNTS continued

16 Nature and extent of risk arising from financial instruments continued

Investment type	Criteria	Maximum duration
a) UK government bonds	Gilts are Triple-A-rated	Any gilt with a finite maturity date
b) Bonds issued by Multilateral Development Banks (i.e. European Investment Bank, World Bank); and bonds issued by an institution where the institution is guaranteed by the UK government	Triple-A-rated or equivalent	10 years
c) Bonds issued by institutions where the bond has an explicit UK Government Guarantee (<i>capital expenditure investment under current statute</i>)	Triple-A-rated or equivalent	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 (<i>capital expenditure investment under current statute</i>)	Triple-A-rated or equivalent	Maximum of 40% of overall investments and maximum maturity of 5 years
e) Bonds and floating rate notes issued by corporate bodies (<i>capital expenditure investment under current statute</i>)	Issue and issuer rating having as a minimum a long-rating in the 'Double-A' category	Restricted to a maximum of 25% of overall investments and maximum maturity of 5 years
f) Money Market Funds and Collective Investment Schemes which operate with a variable net asset value		Restricted to a maximum of 40% of overall investments. These funds do not have fixed maturity dates.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise.

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

NOTES TO THE ACCOUNTS continued

16 Nature and extent of risk arising from financial instruments continued

Potential maximum exposure to credit risk					
Estimated maximum exposure to default & uncollectability	Amount @310311	Historical experience of default	Historical experience adjusted for market conditions	Estimated maximum exposure to default & uncollectability	
at 31st March 2010 £000	at 31st March 2011 £000	at 31st March 2011 %	at 31st March 2011 %	at 31st March 2011 £000 (A * C)	
	A	B	C		
- Deposits w/ banks and financial institutions*	15,232	-	-	-	
- Long-term debtors #	406	-	-	-	
16 Court costs	131	14.8	14.5	19	
- Government & public bodies*	2,323	-	-	-	
3 Customers (exc. statutory debts)	1,897	0.5	0.5	9	
19				28	

* 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

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

1 April 2009 £000	31 March 2010 £000	Customer balances past their due date for payment	31 March 2011 £000
512	60	Less than two months	943
85	48	Two to five months	234
131	34	Five months to one year	31
264	391	More than one year	277
992	533	Total	1,485

16 Nature and extent of risk arising from financial instruments continued

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, and so the Council sets limits on the proportion of its fixed rate borrowing during specified periods.

1 April 2009 £000	31 March 2010 £000	Maturity analysis of financial liabilities	31 March 2011 £000
(8,665)	(29,632)	Less than three months	(17,726)
-	(6,261)	Three to six months	(10,850)
-	(839)	Six months to one year	(12,376)
-	(698)	More than one year	(9,581)
(8,665)	(37,430)	Total of all financial instruments liabilities	(50,533)
(1,011)	(301)	Collection Fund creditors (maturing in less than three months)	(820)
(7,654)	(37,129)	Total equal to total short and long term borrowing and creditors	(49,713)

All trade and other payables are due to be paid in less than one year. The above table does not include capital contributions of £4,591,000 (£4,944,000 in 2009-10). The Council expects to apply this sum to revenue and capital activities in future years.

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 borrowings would have an improved fair value
- Investments at variable rate - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rate - the fair value of investments will fall.

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

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 ensures any significant changes are identified and considered in budget setting.

NOTES TO THE ACCOUNTS continued

16 Nature and extent of risk arising from financial instruments continued

Based on the above strategy, at 31 March 2011, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2010-11 would have been:

Year Ending 31 March 2009 £000	Year Ending 31 March 2010 £000	Effect in the financial year of a 1% higher interest rate	Year Ending 31 March 2011 £000
13	174	Increase in interest payable on variable rate borrowings	257
(187)	(468)	Increase in interest receivable on variable rate investments	(1,032)
(174)	(294)	Additional interest that would have been to the benefit of the Comprehensive Income and Expenditure Statement if interest rates had rates had been 1% higher in the year	(775)

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2010-11 was historically low, and allowance for a full 1% reduction would be economically impossible in the circumstances of the year.

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.

NOTES TO THE ACCOUNTS continued

17 Short Term Investments

The short-term investments within current assets relates to one Eurobond (original nominal value of £3m).

18 Inventories

The Council holds only minor Inventories/stocks throughout each financial year. Inventories/stocks are included in the balance sheet at the lower of cost or net realisable value, and due to their relative insignificance on the balance sheet no further detail is provided within these notes.

19 Short Term Debtors

1 April 2009 £000	31 March 2010 £000	Short Term Debtors	31 March 2011 £000
1,477	3,714	Central government bodies	1,898
807	635	Other local authorities	425
-	1	NHS bodies	-
-	-	Public corporations and trading funds	-
2,931	3,520	Other entities and individuals	3,489
(734)	(820)	Bad debt provision for "Other entities and individuals"	(924)
4,481	7,050	Total	4,888

20 Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

1 April 2009 £000	31 March 2010 £000	Cash and cash equivalents	31 March 2011 £000
12	7	Cash held by the authority	8
-	-	Bank current accounts	4,968
8,789	7,080	Short-term deposits in money market funds	7,108
8,801	7,087	Total	12,084

NOTES TO THE ACCOUNTS continued

21 Short-term borrowing

The Council's short-term borrowing has increased during the financial year 2010-11, mainly as a result of an element of capital expenditure for 2010-11 being financed by borrowing within the terms of the prudential code. The Council plans to convert an element of this short-term borrowing to long-term borrowing during the following financial year (2011-12).

22 Short Term Creditors

1 April 2009 £000	31 March 2010 £000	Short Term Creditors	31 March 2011 £000
(55)	(375)	Central government bodies	(514)
(1,505)	(1,802)	Other local authorities	(2,544)
(91)	(97)	NHS bodies	(124)
-	(8)	Public corporations and trading funds	3
(3,683)	(3,393)	Other entities and individuals	(3,318)
(5,334)	(5,675)	Total	(6,497)

23 Provisions

1 April 2009 £000	31 March 2010 £000	Provisions	Change yr on yr	31 March 2011 £000
(65)	(65)	Early retirement costs	-	(65)
-	(575)	Travel concessions	8	(567)
(65)	(640)	Total	8	(632)

The Council continues to hold a substantial provision in relation to travel concessions. The Council has been liaising with Hampshire County Council during the financial year in order to plan and assist the County to adopt the statutory function for "travel concessions" that occurs for 1st April 2011. The bulk of the provision relates to bus company appeals and outstanding rail warrants.

24 Long-term borrowing

The Council took the decision to convert £10m of its short-term borrowing into 10 year EIP (equal instalments of principle) long-term borrowing towards the end of 2010-11. An element of this long-term borrowing is 'short' at the end of 2010-11, resulting in £9m listed on the balance sheet.

25 Other long Term liabilities

This liability (related to an IFRIC 12 PFI matter) is analysed within the table at Note 45 on page 77.

26 Capital grants receipts in advance

This significant sum relates to developers' contributions, all of which are 'conditions not met'.

NOTES TO THE ACCOUNTS continued

27 Usable reserves

Capital Receipts Reserve

Movements in the Authority's usable reserves are summarised in the Movement in Reserves Statement on page 11. The General Fund Reserve needs no further analysis in excess of the information given on page 11, and the movements in earmarked reserves are given at Note 8 on page 43. The movements in usable capital receipts is given in detail below.

2008-09 £000	2009-10 £000	Capital Receipts Reserve	2010-11 £000
10,148	7,393	Opening balance for the year	4,573
42	22	Capital receipts released from deferred receipts in the year	9
-	-	Restated capital receipts drawn from revenue previously declared as deminimis capital receipts	149
-	-	Total capital receipts related to housing mortgages	158
-	-	Less costs applied to raise these receipts	(34)
-	-	Net receipts raised from housing mortgages	124
-	-	Housing receipts paid to the CLG National Pool subject to percentage pooling arrangements	(75)
-	-	Net receipts remaining after costs and pooling payment	49
222	590	Capital receipts received in the year	299
(3,019)	(3,432)	Financing of capital expenditure in the year	-
7,393	4,573	Closing balance	4,921

28 Unusable reserves

28a Revaluation reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

A table of activity for the revaluation reserve is disclosed on the following page.

NOTES TO THE ACCOUNTS continued

28 Unusable reserves - 28a Revaluation reserve continued

2008-09 £000	2009-10 £000	Revaluation reserve	2010-11 £000
-	-	Opening balance for the year	2,001
-	2,134	Revaluation of operational fixed assets	3,211
-	(112)	Downward revaluation of fixed assets	-
-	2,022	Net surplus arising on the revaluation of fixed assets	5,212
-	(21)	Depreciation on revalued fixed assets	(20)
-	2,001	Closing balance	5,192

28b Financial Instruments Adjustment Account

2008-09 £000	2009-10 £000	Financial Instruments Adjustment Account	2010-11 £000
-	42	Balance at 1 April	108
42	66	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(35)
42	108	Balance at 31 March	73

28c Capital adjustment account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

NOTES TO THE ACCOUNTS continued

2008-09 £000	2009-10 £000	Capital adjustment account	2010-11 £000
67,729	68,597	Balance at 1 April	69,211
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,062)	(6,448)	Charges for depreciation and impairment of non-current assets	(3,258)
(83)	(88)	Amortisation of intangible assets	(95)
(4,044)	(3,626)	Revenue expenditure funded from capital under statute	(5,220)
(314)	(65)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(958)
-	-	Recognition of assets not previously shown on balance sheet	514
-	(331)	Adjustment regarding derecognition of asset	-
(6,503)	(10,558)	Net written out amount of the cost of non-current assets consumed	(9,017)
		Capital financing applied in the year:	
3,019	3,432	Use of the Capital Receipts Reserve to finance new capital expenditure	-
3,826	2,636	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,961
144	-	IFRIC 12 prior period adjustment in 2008-09	-
140	223	Statutory provision for the financing of capital investment charged against the General Fund	456
242	252	Capital expenditure charged against the General Fund	384
7,371	6,543	Net capital financing applied in the year	3,801
-	4,479	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	368
-	150	Movement related to the recognition of civic regalia credited to the Comprehensive Income and Expenditure Statement	-
-	4,629	Net movements recognised in the Comprehensive Income and Expenditure Statement	368
68,597	69,211	Balance at 31 March	64,363

28d Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2008-09 £000	2009-10 £000	Deferred Capital Receipts Reserve	2010-11 £000
101	59	Balance at 1 April	37
(42)	(22)	Amount released to unapplied capital receipts	(9)
59	37	Balance at 31 March	28

28e Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The movements on the pension fund are provided below:

2008-09 £000	2009-10 £000	Pensions Reserve	2010-11 £000
(19,770)	(33,560)	Balance at 1 April	(49,320)
(12,820)	(13,780)	Actuarial gains or losses on pensions assets and liabilities	2,500
(3,210)	(4,360)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,940
2,240	2,380	Employer's pensions contributions and direct payments to pensioners payable in the year	2,430
(33,560)	(49,320)	Balance at 31 March	(36,450)
(32,080)	(47,660)	Funded element of the Pensions Reserve - see page 82	(34,940)
(1,480)	(1,660)	UnFunded element of the Pensions Reserve - see page 86	(1,510)
(33,560)	(49,320)	Balance at 31 March	(36,450)

NOTES TO THE ACCOUNTS continued

28f Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the difference between the Collection Fund balance and the General Fund accruals for council tax.

2008-09 £000	2009-10 £000	Collection Fund Adjustment Account	2010-11 £000
-	86	Opening balance	118
86	32	Movement in the year	98
86	118	Closing balance	216

28g Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

The movements on the Accumulated Absences Account are provided below:

2008-09 £000	2009-10 £000	Accumulated Absences Account	2010-11 £000
-	(198)	Balance at 1 April	(272)
-	198	Settlement or cancellation of accrual made at the end of the preceding year	272
(198)	272	Amounts accrued at the end of the current year	288
(198)	(272)	Balance at 31 March Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(288)

NOTES TO THE ACCOUNTS continued

29 Cash Flow statement - Cash Operating activities

2009-10 £000	Cash Flow statement - Cash Operating activities	2010-11 £000
(267)	Interest received	(454)
244	Interest paid	396
(23)	Net total for Cash Flow statement - Cash Operating activities	(58)

30 Cash Flow statement - Investing activities

2009-10 £000	Cash Flow statement - Investing activities	2010-11 £000
28,724	Purchase of property, plant and equipment, investment property and intangible assets	10,549
(3,240)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(331)
2,616	Purchase of short-term and long-term investments	-
28,100	Net cash flows from investing activities	10,218

31 Cash Flow statement - Financing activities

2009-10 £000	Cash Flow statement - Financing activities	2010-11 £000
(77,076)	Cash receipts of short and long-term borrowing	(197,012)
47,112	Repayments of short and long-term borrowing	181,655
(29,964)	Net cash flows from financing activities	(15,357)

NOTES TO THE ACCOUNTS continued

32 Cash Flow statement - Adjustment of net (surplus) or deficit on the provision of services for non cash movements

2009-10 £000	Adjustment of net (surplus) or deficit on the provision of services for non cash movements	2010-11 £000
16	Rental charges not paid in cash	12
35	Interest charges not paid in cash	58
525	Non-cash movements regarding the disposal of non current assets	(299)
(1,980)	IAS 19 /(FRS17 for 2009-10)	10,370
4,629	Investment Property revaluations	368
(88)	Amortisation of intangible assets	(95)
(6,448)	Depreciation and impairment of non-current assets	(3,278)
111	Net interest on balances	(58)
22	Deminimis deferred receipts transferred to Consolidated Income and Expenditure Statement	-
(1)	Capital contributions (dev cons) transferred (from) Consolidated Income and Expenditure Statement	(295)
(85)	Bishopstoke Parish Council precept transferred to investment	(125)
1,438	Change in net current assets related to Consolidated Income and Expenditure Statement activities	(982)
(1,826)	Total adjustment of net (surplus) or deficit on the provision of services for non cash movements (as per page 16)	5,676

33 Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a formal basis each quarter of the financial year. During the financial year the successive monitoring reports are prepared on a different basis from the accounting policies used in the financial statements. In particular, successive quarterly monitoring reports vary regarding the following:

* the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

* the effect of employee benefits is not included

* government grants and contributions are accrued

* revaluations and certain depreciation amounts are not included

At the end of the financial year, the above elements are evaluated and processed into the accounts, producing a final full year monitoring statement authorised by the Cabinet in June.

The monitoring statement approved by the Cabinet on 16th June 2011 in relation to the 2010-11 accounts is available to the Council and readers of the accounts as the "Provisional Outturn for 2010-11", Agenda Item 10 - Appendix A. The report summary can be located using the following internet link:

<http://www.eastleigh.gov.uk/provisionaloutturn2010-11>

The monitoring statement approved by the Cabinet on 24th June 2010 in relation to the 2009-10 accounts is available to the Council and readers of the accounts as the "Provisional Outturn for 2009-10", Agenda Item 9 - Appendix A. The report summary can be located using the following internet link:

<http://www.eastleigh.gov.uk/provisionaloutturn2009-10>

A reconciliation between this summary and the Comprehensive Income and Expenditure Statement is provided as follows:

For 2010-11 - Page 65

For 2009-10 - Page 66

NOTES TO THE ACCOUNTS continued

33 Amounts reported for resource allocation decisions continued - Information for 2010-11

2010-11 £000	£000	£000	£000
Core information provided within Appendix A of Cabinet report Agenda Item 10 16th June 2011	Additional transactions incurred after report preparation	Totals of amounts reported plus additional transactions	Expressed in BVACOPS format, as shown at page 12 of this set statement of accounts for 2010-11
3,833 Area Committees (Net of gross area cost adjustment)		3,833	Central Services to the Public 656
(5,622) Regeneration and Resources		(5,622)	Cultural, Environmental and Planning Service 14,046
4,428 Environment		4,428	
1,693 Transport and Streetscene		1,693	Highways, Roads and Transport Services 443
959 Health		959	
(3,771) Business and Skills		(3,771)	Housing Services 1,324
4,000 Leisure		4,000	Social Services 13
458 Communities		458	Corporate and Democratic Core & non-distributed costs 4,300
2,076 Housing & Customer Services		2,076	
- Additional transactional effects across the above Portfolios	1,061	1,061	Exceptional item for pension past service costs (11,790)
8,054	1,061	9,115	As per page 12 of this set of accounts 8,992
(8,504) Non Service Related Items	(1,061)	(9,565)	Non Service Related Items (9,442)
(450) General Fund Reserve surplus See page 11 - General Fund Reserve movement for 2010-11	-	(450)	(450)
As per report taken to Cabinet 16th June 2011 for approval of 2010-11 General Fund I & E			8,054
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management/Cabinet in the above analysis			
Additional minor transactional effects across portfolios			6
Marginal change in employee benefits			15
Capital grants & dev contributions related to assets			(2,960)
(Gain)/Loss on Investment Pty			3,877
			938
Cost of Services in the Comprehensive Income and Expenditure Statement			8,992
The above amount can be referenced on page 12			

NOTES TO THE ACCOUNTS continued

33 Amounts reported for resource allocation decisions continued - Information for 2009-10

2009-10 £000	£000	£000	£000	£000
	Core information provided within Appendix A of Cabinet report Agenda Item 9 24th June 2010	Additional transactions incurred after report preparation	Totals of amounts reported plus additional transactions	Expressed in BVACOPS format, as shown at page 19 of the original set of the statement of accounts for 2009-10
2,159	Area Committees (Net of gross area cost adjustment)		2,159	Central Services to the Public 648
5,397	Regeneration and Resources		5,397	Cultural, Environmental and Planning Service 14,287
4,181	Environment		4,181	
2,059	Transport and Streetscene		2,059	Highways, Roads and Transport Services 861
723	Health		723	
(1,432)	Business and Skills		(1,432)	Housing Services 920
3,781	Leisure		3,781	Social Services 13
1,581	Social Policy		1,581	Corporate and Democratic Core & non-distributed costs 4,559
	- Additional transactional effect across the above Portfolios	2,839	2,839	
18,449		2,839	21,288	As per page 19 of the original 09-10 accounts 21,288
(18,367)	Non Service Related Items	(2,839)	(21,206)	As per page 19 of the original 09-10 accounts (21,206)
82	General Fund Reserve deficit	-	82	As per page 19 of the original 09-10 accounts 82
	See page 11 - General Fund Reserve movement for 2009-10			
	As per page 19 of the original 09-10 accounts		Total net Cost of Services	21,288
	(Gain)/Loss on Investment Pty		7,194	
	Capital grants & dev contributions related to assets		(1,169)	
	Investment property revaluations		(4,479)	
	Other non-current asset revaluations		(150)	
	Cancellation commuted sums maintenance		50	
	Commutated sums received		(15)	
	Revenue grants previously received in earlier years		180	
	Government grants received (conditions met)		(256)	
	Cancellation of government grants deferred depreciation		153	
	Employee benefits (net effect on portfolio in year)		74	
	Amounts in the Comprehensive Income and Expenditure Statement not reported to Management/Cabinet in the above analysis			1,582
	Cost of Services in the Comprehensive Income and Expenditure Statement			22,870
	The above amount can be referenced on page 12			

33 Amounts reported for resource allocation decisions continued - Subjective analysis

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2009-10 £000		2010-11 £000
(20,439)	Fees, Charges & other service income	(15,349)
(66)	Surplus or deficit on associates and joint ventures	60
(267)	Interest and investment	(454)
(8,095)	Income from council tax	(8,451)
(41,374)	Government grants and contributions	(46,015)
(70,241)	Total Income	(70,209)
9,513	Employee expenses	8,782
	- Pension past service costs (extraordinary amount for 2010-11)	(11,790)
45,866	Other service expenses	49,203
10,430	Support Service recharges	10,678
6,536	Depreciation, amortisation and impairment	3,353
244	Interest Payments	396
2,042	Precepts & Levies	2,363
	- Payments to Housing capital Receipts Pool	75
(525)	Gain or Loss on Disposal of Fixed Assets	660
74,106	Total Expenditure	63,720
3,865	(Surplus) or deficit on the provision of services	(6,489)

34 Acquired and discontinued operations

The Council has had no circumstances where it has acquired or discontinued operations in the year 2010-11. However, the Council did plan for the transfer of travel concessions to Hampshire County Council for 1st April 2011 during the year 2010-11.

NOTES TO THE ACCOUNTS continued

35 Trading operations

The Authority has established four trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of all four of those units is provided in the table below:

	2008-09		2009-10		2010-11	
	£000	£000	£000	£000	£000	£000
Trade Waste						
Turnover	538		578		590	
Expenditure	500		510		508	
Surplus		38		68		82
<p>The Authority runs a Trade Refuse collection service as part of its Waste Service. The customer base is driven by market forces. The trading objective is to maximise profit while providing a quality service and maintaining the customer base. The cumulative surplus for the last three financial years: £188k</p>						
Wessex House						
Turnover	1,026		918		964	
Expenditure	608		588		516	
Surplus		418		330		448
<p>The Authority operates an Office Building in the town centre to Support small businesses by providing short term lets and an added value service to support start up.</p>						
Open Air Markets						
Turnover	90		76		78	
Expenditure	15		19		15	
Surplus		75		57		63
<p>The Authority lets a Management contract to operate a market in the town centre on a Thursday and Saturday.</p>						
Corporation Estates						
Turnover	2,019		710		964	
Expenditure	485		591		915	
Surplus		1,534		119		49
<p>The Authority manages a portfolio of properties across the Borough including Offices, Industrial and Retail let out on various length leases.</p>						

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public, whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

NOTES TO THE ACCOUNTS continued

36 Agency services

The Council currently undertakes work on an agency basis for Hampshire County Council. The reimbursable expenditure for the year 2010-11 was £1,111,000 and comparison to the previous year (2009-10) is shown in the table below.

2009-10 Expenditure £000	2009-10 Income £000	2009-10 Net £000	Agency services	2010-11 Expenditure £000	2010-11 Income £000	2010-11 Net £000
136	(94)	42	Traffic Management	146	(110)	36
283	(269)	14	Environmental	277	(265)	12
107	(106)	1	Development Control	107	(107)	-
342	(342)	-	Design	629	(629)	-
868	(811)	57	Totals for Hampshire County Council	1,159	(1,111)	48

37 Members' allowances

The Authority paid the following amounts to members of the council during the year.

2009-10 £000	Members' allowances	2010-11 £000
253	Basic allowance	255
134	Other special allowances (e.g. chairs of committees) & training	130
11	Travel, subsistence and other expenses	9
398	Total	394

38 Officers' remuneration

The following tables (2010-11 shown on the following page (No 70), and the comparative year 2009-10 shown on page 71) set out the remuneration disclosures for Senior Officers of the Council whose salary is less than £150,000 but equal to or more than £50,000 per year.

This information is a requirement of the Accounts and Audit Regulations 2003 (SI 2003/533), as amended by the Accounts and Audit Regulations 2006 & 2009. The compilation of this information is made on the basis the specified staff included in the tables have responsibility for the management of the relevant body to the extent that the persons have power to direct or control the major activities of the body (in particular activities involving the expenditure of money), whether solely or collectively with other persons.

NOTES TO THE ACCOUNTS continued

38 Officers' remuneration continued

Information for 2010-11

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2010-11)				
Post Title	Salary	Total	Pension	Total
	including fees & allowances	Remuneration excluding pension contributions	Contributions	including pension contributions
	£	£	£	£
Chief Executive	107,399	107,399	20,513	127,912
Corporate Director	78,366	78,366	14,913	93,279
Corporate Director	74,000	74,000	14,133	88,133
Head of Legal & Democratic Services	74,324	74,324	12,883	87,207
Head of Development Control	79,219	79,219	6,813	86,032
Left 31.10.10. Annualised salary £61,153 plus payment in lieu £43,546				
Head of Revenue & Benefits	61,354	61,354	11,680	73,034
Head of Housing & Environmental Health	59,264	59,264	11,263	70,527
Head of Direct Services	54,906	56,145	10,487	66,632
Head of Culture	55,597	55,597	10,619	66,216
Head of Transport & Engineering	55,000	55,000	10,505	65,505
Head of Regeneration & Planning Policy	54,147	54,147	10,342	64,489
Area Coordinator	52,219	53,065	9,974	63,039
Head of Customer Service & ICT	52,902	52,902	10,104	63,006
Head of HR	52,734	52,734	10,024	62,758
Area Coordinator	51,219	52,210	9,783	61,993
Area Coordinator	39,043	39,980	9,783	49,763
Employee on sabbatical for part of year. Annualised salary £51,220 plus ess user £1,239 plus £202 subscription				
Corporate Director	7,356	7,356	1,317	8,673
Left 30.04.10. Annualised salary £82,760				

The Council had no staff who were paid more than £150,000 in 2010-11
None of the above posts were paid "compensation for loss of office"
Comparative Information for 2009-10 appears on the following page.

NOTES TO THE ACCOUNTS continued

38 Officers' remuneration continued

Information for 2009-10

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2009-10)				
Post Title	Salary	Total	Pension	Total
	including fees & allowances	Remuneration excluding pension contributions	Contributions	including pension contributions
	£	£	£	£
Chief Executive	109,362	109,362	20,341	129,703
Corporate Director	83,001	83,001	15,438	98,439
Corporate Director	78,582	78,582	14,564	93,146
Head of Legal & Democratic Services	67,632	67,632	12,579	80,211
Head of Revenue & Benefits	61,518	61,518	11,405	72,923
Head of Development Control	61,624	61,624	11,405	73,029
Head of Housing & Environmental Health	59,405	59,405	10,998	70,403
Head of Culture	55,747	55,747	10,369	66,116
Head of Regeneration & Planning Policy	54,300	54,300	10,099	64,399
Head of Customer Service & ICT	52,556	52,556	9,775	62,331
Area Coordinator	52,664	52,664	9,647	62,311
Head of HR	52,385	52,385	9,743	62,128
Area Coordinator	52,539	52,539	9,554	62,093
Head of Direct Services - Started 11.05.09	49,096	49,096	8,938	58,034
Annualised salary £54,407. Annualised essential user allow £1,170				
Head of Transport & Engineering	43,623	43,623	8,062	51,685
Reduced hours to 22.5 per week from 01.07.09. Annualised ft salary and allowance £61,152				
Area Coordinator	32,310	32,310	9,554	41,864
Employee on sabbatical part year. Annualised salary £51220 plus ess user £1245.				
Corporate Director - Started 02.11.09	30,627	30,627	5,696	36,323
Annualised £74,000				
Corporate Director - Left 30.04.09	8,202	8,202	1,251	9,453
Annualised salary £78,081				
Head of Transport & Engineering	2,513	2,513	467	2,980
Started 15.03.10. Annualised salary £55,000				

The Council had no staff who were paid more than £150,000 in 2009-10

None of the above posts were paid "compensation for loss of office"

NOTES TO THE ACCOUNTS continued

38 Officers' remuneration continued

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 (SI 2003/533), as amended by the Accounts and Audit Regulations 2006 & 2009.

2009-10 No	Number of employees whose remuneration was in the range:	2010-11 No
3	£50,000 - £54,999	4
-	£55,000 - £59,999	1
-	£60,000 - £64,999	-
-	£65,000 - £69,999	2
-	£70,000 - £74,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	1
3	Total number of officers whose remuneration exceeded £50,000	8

39 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2009-10 £000	External Audit Costs	2010-11 £000
109	Fees payable to the Audit Commission and PWC with regard to external audit services carried out by the appointed auditor for the year	106
33	Fees payable to the Audit Commission and PWC for the certification of grant claims and returns and claims for the year	32
1	Fees payable in respect of other services provided by the Audit Commission	30
143	Total of all external audit fees	168

NOTES TO THE ACCOUNTS continued

40 Grant and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11:

2009-10 £000	Grant and Contributions Income	2010-11 £000
	Credited to Taxation and Non Specific Grant Income	
8,095	Council Tax Income	8,451
6,236	National Non-Domestic Rates	6,460
1,439	Revenue Support Grant	1,307
115	Area Based Grant	36
80	Local Authority Growth Incentive Scheme	-
15,965	Total Grant and Contributions Income Credited to Taxation and Non Specific Grant Income	16,254

2009-10 £000	Grant and Contributions Income	2010-11 £000
	Credited to Services	
	Department for Communities and Local Government	
5	Council Tax Efficiency Information	-
169	Cost of Collection	163
32	Homelessness Initiatives Grants	32
352	Planning Delivery Grant	-
	- Revocation of Personal Searches	34
7	UK Online Centre	15
10	Social Housing Fraud	-
34	New Burdens - Habitats Regulations	17
38	Prevention Funding	-
647	Total amount for Department for Communities and Local Government	261
	Department for Environment, Food and Rural Affairs	
17	Air Quality	20
7	Stewardship Grant	7
1	Single Payment Scheme & HLS	13
25	Total amount for Department for Environment, Food and Rural Affairs	40
	1 Ministry of Justice - Data Standards Grant	-
673	Total amount carried forward to next page:	301

NOTES TO THE ACCOUNTS continued

40 Grant and Contributions Income - continued

2009-10 £000	Grant and Contributions Income - Credited to Services - continued	2010-11 £000
673	Bfwd from previous page	301
	Department for Work and Pensions	
740	Housing and Council Tax Benefit Administration	699
5,426	Housing and Council Tax Benefit Subsidy	5,790
25,196	Housing Benefit Rebates	26,870
11	Housing Benefit	5
6	Housing Benefit Discretion Rent Allowance	10
20	Housing Benefit Atlas Grant Funding	33
62	Non HRA Rent Allowances Subsidy	83
31,461	Total amount for Department for Work and Pensions	33,490
	- Home Office - Alcohol Activities Programme	4
114	Department for Culture, Media and Sport - Free Swimming	37
318	Department of Transport - Concessionary Travel	240
	Other Bodies	
	- Hampshire County Council - Community Safety	67
10	Hampshire County Council - Eastleigh Strategic Partnership	12
143	Hampshire County Council - LPSA2	3
361	Hampshire County Council	460
75	Hampshire Primary Care Trust	53
2	Forestry Commission - Stewardship grants	1
87	Other Local Authority Grants	71
10	Sport England Grant	-
25	Linbury Trust	25
38	Lottery Funding	14
60	Arts Council	130
413	Other Contributions	201
21	Natural England	36
27	B&Q	21
7	D C Leisure	8
13	Social Services	13
49	Partnership for Urban South Hampshire (PUSH)	117
	- Adam Mickiewicz Institute	50
1,168	Capital Grants applied to Services	2,961
2,509	Total amount for Other Bodies	4,243
35,075	Total Grant and Contributions Income Credited to Services	38,315

40 Grant and Contributions Income continued

The Authority has no grants, contributions or donations that have yet to be recognised as income regarding any conditions attached to them that would require the monies or property to be returned to the giver.

41 Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

Members

Members of the council have direct control over the council's financial and operating policies. During 2010-11 one member was a board member for Southampton Advice & Representation Centre to which funding of £13,720 was given. One member was chair of the Eastleigh Churches Rent Deposit Scheme who received £2,290. Two members are Elder and Secretary at the Emanuel Baptist Church which received £70 for use as a Polling Station at elections held in the year. Any declarations of interest are recorded in the Register of Members' Interests which is open to public inspection.

Officers

Chief Officers have the ability to influence the council. During 2010-11 there were no material related party transactions between the Council and Chief Officers.

Other public bodies [subject to common control by central government]

The council provided material financial assistance to a number of organisations (mainly community related bodies) although it does not exercise any form of control over those organisations.

Entities controlled or significantly influenced by the authority

The council holds funds on behalf of parish councils in the form of temporary loans but does not have a controlling influence over them.

NOTES TO THE ACCOUNTS continued

42 Capital expenditure and capital financing

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

2009-10 £000	Capital expenditure and capital financing	2010-11 £000
9,888	Opening capital financing requirement	35,573
28,590	Capital expenditure for non-current assets	10,126
3,626	Revenue expenditure funded from capital under statute	5,220
32,216	Total capital investment	15,346
	<u>Sources of finance</u>	
(3,432)	Capital receipts	-
(2,636)	Government grants and other contributions	(2,961)
(170)	Sums set aside from revenue:	(384)
(82)	Use of earmarked reserves	-
(223)	MRP	(457)
12	Adjustment regarding discharge of liability related to IFRIC 12	12
(6,531)	Total sources of finance	(3,790)
35,573	Closing capital financing requirement	47,129
25,685	Change in capital financing requirement in the year	11,556

2009-10 £000	Explanation of movements in year	2010-11 £000
25,896	Increase in underlying need to borrowing (unsupported by government financial assistance)	12,001
(223)	Minimum revenue provision	(457)
12	Assets acquired under PFI/PPP contracts	12
25,685	Change in capital financing requirement in the year	11,556

43 Leases - Council as a lessee

Future minimum lease rentals payable are given in the table below. The Council has previously acquired the use of some of its vehicles and equipment under leases. However, as at 31 March 2011 the council had no vehicle leases or any other operating leases relating to vehicles. In addition, the Council has no finance leases as at 31 March 2011.

2009-10 £000	Future minimum lease rentals payable	2010-11 £000
248	Due within one year	248
994	Due later than one year and not later than five years	994
2,334	Due after five years	2,085
3,576	Total Future Minimum Lease Rentals Payable	3,327

NOTES TO THE ACCOUNTS continued

44 Leases - Council as a lessor

The council leases out most of its investment property under operating leases for the purpose of generating income. It also leases out property for the purpose of the provision of community services such as sports and leisure facilities and community centres. The future minimum lease rentals receivable are:

2009-10 £000	Future minimum lease rentals receivable	2010-11 £000
3,985	Due within one year	3,870
14,314	Due later than one year and not later than five years	13,423
119,561	Due after five years	116,583
137,860	Total Future Minimum Lease Rentals Receivable	133,876

The future minimum lease rentals receivable do not include rents that are contingent on events taking place in the future such as rent reviews.

45 PFI and Similar Contracts

The Council is currently engaged in a long-term contract with DCL for the management of Fleming Park, a sports and leisure complex situated near Eastleigh town centre. An effect of this matter is that at the time of the contract start, a large sports hall building on the site was erected at the expense of DCL. Subsequent asset enhancements have also been funded by the contractor during the term of the contract to date, although these enhancements are de minimis in nature and have not been subject to the detailed requirement of IFRIC 12. At the end of the contract in the year 2020, the sports hall and enhanced assets will pass to the ownership of the Council.

Detail of the repayments of liability, interest and service charges for the remainder of the PFI contract period are listed below:

	Liability £000	Service £000	Interest £000
Within one year	12	(15)	3
Within two to five years	53	(62)	9
Within six to ten years	58	(62)	4
Within eleven to fifteen years	-	-	-

The gross value of the asset written into Other Land and Buildings was £291,000.

46 Impairment Losses

Intangible assets are required to be assessed for impairment; no indication of impairment was found. Other non-current assets have been assessed periodically for impairment. The annual asset verification process identified two minor impairments within the Vehicle, Plant & Equipment category.

47 Capitalisation of Borrowing Costs

The Council has a policy of capitalising interest borrowing costs for the construction of assets where the total cost of the non-current asset exceeds £3m. The specific policy is determined on page 32. No circumstances arose in the year where this policy was applied.

48 Termination Benefits

The Council made budget plans to cope with the economic downturn that prevailed in 2010-11 and, as with other public bodies, future government funding is now known to be reduced when compared to expectations made prior to the start of the financial year.

In order to commence a process of cost reduction to produce a reduced budget for future years, the Council accepted some voluntary redundancy requests and flexi-retirement from staff. In addition, a limited number of staff were made redundant on a mandatory basis and in 2010-11 these totalled £480,995.

49 Defined Benefit Pension Schemes

LGPS funded benefits

The disclosures that follow relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. The funded nature of the LGPS requires Eastleigh Borough Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Eastleigh Borough Council recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Price Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the two indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligation has reduced. This policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22 June 2010. This has given rise to an exceptional item in the CI&ES of £11.79m credit (see page 12).

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (funded) continued

The Council's regular contributions to the Fund for the accounting period ending 31 March 2012 are estimated to be £2.32m. 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 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

Principal financial assumptions (% per annum)	31 March 2009 %	31 March 2010 %	31 March 2011 %
Discount rate	6.7	5.5	5.4
RPI Inflation	3.4	3.9	3.7
CPI Inflation	N/A	N/A	2.8
Rate of increase to pensions in payment	3.4	3.9	2.8
Rate of increase to deferred pensions	3.4	3.9	2.8
Rate of general increase in salaries	4.9	5.4	5.2

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Principal demographic assumptions

Post retirement mortality	31 March 2010	31 March 2011
Retirement in normal health		
Males		
Year of birth base table	PNMA00 (*1a) with allowance for MC *2 improvement for factors to 2007	Standard SAPS Normal Health Light Amounts
Rating to above base table (years) (*3)	0	0
Scaling to above base table rates (*4)	110%	100%
Improvements to base table rates	80% of LC *5 (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	22.3	23.8
Future lifetime from age 65 (aged 45 at accounting date)	24.7	25.6

The table for Females continues on the following page

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (funded) continued

Principal demographic assumptions continued

	31 March 2010	31 March 2011
Post retirement mortality		
Retirement in normal health		
Females		
Year of birth base table	PNFA00 (*1b) with allowance for MC *2 improvement for factors to 2007	Standard SAPS Normal Health Light Amounts
Rating to above base table (years) (*3)	0	0
Scaling to above base table rates (*4)	110%	100%
Improvements to base table rates	60% of LC *5 (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	24.3	24.8
Future lifetime from age 65 (aged 45 at accounting date)	26.5	26.7

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

*1b - PNFA00 Pensioners, Normals, Females, 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 (a cohort is a group of subjects who have shared a particular experience during a particular time span)

*3 A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

*4 The scaling factors shown apply to normal health retirements.

*5 Long Cohort

Commutation

For 31 March 2010 - each member is assumed to exchange 25% of the maximum amount permitted of the pre 1st April 2008 pension entitlements. Each member is assumed to exchange 75% of the maximum amount permitted of their post 1 April 2008 pension entitlements.

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (funded) continued

Commutation continued

For 31 March 2011 - each member is assumed to exchange 25% of the maximum amount permitted of their past service rights on retirement, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.

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 IAS 19.

	Long-term expected rate of return 31 March 2009 % pa *	Asset split at 31 March 2009 %	Long-term expected rate of return 31 March 2010 % pa *	Asset split at 31 March 2010 %	Long-term expected rate of return 31 March 2011 % pa *	Asset split at 31 March 2011 %
Equities	7.0	55.2	8.0	61.3	8.4	63.4
Property	6.0	7.3	8.5	6.1	7.9	7.3
Government bonds	4.0	27.4	4.5	24.4	4.4	23.3
Corporate bonds	5.8	3.9	5.5	2.4	5.1	1.7
Cash	1.6	6.2	0.7	5.8	1.5	4.3
Other **	1.6	0.0	8.0	0.0	8.4	0.0
Total	5.7	100.0	6.7	100.0	7.1	100.0

* - The overall expected rate of return on fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

Other ** - these holdings include hedge funds, currency holdings, asset allocation futures and other instruments. They are assumed to obtain a return in line with equities.

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 2011.

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (funded) continued

Reconciliation of funded status to the balance sheet	Value as at 31 March 2009	Value as at 31 March 2010	Value as at 31 March 2011
	£M	£M	£M
Fair value of assets	40.18	52.68	55.93
Present value of funded defined benefit obligation	(72.26)	(100.34)	(90.87)
Net pension liability recognised on the balance sheet	(32.08)	(47.66)	(34.94)

Changes to the surplus or deficit on the provision of services	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Current service cost	1.63	2.24
Past service cost	0.05	(11.65)
Interest cost	4.80	5.01
Expected return on assets	(2.24)	(3.48)
Expense recognised	4.24	(7.88)

Changes to the present value of defined benefit obligation during the accounting period	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Opening present value of liabilities	(72.26)	(100.34)
Current service cost	(1.63)	(2.24)
Interest cost	(4.80)	(5.01)
Contributions by participants	(0.79)	(0.79)
Actuarial gains/(losses) on liabilities	(24.52)	2.36
Net benefits paid out	3.71	3.50
Past service cost	(0.05)	11.65
Closing defined benefit obligation	(100.34)	(90.87)

Changes to the fair value of assets during the financial year	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Opening fair value of assets	40.18	52.68
Expected return on assets	2.24	3.48
Actuarial gains/(losses) on assets	10.92	0.16
Contributions by the employer	2.26	2.32
Contributions by participants	0.79	0.79
Net benefits paid out	(3.71)	(3.50)
Closing fair value of assets	52.68	55.93

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (funded) continued

Actual return on assets	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Expected return on assets	2.24	3.48
Actuarial gains/(losses) on assets	10.92	0.16
Actual return on assets	13.16	3.64

Analysis of amount recognised in Comprehensive Income and Expenditure	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Total actuarial gains/(losses)	(13.60)	2.52
Total gain/(loss)	(13.60)	2.52

History of asset values, present value of defined benefit obligation and surplus/deficit	Period ending 31 March 2007 £M	Period ending 31 March 2008 £M	Period ending 31 March 2009 £M	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Fair value of assets	49.80	50.18	40.18	52.68	55.93
Present value of defined benefit obligation	(76.27)	(68.58)	(72.26)	(100.34)	(90.87)
Surplus/(deficit)	(26.47)	(18.40)	(32.08)	(47.66)	(34.94)

History of experience gains and losses	Period ending 31 March 2007	Period ending 31 March 2008	Period ending 31 March 2009	Period ending 31 March 2010	Period ending 31 March 2011
Experience gains/(losses) on assets £Ms	6.26	(0.07)	(13.62)	10.92	0.16
Percentage of assets %	12.6	(0.1)	(33.9)	20.7	0.3
Experience gains/(losses) on liabilities £Ms	(0.16)	(0.25)	(0.27)	0.77	1.18
Percentage of the present value of the liabilities %	(0.2)	(0.4)	(0.4)	0.8	1.3

49 Defined Benefit Pension Schemes continued

LGPS unfunded benefits

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 section of the note relate to unfunded pensions. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS.

Eastleigh Borough Council recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

Following the UK Government's announcement on 22nd June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Price Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the two indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligation has reduced. This policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22nd June 2010.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The Council's regular contributions to the Fund for the accounting period ending 31 March 2012 are estimated to be £0.11m. 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 2011. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

Principal financial assumptions (% per annum)	31 March 2009 %	31 March 2010 %	31 March 2011 %
Discount rate	6.7	5.5	5.5
RPI Inflation	3.4	3.8	3.6
CPI Inflation	N/A	N/A	2.7
Rate of increase to pensions in payment	3.4	3.8	2.7

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (unfunded) continued

Principal demographic assumptions

	31 March 2010	31 March 2011
Post retirement mortality		
Retirement in normal health		
Males		
Year of birth base table	PNMA00 (*1a) with allowance for MC *2 improvement for factors to 2007	Standard SAPS Normal Health Light Amounts
Rating to above base table (years) (*3)	0	0
Scaling to above base table rates (*4)	110%	100%
Improvements to base table rates	80% of LC *5 (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	22.3	23.8
Future lifetime from age 65 (aged 45 at accounting date)	24.7	25.6

	31 March 2010	31 March 2011
Post retirement mortality		
Retirement in normal health		
Females		
Year of birth base table	PNFA00 (*1a) with allowance for MC *2 improvement for factors to 2007	Standard SAPS Normal Health Light Amounts
Rating to above base table (years) (*3)	0	0
Scaling to above base table rates (*4)	110%	100%
Improvements to base table rates	60% of LC *5 (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	24.3	24.8
Future lifetime from age 65 (aged 45 at accounting date)	26.5	26.7

* The indexing references for the above two tables can be found on the lower half of page 79.

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (unfunded) continued

Reconciliation of balance sheet	31 March 2009 £M	31 March 2010 £M	31 March 2011 £M
Present value of defined benefit obligation	1.48	1.66	1.51
Pension liability recognised on the balance sheet	(1.48)	(1.66)	(1.51)

Changes to the surplus or deficit on the provision of services	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Past service cost	0.02	(0.14)
Interest cost	0.10	0.08
Expense recognised	0.12	(0.06)

Changes to the present value of unfunded defined benefit obligation during the accounting period	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Opening unfunded defined benefit obligation	1.48	1.66
Interest cost	0.10	0.08
Actuarial gains/(losses) on liabilities	0.18	0.02
Net benefits paid out	(0.12)	(0.11)
Past service cost	0.02	(0.14)
Closing unfunded defined benefit obligation	1.66	1.51

Analysis of amount recognised in Other Comprehensive Income and Expenditure	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Total actuarial gains/(losses)	(0.18)	(0.02)
Total gain/(loss)	(0.18)	(0.02)

NOTES TO THE ACCOUNTS continued

49 Defined Benefit Pension Schemes (unfunded) continued

History of present value of defined benefit obligation and surplus/deficit	Period ending 31 March 2007 £M	Period ending 31 March 2008 £M	Period ending 31 March 2009 £M	Period ending 31 March 2010 £M	Period ending 31 March 2011 £M
Present value of liabilities	See note below	1.44	1.48	1.66	1.51
Surplus/(deficit)		(1.44)	(1.48)	(1.66)	(1.51)

History of experience gains and losses	Period ending 31 March 2007	Period ending 31 March 2008	Period ending 31 March 2009	Period ending 31 March 2010	Period ending 31 March 2011
Experience gains/(losses) on assets £Ms	See note below	0.00	(0.03)	0.06	(0.06)
Percentage of the present value of the liabilities %		0.0	(2.0)	3.6	(4.0)

For the period ending 2007, the unfunded liabilities are included in the disclosure note for funded benefits.

50 Contingent Liabilities

Significant contingent liabilities resulting from the housing stock transfer in March 1996 are deemed to no longer exist at 31 March 2011, but there are other contingent liabilities that could potentially impact on the Council. These liabilities are included in the table below:

31 03 10 £000	Contingent Liabilities	31 03 11 £000
58	Potential for capital maintenance costs on transferred housing units	-
40	Landscape maintenance regarding pedestrian access to housing units	-
24	Highway maintenance for road systems integral to housing sites	-
122	Total contingent liabilities regarding housing stock transfer made in 1996	-
15	Hamble Jetty - in the event of the partial or total destruction of the jetty	15
-	- Wildern Mill planning application outcome	-
71	Wide Lane Land - dependent on potential changes in land valuation	71
20	Land charges	20
	Potential for situation where insurance matter does not provide for adequate cover for the Council (MMI)	150
106	Total all other contingent liabilities	256
228	Total	256

51 Contingent Assets

As part of the Large Scale Voluntary Transfer Agreement (LSVT), the Council is entitled to receive income generated from Right to Buy sales of former Council properties. In 2010-11 the income generated from this source was £256,456 (2009-10 £147,111). The generation of this income is outside of the Council's control and is not quantifiable for future years.

The Council has an agreed claim for £285,893 outstanding with Municipal Mutual Insurance (MMI), a company which is in liquidation. The minutes of the company's creditors' meeting held on 17th November 2010 state that the company now has some doubt as to whether the company will be able to achieve a solvent run-off for all agreed claims. Therefore, it is not felt that this is a certain enough guarantee of payment and this sum is not reflected in the financial statements (Refer to previous note of a specific liability for £150,000 listed within contingent liabilities on the previous page in relation to a mesothelioma case in relation to MMI).

52 Group accounts

For 2010-11 it is not considered that there are any bodies that meet the requirements for Group Accounting and as such these accounts solely represent the Council's transactions and balances in the year.

53 Events after the balance sheet date

There are no events of significance to report after the balance sheet date.

54 Date accounts are authorised for issue

These accounts were authorised for issue by the Corporate Director (CFO) on 30th June 2011. The accounts have not yet been audited or approved by the Audit Committee.

COLLECTION FUND

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2009-10		Collection Fund	2010-11	
£000	£000		£000	£000
56,995		INCOME	58,685	
		Income from Council Tax		
5,343		Transfers from General Fund: Council Tax Benefits	5,714	
47,544		Income collectable from business rate payers	49,401	
	<u>109,882</u>	Total Income		<u>113,800</u>
		EXPENDITURE		
	62,014	Precepts and demands from County and District		63,593
47,281		Business rate:	48,910	
156		Payment to national pool	155	
	<u>47,437</u>	Costs of collection		<u>49,065</u>
		Bad and doubtful debts		
107		Increase in provisions	336	
85		Business rate payers	63	
	<u>192</u>	Council tax		<u>399</u>
	<u>109,643</u>	Total Expenditure		<u>113,057</u>
		MOVEMENT ON FUND BALANCE		
	240	(Deficit)/Surplus for year		743
	660	Balance brought forward		900
	<u>900</u>	Balance carried forward		<u>1,643</u>

NOTES TO THE COLLECTION FUND

Note 1 - Rateable values used for Business ratepayers

2009-10		2010-11
133,015,278	Total rateable value as at 31 March	133,725,873
48.5p	National Non-Domestic Rate for the year	41.4p
48.1p	Small business rate relief	40.7p

Note 2 - Council Tax Base for 2010-11 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	3,442.25	6/9	2,294.8
B	£40,001 to £52,000	9,056.75	7/9	7,044.1
C	£52,001 to £68,000	15,204.75	8/9	13,515.3
D	£68,001 to £88,000	8,543.75	9/9	8,543.8
E	£88,001 to £120,000	6,414.75	11/9	7,840.3
F	£120,001 to £160,000	2,668.75	13/9	3,854.9
G	£160,001 to £320,000	924.50	15/9	1,540.8
H	Over £320,000	17.75	18/9	35.5
Summary of band D equivalents				44,673.3
Band D equivalent of reduction in discount on second homes				85.7
Reduction for non collection				-671.4
Local Tax Base				44,087.6

Note 3 - Collection Fund allocation of surplus

The fund surplus of £1,643,000 shown at the bottom of page 89, is attributed to the following bodies:

Attributable parts of the Collection Fund surplus as at 31 March 2011	£000
Hampshire County Council	1,190
Hampshire Police Authority	168
Hampshire Fire and Rescue	70
Eastleigh Borough Council	215
Collection Fund surplus shown on page 89	1,643

NOTES TO THE COLLECTION FUND

Note 4 - Collection Fund Precepts

2009-10 £000		2010-11	
		£000	£000
44,460	Precept from Hampshire County Council	45,758	
546	Surplus contributable to Hampshire CC	274	
45,006			46,032
6,205	Precept from Hampshire Police Authority	6,448	
74	Surplus contributable to Hampshire Police Authority	38	
6,279			6,486
2,633	Precept from Hampshire Fire and Rescue	2,706	
32	Surplus contributable to Hampshire Fire and Rescue	16	
2,665			2,722
5,923	Precepts and demands from Eastleigh Borough Council	5,940	
98	Surplus contributable to Eastleigh Borough Council	49	
6,021			5,989

2009-10 £000	Precepts and demands from Parish and Town Councils	2010-11	
		£000	£000
-	Allbrook	31	
85	Bishopstoke	125	
185	Botley	184	
99	Bursledon	103	
-	Chandler's Ford	139	
312	Fair Oak and Horton Heath	317	
161	Hamble Le Rice	203	
600	Hedge End	618	
272	Hound	275	
328	West End	368	
2,042			2,363
62,013	TOTAL		63,592

2009-10 £000	Reconciliation of the amount shown as demand on the Collection Fund (see page 12)	2010-11 £000
5,923	Precepts and demands from Eastleigh Borough Council	5,940
98	Surplus contributable to Eastleigh Borough Council	49
2,042	Precepts and demands from Parish and Town Councils	2,363
1	Community charge surplus to Eastleigh Borough Council	1
8,064		8,353
31	Change to accruals accounting in relation to main demand	98
8,095	Sum shown in the Comprehensive Income & Expenditure Statement on page 12	8,451

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-ring fenced 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 Comprehensive Income & Expenditure Statement. 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.

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.

GLOSSARY OF TERMS continued

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 Comprehensive Income & Expenditure Statement 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.

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.

GLOSSARY OF TERMS continued

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.

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.

GLOSSARY OF TERMS continued

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 Comprehensive Income & Expenditure Statement.