

**EASTLEIGH BOROUGH COUNCIL**

**Statement of Accounts**

**for the financial year 2014-15**

**Sarah King CPFA**

**(Chief Financial Officer)**



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## EXPLANATORY FOREWORD

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### a Introduction

The accounting statements that follow show the Council's financial performance for the year 2014-15. The style of presentation of the statement is determined by the Code of Practice on Local Authority Accounting 2014-15 that the Council is legally required to follow. The Council's accounts for the financial year 2014-15 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 International Financial Reporting Standards (IFRS), 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 Deficit on Provision of Services is shown in the Movement in Reserves Statement.

2013-14 £'000	2014-15 £'000
5,748 Deficit on Provision of Services	7,401

**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. The table at the top of the following page shows the change in net worth of the balance sheet.

**a Introduction - continued**

Change in net worth in the Balance Sheet

<b>2013-14</b>	<b>2014-15</b>
<b>£'000</b>	<b>£'000</b>
41,016 Net worth in the Balance Sheet	35,481
Change in net worth in the Balance Sheet (31 March 2015 over 31 March 2014)	(5,535)

**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. This 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 requires the Council to conduct a review at least once each 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 2014-15.



**EXPLANATORY FOREWORD continued**

**b Net Service expenditure and related matters**

The 2014-15 service expenditure is presented in the table below, highlighting interest payable and receivable, other operating costs together with income from local taxpayers and revenue grants. The service expenditure includes the effect of some IFRS transactions which are subsequently adjusted out towards the bottom of the table to produce the change in the General Fund Reserve.

2013-14 Net revenue service expenditure and sources of funding		2014-15		
Actual Net Exp £'000		Approved Budget £'000	Actual Net Exp £'000	Variance £'000
19,669	Cost of services - continuing operations	10,794	18,113	7,319
2,288	Precepts of local precepting authorities	2,461	2,461	-
2	Payments to the Government Housing Capital Receipts Pool	-	1	1
(851)	(Gain)/Loss on the disposal of Property, Plant and Equipment	-	1,021	1,021
(4,797)	(Gain)/Loss on Investment Property	-	(2,020)	(2,020)
562	Interest and similar charges	502	502	-
(520)	Interest and investment income	(75)	(482)	(407)
2,120	Pensions interest	1,700	1,700	-
<b>18,473</b>	<b>Net operating expenditure</b>	<b>15,382</b>	<b>21,296</b>	<b>5,914</b>
(7,211)	Demand on the Collection Fund	(9,053)	(9,053)	-
(3,726)	General government grants	(2,713)	(3,328)	(615)
(1,788)	Non-domestic rates redistribution	(2,129)	(1,514)	615
<b>5,748</b>	<b>Deficit for the year</b>	<b>1,487</b>	<b>7,401</b>	<b>5,914</b>
(10,458)	Net additional amount required by statute and non-statutory practices to be debited or credited to the General Fund	(586)	(11,645)	(11,059)
4,400	Reverse capital grants & developers' contributions related to non-current assets	-	3,786	3,786
(24)	Reverse employee benefits	-	(16)	(16)
314	Net transfers to reserves	214	926	712
<b>(20)</b>	<b>(Increase) in General Fund balance</b>	<b>1,115</b>	<b>452</b>	<b>(663)</b>

The actual deficit of £452,000 was achieved against a budgeted deficit of £1,115,000 producing an overall favourable variance for the financial year 2014-15 of £663,000 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**

<b>2013-14 £'000</b>	<b>Items of material capital expenditure that resulted in addition to non-current assets in the year 2014-15 (The amount of expenditure for the same assets is given for 2013-14)</b>	<b>2014-15 £'000</b>
616	Vehicle Replacement Programme	519
45	Lakeside Amenity Building	268
3	Fleming Park Leisure Centre	521
103	Black Horse House Fire Proofing	174
11	Hedge End Car Park	134
7,549	Eastleigh House Refurbishment	173
-	M&S Retail Unit	218
<b>8,327</b>	<b>Total value of all material capital expenditure that resulted in non-current assets in the year</b>	<b>2,007</b>

Materiality value is any project item in excess of £100,000 in the financial year 2014-15

**Material revenue expenditure financed from capital under statute**

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

<b>2013-14 £'000</b>	<b>Items of material capital expenditure that resulted in being written to revenue expenditure financed by capital under statute in the year 2014-15 - expenditure for the same scheme is given for 2013-14).</b>	<b>2014-15 £'000</b>
1,220	Disabled Facility Grants	1,187
773	Housing Association Grants	202
-	Solent Green Deal	384
<b>1,993</b>	<b>Total value of all material capital expenditure that resulted in revenue expenditure financed by capital under statute</b>	<b>1,773</b>

Materiality value is any project item in excess of £100,000 in the financial year 2014-15

Total capital expenditure, in the form of non-current assets and revenue expenditure financed by capital under statute is presented in detail at Note 47 on page 77.

**c Material assets acquired or liabilities incurred in the year continued**

**Material liabilities incurred**

The trend set in previous years regarding the increase in material liabilities temporarily reversed in 2014-15. This modest decrease in material liabilities was generated by (a) capital expenditure being much lower in 2014-15 when compared to recent previous years, (b) only a minor element of this capital financed by borrowing, & (c) substantial elements of external cash grants paid to the Council and held at the end of the financial year.

Interest rates on short-term borrowing continued to be attractive during the financial year, and the Council did not undertake any new element of long-term borrowing, other than the specific receipt of funds from the Hampshire Community Bank (HCB) of £950,000 that will be utilised for purposes determined by the HCB. The Council's total net borrowing liability (investments, cash and cash equivalents net of short and long-term borrowing) has decreased (as discussed in the previous paragraph) at 31st March 2015 when compared to the previous year at 31 March 2014. The table below contains relevant balance sheet information to identify the analysis of this change in relation to the decreasing net liability.

<b>31 March 2014 £'000</b>	<b>Overall net investment/borrowing position</b>	<b>Change yr on yr £'000</b>	<b>31 March 2015 £'000</b>
2,174	Cash and Cash Equivalents	7,145	9,319
(58,692)	Short Term Borrowing	2,106	(56,586)
(6,000)	Long Term Borrowing	50	(5,950)
<b>(62,518)</b>	<b>Total net investment/borrowing position</b>	<b>9,301</b>	<b>(53,217)</b>

**d Pensions liability**

**Significance of pensions liability** - Under the requirements of International Financial Reporting Standard IAS 19 (as revised for accounting periods commencing on or after 1 January 2013), 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 2015 there was a pension liability with a corresponding negative Pension Reserve. This pension liability is the difference between the value at 31st March 2015 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 2015 has increased from the previous year as demonstrated in the table below.

<b>31 March 2014 £'000</b>	<b>Pension liability</b>	<b>Change yr on yr £'000</b>	<b>31 March 2015 £'000</b>
(40,910)	Net liability related to defined benefit pension scheme	(4,830)	(45,740)

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**EXPLANATORY FOREWORD continued**

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**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 2014-15.

**f Significant changes in accounting policies**

There have been no significant changes in accounting policies for the year 2014-15.

**g Major change in statutory functions**

The Council has not been affected by a change in statutory function during the financial year 2014-15.

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**EXPLANATORY FOREWORD continued**

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**h Current borrowing facilities and capital borrowing**

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

<b>2013-14 £'000</b>	<b>Changes made to borrowing as defined by the Prudential Code</b>	<b>2014-15 £'000</b>
73,804	Accumulated Prudential Code debt outstanding at the beginning of the year	90,232
	<u>Transactions in the year:</u>	
17,840	Capital expenditure funded by borrowing	1,942
(1,425)	Minimum revenue provision	(1,907)
13	Adjustment regarding discharge of liability related to IFRIC 12	13
<b>90,232</b>	<b>Prudential Code debt outstanding at the end of the financial year</b>	<b>90,280</b>

Borrowing has decreased at 31 March 2015 when compared to 31 March 2014. The table below shows the borrowing at the end of the year 2014-15 compared to the position at the end of the previous financial year.

<b>31 March 2014 £'000</b>	<b>Borrowing</b>	<b>31 March 2015 £'000</b>
(58,692)	Short-term borrowing	(56,586)
(6,000)	Long-term borrowing	(5,950)
<b>(64,692)</b>	<b>Total of all current borrowing</b>	<b>(62,536)</b>

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.

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**EXPLANATORY FOREWORD continued**

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**i Internal & external sources of funds for capital expenditure**

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

<b>2013-14 £'000</b>	<b>Internal &amp; external sources of funds for capital expenditure</b>	<b>2014-15 £'000</b>
19,692	Capital expenditure resulting in the creation of non-current assets	3,171
3,464	Revenue expenditure funded from capital under statute (This forms part of the deficit on the Comprehensive Income and Expenditure Statement at page 12)	3,281
<b>23,156</b>	<b>Total capital expenditure in the year</b>	<b>6,452</b>
	Resources applied to finance capital expenditure incurred in the year	
	<u>External resources</u>	
2,516	Grants	2,310
1,883	Developers' contributions	1,475
	<u>Internal resources</u>	
26	Capital receipts	-
891	Revenue contribution to capital	725
<b>5,316</b>	<b>Total of all resources applied to finance capital expenditure</b>	<b>4,510</b>
17,840	Use of prudential code borrowing to finance specific element of the capital expenditure	1,942
<b>23,156</b>	<b>Total capital expenditure in the year</b>	<b>6,452</b>

The Council's actual capital expenditure in the year was £6,452,000. The Council achieved 79% of the rolling capital budget.

**j Significant provisions, contingencies and material write-offs**

The Council has one significant provision as at 31 March 2015 in relation to appeals for National Non-Domestic Rating. This provision is specifically highlighted at note 27 on page 58.

**k Material events after the reporting date**

These accounts for 2014-15 were authorised by the Chief Financial Officer for issue on September 2015. There are no material events after the reporting date.

**l Impact of the current economic climate**

The Council continues to make appropriate budget plans to cope with current economic conditions in the knowledge that future government funding is known to be reduced.

A review of all services continued throughout 2014-15 to ensure that service efficiency and delivery is maintained, and the Council can look to the future with a containable budget plan.

**m Future events**

See Note 58 on page 86 regarding events after the balance sheet date specifying a number of significant matters that the Council will undertake in 2015-16 or later.

**n Prior period adjustment**

These accounts do not contain any prior period adjustment.

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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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### **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 2015.

**Sarah King CPFA**

**Chief Financial Officer**

Signature available on request to Financial Services - Eastleigh Borough Council

**Date:** September 2015



## 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.

<b>Movement in reserves for 2013-14</b>	<b>General Fund Balance</b>	<b>Earmarked GF Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance @ 31 March 2013</b>	<b>(3,999)</b>	<b>(5,670)</b>	<b>(5,936)</b>	<b>(15,605)</b>	<b>(13,449)</b>	<b>(29,054)</b>
Deficit on provision of services	5,748	-	-	5,748	-	5,748
Other Comprehensive Expenditure and Income	-	-	-	-	(17,710)	(17,710)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,748</b>	<b>-</b>	<b>-</b>	<b>5,748</b>	<b>(17,710)</b>	<b>(11,962)</b>
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 40	(6,082)	-	(962)	(7,044)	7,044	-
<b>Net (increase) before transfers to earmarked reserves</b>	<b>(334)</b>	<b>-</b>	<b>(962)</b>	<b>(1,296)</b>	<b>(10,666)</b>	<b>(11,962)</b>
Transfers to/(from) Earmarked Reserves	314	(314)	-	-	-	-
(Increase)/Decrease in year	(20)	(314)	(962)	(1,296)	(10,666)	(11,962)
<b>Balance @ 31 March 2014</b>	<b>(4,019)</b>	<b>(5,984)</b>	<b>(6,898)</b>	<b>(16,901)</b>	<b>(24,115)</b>	<b>(41,016)</b>
<b>Movement in reserves for 2014-15</b>						
Deficit on provision of services	7,401	-	-	7,401	-	7,401
Other Comprehensive Expenditure and Income	-	-	-	-	(1,866)	(1,866)
<b>Total Comprehensive Income and Expenditure</b>	<b>7,401</b>	<b>-</b>	<b>-</b>	<b>7,401</b>	<b>(1,866)</b>	<b>5,535</b>
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 38	(7,875)	-	(631)	(8,506)	8,506	-
<b>Net (increase) before transfers to earmarked reserves</b>	<b>(474)</b>	<b>-</b>	<b>(631)</b>	<b>(1,105)</b>	<b>6,640</b>	<b>5,535</b>
Transfers to/(from) Earmarked Reserves	926	(926)	-	-	-	-
(Increase)/Decrease in year	452	(926)	(631)	(1,105)	6,640	5,535
<b>Balance @ 31 March 2015</b>	<b>(3,567)</b>	<b>(6,910)</b>	<b>(7,529)</b>	<b>(18,006)</b>	<b>(17,475)</b>	<b>(35,481)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, 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.

2013-14			2014-15		
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
(3)	(1)	(4)	-	-	-
1,278	(897)	381	1,447	(889)	558
9,329	(5,126)	4,203	8,187	(5,320)	2,867
7,164	(2,700)	4,464	6,887	(2,548)	4,339
9,279	(6,836)	2,443	4,924	(5,951)	(1,027)
34,592	(32,924)	1,668	33,964	(32,740)	1,224
8,827	(6,335)	2,492	9,426	(10,468)	(1,042)
6,934	(3,610)	3,324	14,496	(4,062)	10,434
698	-	698	760	-	760
<u>78,098</u>	<u>(58,429)</u>	<u>19,669</u>	<u>80,091</u>	<u>(61,978)</u>	<u>18,113</u>
			<b>Cost of services - continuing operations</b>		
			<b>Other Operating Expenditure</b>		
2,288	-		2,461	-	
2	-		1	-	
-	(851)		1,021	-	
<u>2,290</u>	<u>(851)</u>		<u>3,483</u>	<u>-</u>	
		1,439			3,483
			<b>Total Other Operating Expenditure</b>		
			<b>Financing and investment income and expenditure</b>		
1,432	(6,229)		1,042	(3,062)	
562	(520)		502	(482)	
2,120	-		1,700	-	
<u>4,114</u>	<u>(6,749)</u>		<u>3,244</u>	<u>(3,544)</u>	
		(2,635)			(300)
			<b>Total Financing and Investment Income and Exp</b>		
			<b>Taxation and Non-Specific Grant Income</b>		
-	(7,211)		-	(9,053)	
-	(3,726)		-	(3,328)	
-	(21,060)		-	(21,774)	
19,552	-		19,933	-	
-	(280)		-	327	
<u>19,552</u>	<u>(32,277)</u>		<u>19,933</u>	<u>(33,828)</u>	
		(12,725)			(13,895)
		<u>5,748</u>			<u>7,401</u>
			<b>Total Taxation and Non-Specific Grant Income</b>		
			<b>5,748 Deficit on Provision of Services</b>		
			Above balance transferred to the next page		

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT** continued

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2013-14			2014-15		
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
		<u>5,748</u>			<u>7,401</u>
		Deficit on Provision of Services transferred from previous page			
		(6,810)			(4,896)
		Net (gains) losses on the revaluation of Property, Plant and Equipment			
		(10,900)			3,030
		Actuarial (gains)/losses on pension fund assets and liabilities			
		<u>(17,710)</u>			<u>(1,866)</u>
		Other comprehensive income and expenditure			
		<u>(11,962)</u>			<u>5,535</u>
		<b>Total Comprehensive Income and Expenditure</b>			

## 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'.

@ 31 March 2014	Balance Sheet	@ 31 March 2015	
£'000		£'000	Notes
122,430	Property, Plant & Equipment	118,673	9
581	Heritage Assets	704	10
28,677	Investment Property	29,533	12
367	Intangible Assets	445	14
6,503	Finance Lease Asset	6,503	15
-	Long-term Investments	182	16
269	Long Term Debtors	279	18
<b>158,827</b>	<b>Long Term Assets</b>	<b>156,319</b>	
119	Inventories	143	22
5,673	Short Term Debtors	5,141	23
2,174	Cash and Cash Equivalents	9,319	24
<b>7,966</b>	<b>Current Assets</b>	<b>14,603</b>	
(58,692)	Short Term Borrowing	(56,586)	25
(11,268)	Short Term Creditors	(16,565)	26
(1,473)	Provisions	(2,391)	27
<b>(71,433)</b>	<b>Current Liabilities</b>	<b>(75,542)</b>	
(6,000)	Long Term Borrowing	(5,950)	28
(85)	Other Long Term Liabilities	(72)	29
(7,349)	Capital Grants Receipts in Advance	(8,137)	30
(40,910)	Net liability related to defined benefit pension scheme	(45,740)	32e
<b>(54,344)</b>	<b>Long Term Liabilities</b>	<b>(59,899)</b>	
<b>41,016</b>	<b>Net Assets</b>	<b>35,481</b>	

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**BALANCE SHEET continued**

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@ 31 March 2014	Balance Sheet	@ 31 March 2015	Notes
£'000		£'000	
4,019	General Fund Balance	3,567	-
5,984	Earmarked reserves	6,910	8
6,898	Capital receipts reserve	7,529	31
<b>16,901</b>	<b>Usable Reserves</b>	<b>18,006</b>	
45,032	Capital Adjustment Account	37,800	32c
(380)	Collection Fund Adjustment Account	562	32f
(296)	Accumulated Absences Account	(311)	32g
6,509	Deferred Capital Receipts Reserve	6,507	32d
14,160	Revaluation Reserve	18,657	32a
(40,910)	Pensions Reserve	(45,740)	32e
<b>24,115</b>	<b>Unusable Reserves</b>	<b>17,475</b>	
<b>41,016</b>	<b>Total Reserves</b>	<b>35,481</b>	

The unaudited accounts were issued on 30th June 2015 and the audited accounts were authorised for issue on 8th September 2015

**Sarah King CPFA**

**Chief Financial Officer**

Signature available on request to Financial Services - Eastleigh Borough Council

**Date:** 8th September 2015

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## CASH FLOW STATEMENT

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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).

<b>2013-14</b> <b>£'000</b>	<b>2014-15</b> <b>£'000</b>
5,748 Net (surplus) or deficit on the provision of services	7,401
(10,207) Adjust net (surplus) or deficit on the provision of services for non cash movements - see Note 36 on page 65	(12,176)
(42) Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities - see Note 33 on page 64.	(19)
<hr/> <b>(4,501) Net cash flows from Operating Activities</b>	<hr/> <b>(4,794)</b>
19,779 Investing Activities - see Note 34 on page 64	(961)
(8,392) Financing Activities - see Note 35 on page 64	(1,390)
<hr/> <b>6,886 Net (increase) or decrease in cash and cash equivalents</b> <hr/>	<hr/> <b>(7,145)</b> <hr/>
9,060 Cash and cash equivalents at the beginning of the reporting period	2,174
<hr/> <b>2,174</b> Cash and cash equivalents at the end of the reporting period	<hr/> <b>9,319</b>
<hr/> <b>(6,886) Increase/(Decrease) in cash and cash equivalents</b> <hr/>	<hr/> <b>7,145</b> <hr/>

**Accounting Policies for application in the year 2014-15****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 2014-15, 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 2015.

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 2014-15 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 2014-15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit regulations 2011, 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 2014-15 and the Service Reporting Code of Practice 2014-15 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 treats the following as Cash and Cash Equivalents:

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

The Council treats 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 affected 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 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 Minimum Revenue Provision (MRP) contribution in the General Fund Balance.

**1.10 Employee Benefits**

An accrual for employee benefits (holiday leave, flexible hours 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 Revenue Grants and Contributions**

Whether paid on account, by instalments or in arrears, revenue 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 Revenue 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 of purchased licenses and internally created computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the 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 Council. A common useful economic life applied to software is ten 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 a 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 a 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 principles of the most current CIPFA Service Reporting 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 2014-15.

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 and buildings (excludes investment properties)
- (b) community assets
- (c) infrastructure assets
- (d) vehicles
- (e) plant and equipment (includes office furniture and equipment)
- (f) 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) are 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. 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. The Council's policy is disclosed in the table below:

**Depreciation - Amortisation periods**

<b>Non-current asset classification</b>	<b>Years</b>	<b>%</b>	<b>Depreciation method</b>
Buildings, community, infrastructure	-	2	reducing balance
Land	-	-	not depreciated
Vehicles	7	-	straight line
Playgrounds	10	-	straight line
Plant and equipment	3 - 25	-	straight line
Assets under construction	-	-	not depreciated
Waste receptacles	-	10	reducing balance

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

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 Heritage Assets**

The Council's heritage assets refer to an array of items, the most financially significant of which relates to civic regalia. All of these heritage assets have been reclassified from community assets (previously listed on the balance sheet as an element within Property, Plant & Equipment). Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets mainly for the reason that obtaining valuation could prove to be cost prohibitive.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. If it is agreed to dispose of any heritage assets the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. Depreciation is not generally calculated on heritage assets as thorough care and maintenance ensures that these items have a continued life duration.

1.20 **Heritage Assets - continued**

The Council's heritage assets are:

<b>Civic regalia</b>	A large collection of items related to civic matters  Measurement has been made using insurance valuations
<b>All Other Works of Art</b>	Items as listed below relating to art installations that the public can freely access for viewing and appreciation purposes  Measurement of the items listed below has been historic cost, and the professional view of the Council's Art's Officer as to replacement cost  <u>Location</u>
Spitfire	Entrance to the airport located in the Borough of Eastleigh
Whirlwind Table & Chairs	Leigh Road - Eastleigh
Angel Of Mons	The Point Dance & Arts Centre
Mosaic	Leigh Road Recreation Ground - Eastleigh
Walk In My Footsteps	Factory Rd - Eastleigh
Barbe Baker Memorial	Leigh Road shopping precinct - Eastleigh
Howzat Cricket Stumps	Entrance to the Ageas Bowl cricket ground
Railwayman	Central Eastleigh
Musical Chairs	The Point Dance & Arts Centre
Leigh Rd Rec Gateway	Leigh Road Recreation Ground - Eastleigh
Bowled Over	Ageas Bowl cricket ground
Pirelli Art Works	Site previously occupied by Pirelli Cable Works - Eastleigh (West)
Velmore Doves	Velmore Community Centre
Charlotte Yonge Statue	Station Forecourt
Lions Public Art	Leigh Road Park
Eastleigh War Memorial	Leigh Road Park
Man of Trees	West End Village
Nautical Bench	Hamble Seafront

All heritage assets are tangible and are listed on the Council's balance sheet as at 31st March of each relevant financial year published.

The Council's Public Arts Strategy provides a full list of heritage assets, including their condition, commissioned artist, location and maintenance plan. Visual inspection is provided on a regular basis by Streetscene and the Public Arts Officer. All items located in the open air are accessible to the public, and some civic regalia items can normally be viewed and inspected within the Council's main civic office.

**1.21 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.

**1.22 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.

**1.22 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 adaptation of IFRIC 12.

**1.23 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. They are measured at the best estimate at the balance sheet date at 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.

**1.24 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.

**1.25 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 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 Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

**1.26 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.

Operating leases where the Council is the lessor - Leases where the lessee effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Assessments are made of the materiality of the transfer of risk and reward and in appropriate circumstances the Council would record a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease and recognise finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. Assets held for operating leases would be presented in the balance sheet of the Council (as a lessor) according to the nature of the asset. Lease income would be recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished

**1.27 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.

**1.27 Finance Leases continued**

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.

**1.28 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.

**1.29 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.

**1.30 Long Term Contracts**

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.

**1.31 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.

1.31 **Retirement Benefits continued**

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.

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 2015 and 31 March 2014 are based on the Aon 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, including administration costs - 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 on net defined benefit liability/(asset)** - 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 award 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 Accounting standards that have been issued but have not yet been adopted**

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

For 2014-15 the list of standards are as below:

IFRS 13 Fair Value Measurement (May 2011)

Annual Improvements to IFRSs (2011 – 2013 Cycle), issues within listed below:

IFRS 1: Meaning of effective IFRSs;

IFRS 3: Scope exceptions for joint ventures;

IFRS 13: Scope of paragraph 52 (portfolio exception); and

IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations & IAS 40 Investment Property when classifying property as investment property or owner-occupied property

The IASB carries out cyclical work to identify and implement improvements in IFRSs. Of the cycle stated above (Annual Improvements to IFRS s 2011-2013 Cycle) the amendments to the Code are not overly substantive these amendments are not anticipated to have a material impact on the Councils' financial statements.

IFRIC 21 Levies.

None of the above are expected to have any significance on the Council's accounting processes.

## **3 Critical judgements in applying accounting policies**

In applying the accounting policies set out in Notes 1.00 to 1.31 on pages 18 to 34, the Council has made certain judgements about complex transactions or those involving uncertainty about future events

The critical judgements that have the most significant effect on the amounts in the financial statements are:

**Asset reclassifications** – the council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets.

**Lease classifications** – the council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken “in the round” and decisions have been made. The accounting treatment for operating and finance leases is different and could have a significant effect on the accounts.

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## NOTES TO THE ACCOUNTS

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### 3 Critical judgements in applying accounting policies continued

**Contractual arrangements** – the council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

**Providing for potential liabilities** – the council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of pending issues.

**Allowances for doubtful debts** - the council has made judgements about the level of allowances for doubtful debts that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the current economic climate.

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 10.

### 4 Material items of income and expense

Material items of income and expense incurred in the year 2014-15 , which are not disclosed on the face of the Comprehensive Income and Expenditure Statement at page 12 are as listed below:

	<b>£'000</b>
Housing Benefit payments	31,435
Housing Benefit grant income	30,864

### 5 Prior period adjustment

There are no prior period adjustments required in these accounts.

**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 2015 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
<b>Property, Plant and Equipment</b>	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.
<b>Provisions</b>	The Council currently has provisions on the balance sheet and also provisions netted off the short-term debtors listed in the balance sheet	Difficulty in estimating provision amounts could cause adjustment to the accounts in the coming year. The determination to state a contingent liability rather than a real provision contains an element of subjectivity that could have a bearing on the actual accounts.
<b>Pensions liability</b>	At 31 March 2015, the net Pensions Liability was £45.74 million. 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.	The effects on the net pensions liability of changes in individual assumptions can be measured but is complex. The actuary calculations made each year tend to have a varying effect on the cost of services in the Comprehensive Income and Expenditure Statement.

**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 2014-15 & 2013-14 are provided on the following pages.

**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
<b>For the year 2014-15</b>				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(9,843)	-	-	9,843
Amortisation of intangible assets	(79)	-	-	79
Capital grants and contributions applied	3,786	-	(3,786)	-
Revenue expenditure funded from capital under statute	(3,281)	-	-	3,281
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,651)	-	-	1,651
Movements in the market value of Investment Properties	805	-	-	(805)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,907	-	-	(1,907)
Capital expenditure charged against the General Fund	725	-	-	(725)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	3,786	(3,786)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	630	(630)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
Housing receipts pooled to the Government	(1)	1	-	-

Table continued on the following page:

**NOTES TO THE ACCOUNTS continued**

<b>7 Adjustments between accounting basis and funding basis under regulations - continued</b>				
<b>For the year 2014-15</b>	<b>General Fund Balance £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Movement in Unusable Reserves £'000</b>
<b>Transfer from Deferred Capital Receipts Reserve upon receipt of cash</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(2)	-	2
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,310)	-	-	4,310
Employer's pensions contributions and direct payments to pensioners payable in the year	2,510	-	-	(2,510)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax/ndr income credited to the Comprehensive Income and Expenditure Statement is different from council tax/ndr income calculated for the year in accordance with statutory requirements	942	-	-	(942)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(15)	-	-	15
<b>Total of all adjustments on page 38 and this page</b>	<b>(7,875)</b>	<b>(631)</b>	<b>-</b>	<b>8,506</b>

**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 2013-14	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(10,433)	-	-	10,433
Amortisation of intangible assets	(79)	-	-	79
Capital grants and contributions applied	4,400	-	(4,400)	-
Revenue expenditure funded from capital under statute	(3,464)	-	-	3,464
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	(139)	-	-	139
Movements in the market value of Investment Properties	3,518	-	-	(3,518)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
<b>Statutory provision for the financing of capital investment</b>	1,425	-	-	(1,425)
Capital expenditure charged against the General Fund	891	-	-	(891)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
<b>Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</b>	-	-	4,400	(4,400)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	988	(988)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	26	-	(26)
Housing receipts pooled to the Government	(2)	2	-	-

Table continued on the following page:

**NOTES TO THE ACCOUNTS continued**

<b>7 Adjustments between accounting basis and funding basis under regulations - continued</b>				
<b>For the year 2013-14</b>	<b>General Fund Balance £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Movement in Unusable Reserves £'000</b>
<b>Transfer from Deferred Capital Receipts Reserve upon receipt of cash</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(2)	-	2
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,850)	-	-	4,850
Employer's pensions contributions and direct payments to pensioners payable in the year	2,360	-	-	(2,360)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax/ndr income credited to the Comprehensive Income and Expenditure Statement is different from council tax/ndr income calculated for the year in accordance with statutory requirements	(673)	-	-	673
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(24)	-	-	24
<b>Total of all adjustments on page 40 and this page</b>	<b>(6,082)</b>	<b>(962)</b>	<b>-</b>	<b>7,044</b>

**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 2014-15. All of these specific reserves are listed below on this page and continue on the following page.

	<b>Earmarked Reserves</b>	<b>Balance as at 31 March 2013</b>	<b>Transfer Out 2013-14</b>	<b>Transfers In 2013-14</b>	<b>Balance as at 31 March 2014</b>	<b>Transfer Out 2014-15</b>	<b>Transfers In 2014-15</b>	<b>Balance as at 31 March 2015</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
aa	Commuted Sums	1,498	76	(62)	1,512	(65)	136	1,583
ab	Grange Park	602	-	-	602	(35)	-	567
ac	Revenue Gts/Contribs	542	(258)	501	785	(161)	456	1,080
ad	Investment Properties	372	(34)	75	413	(131)	-	282
ae	Recycling	369	(383)	158	144	(217)	296	223
af	Core Strategy	59	(52)	9	16	(16)	-	-
ag	LAC (HEWEB)	100	-	34	134	(4)	86	216
ah	LAC (Eastleigh)	155	(35)	95	215	(12)	119	322
ai	Land Charges	155	-	79	234	-	55	289
aj	On Street Parking	93	-	1	94	-	7	101
ak	Uninsured losses	99	-	-	99	-	-	99
al	Eastleigh House	111	(112)	1	-	-	-	-
am	LAC (BHH)	82	(58)	48	72	(66)	51	57
an	Building Control	118	(32)	(1)	85	-	30	115
ao	Black Horse H Mtce	129	(48)	54	135	(140)	45	40
ap	Licensing	66	-	(1)	65	-	-	65
aq	Ticket Machine	50	-	-	50	-	-	50
ar	Carbon Neutral	106	-	44	150	(10)	18	158
as	Leasing/Interest	50	(50)	-	-	-	-	-
at	Wessex Financing	50	-	-	50	(50)	-	-
au	YZONE (BFOHH)	34	(12)	15	37	-	20	57
av	Dilapidations	44	-	1	45	(32)	8	21
aw	Carbon Reductions	35	-	-	35	-	-	35
ax	Cap Fin HEWEB	38	(26)	1	13	-	20	33
ay	Green Energy	(1)	-	1	-	-	12	12
az	Capital Financing	196	(93)	334	437	(725)	792	504
ba	Biodiversity Projects	35	(5)	1	31	(4)	-	27
bb	The Sidings	41	-	-	41	(2)	15	54
bc	Channon Retail Park	24	(19)	-	5	-	2	7
bd	Community and Health	17	(3)	-	14	(7)	1	8
be	Wessex House	25	-	-	25	(25)	-	-
bf	Interest equalisation	25	(25)	-	-	-	120	120
bg	Shsez Brand/Marketing	12	-	-	12	-	-	12
bh	Hou Private S Leasing	20	-	-	20	(10)	-	10
bi	Special purpose vehicle	20	(8)	-	12	-	-	12
bj	Self Insurance	23	-	4	27	(7)	9	29
bk	LAC (BFOHH)	13	-	1	14	(1)	-	13
	<b>Total of all reserves on this page carried to next page</b>	<b>5,407</b>	<b>(1,177)</b>	<b>1,393</b>	<b>5,623</b>	<b>(1,720)</b>	<b>2,298</b>	<b>6,201</b>



**NOTES TO THE ACCOUNTS continued**

**8 Transfers to/from earmarked reserves - continued**

<b>Earmarked Reserves</b>	<b>Balance as at 31 March 2013</b>	<b>Transfer Out 2013-14</b>	<b>Transfers In 2013-14</b>	<b>Balance as at 31 March 2014</b>	<b>Transfer Out 2014-15</b>	<b>Transfers In 2014-15</b>	<b>Balance as at 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total of all reserves from previous page</b>	<b>5,407</b>	<b>(1,177)</b>	<b>1,393</b>	<b>5,623</b>	<b>(1,720)</b>	<b>2,298</b>	<b>6,201</b>
bl LAC (CFH)	7	-	7	14	(1)	-	13
bm The Berry	12	(12)	-	-	-	-	-
bn Community Safety	-	-	-	-	-	-	-
bo Hackney Carriages	9	-	15	24	-	-	24
bp Highways Works	8	-	-	8	-	-	8
bq Cap Fin BHH	8	(6)	-	2	(1)	1	2
br Quobb Lane Sewer	5	-	-	5	-	-	5
bs Meals on Wheels	4	(4)	-	-	-	-	-
bt Cap Fin Eastleigh	4	-	1	5	(1)	(1)	3
bu Highways Agency	3	-	-	3	-	-	3
bv The Point	3	-	-	3	-	-	3
bw Hamble Point Car Park	2	-	-	2	-	-	2
bx Street Lighting	1	-	1	2	-	-	2
by Cap Fin Chandler's Ford	-	-	-	-	-	-	-
bz Cap Fin Bishopstoke	1	-	-	1	-	-	1
ca HCC Ag Raynesway	-	-	-	-	-	-	-
cb Homelessness Prevent	36	-	1	37	-	-	37
cc Avenue Park Shrine	10	-	-	10	-	-	10
cd Local Plan reserve	150	(55)	97	192	(316)	636	512
ce Transport & Plant	-	-	53	53	(11)	42	84
<b>Total of all reserves</b>	<b>5,670</b>	<b>(1,254)</b>	<b>1,568</b>	<b>5,984</b>	<b>(2,050)</b>	<b>2,976</b>	<b>6,910</b>

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

<b>Reserve</b>	<b>Purpose</b>
aa Commuted Sums	Funds held in relation to open spaces
ab Grange Park	Future major capital works and park improvements
ac Revenue Gts/Contribs	Contains revenue grants and contributions until required for spending
ad Investment Properties	Offset shortfalls in rent and consultant cost re acquisitions
ae Recycling	Waste management costs relating to recycling projects
af Core Strategy	Used to support core strategy requirements
ag LAC (HEWEB)	Future LAC projects and initiatives
ah LAC (Eastleigh)	Future LAC projects and initiatives
ai Land Charges	Funds from central government to offset refunds and fall in income
aj On Street Parking	Surplus accrued from decriminalised parking services
ak Uninsured losses	For losses that are not met via the Council's main insurance provider.
al Eastleigh House	For specific capital works at Eastleigh House (fully utilised in prev yr)
am LAC (BHH)	Future LAC projects and initiatives
an Building Control	Supports the trading partnership arrangement with Southampton CC
ao Black Horse H Mtce	For specific capital works at Black Horse House
ap Licensing	Future costs of the E2E IT system with Southampton City Council
aq Ticket Machine	For replacement of vandalised parking ticket machines
ar Carbon Neutral	Used to support sustainability developments

Earmarked reserves information continued on the following page:

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**NOTES TO THE ACCOUNTS continued**

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**8 Transfers to/from earmarked reserves - continued**

<b>Reserve</b>	<b>Purpose</b>
as Leasing/Interest	To offset variations in the revenue effect of lease and interest charges
at Wessex Financing	Used to equalise the effects of rent income shortfall
au YZONE (BFOHH)	Funds used to support the YZONE project development
av Dilapidations	Funds to meet the cost of non-current asset dilapidations
aw Carbon Reductions	Funded by the Area Based Grant and used for carbon reduction work
ax Cap Fin HEWEB	For future funding of capital expenditure at HEWEB LAC
ay Green Energy	Contains grants used to fund green energy schemes
az Capital Financing	Amounts accumulated for future funding of capital expenditure
ba Biodiversity Projects	Funds for specific projects to support wetlands and damsel flies
bb The Sidings	Funds for future maintenance works at The Sidings industrial units
bc Channon Retail Park	For specific capital works at Channon Retail Park
bd Community and Health	Held in relation to community and health initiatives
be Wessex House	For specific capital works at Wessex House
bf Interest equalisation	To offset revenue effects of low investment interest rates (now transferred to Interest & Investment Property Reserve)
bg Shsez Brand/Marketing	For use in branding for the SHSEZ initiative
bh Hou Private S Leasing	Dilapidations of £500 per property re housing scheme Portsmouth HA
bi Special purpose vehicle	For refinancing a specific housing development initiative
bj Self Insurance	Amount regarding cost of internal insurance claims
bk LAC (BFOHH)	Future LAC projects and initiatives
bl LAC (CFH)	Future LAC projects and initiatives
bm The Berry	Future maintenance works at the Berry (fully utilised in prev yr)
bn Community Safety	Used to support community safety initiatives
bo Hackney Carriages	Reserve to fund future losses
bp Highways Works	For highways agency matters
bq Cap Fin BHH	For future funding of capital expenditure at BHH LAC
br Quobb Lane Sewer	To fund matters connected with the Quobb Lane sewer
bs Meals on Wheels	Funding for matters connected with the meals on wheels
bt Cap Fin Eastleigh	For future funding of capital expenditure at Eastleigh
bu Highways Agency	Funding for matters connected with the HCC agency contract
bv The Point	Reserve to offset future losses during redevelopment of The Point
bw Hamble Point Car Park	To service requirements regarding Hamble Point car park
bx Street Lighting	To service requirements regarding street lighting
by Cap Fin Chandler's Ford	For future funding of capital expenditure at Chandler's Ford
bz Cap Fin Bishopstoke	For future funding of capital expenditure at Bishopstoke
ca HCC Ag Raynesway	To service requirements regarding agency contract
cb Homelessness Prevent	To fund future Housing Initiatives staffing costs
cc Avenue Park Shrine	Funds for future maintenance works of the War Shrine
cd Local Plan reserve	To fund additional planning related cost to support the Local Plan
ce Transport & Plant	To fund future investment in the Transport Service

**The following acronyms have been used in the above text:**

BFOHH	Bishopstoke, Fair Oak & Horton Heath
BHH	Bursledon, Hamble & Hound
Cap Fin Res	Capital Financing Reserve
HA	Housing Association
HCC	Hampshire County Council
HEWEB	Hedge End, West End & Botley
LAC	Local Area Committee
YZONE	'Y' Zone Youth Centre, Fair Oak
SHSEZ	South Hampshire Strategic Employment Zone

**NOTES TO THE ACCOUNTS continued**

**9 Property, plant and equipment (PPE)**

**Movements on balances in 2014-15**

	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community</b>	<b>Assets Under Construction</b>	<b>Total PPE Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Book Value at 31 March 2014</b>	<b>95,997</b>	<b>6,319</b>	<b>1,399</b>	<b>12,678</b>	<b>6,037</b>	<b>122,430</b>
<b><u>Cost or valuation</u></b>						
As at 1 April 2014	99,674	13,220	1,580	13,981	6,037	134,492
<b><u>Movements in 2014-15</u></b>						
Additions	666	970	76	23	1,214	2,949
Disposals and impairments	(7)	(842)	-	(2,012)	-	(2,861)
Reclassifications	-	(604)	-	604	(109)	(109)
Revaluations (charged to services)	(7,228)	-	-	-	-	(7,228)
Revaluations (to the Revaluation Reserve)	340	-	-	-	-	340
<b>As at 31 March 2015</b>	<b>93,445</b>	<b>12,744</b>	<b>1,656</b>	<b>12,596</b>	<b>7,142</b>	<b>127,583</b>
<b><u>Accumulated Depreciation</u></b>						
As at 1 April 2014	(3,677)	(6,901)	(181)	(1,303)	-	(12,062)
<b><u>Movements in 2014-15</u></b>						
Depreciation - annual charge	(1,380)	(1,274)	(33)	71	-	(2,616)
Depreciation written out to the revaluation reserve	4,557	-	-	-	-	4,557
Disposals and impairments	1	688	-	522	-	1,211
Reclassifications	-	420	-	(420)	-	-
<b>As at 31 March 2015</b>	<b>(499)</b>	<b>(7,067)</b>	<b>(214)</b>	<b>(1,130)</b>	<b>-</b>	<b>(8,910)</b>
<b>Net Book</b>	<b>92,946</b>	<b>5,677</b>	<b>1,442</b>	<b>11,466</b>	<b>7,142</b>	<b>118,673</b>

A revised valuation was undertaken for several non-current assets at 31 March 2015. These valuations were undertaken by DVS Property Specialists (Valuation Office Agency).

**NOTES TO THE ACCOUNTS continued**

**9 Property, plant and equipment (PPE) - continued**

**Movements on balances in 2013-14**

	Land & Buildings	Vehicles Plant & Equipment	Infra- structure Assets	Community	Assets Under Construc- tion	Total PPE Assets
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Book Value at 1 April 2013</b>	<b>78,166</b>	<b>5,935</b>	<b>1,361</b>	<b>8,800</b>	<b>12,375</b>	<b>106,637</b>
<b><u>Cost or valuation</u></b>						
As at 1 April 2013	82,432	12,153	1,515	9,871	12,375	118,346
<b><u>Movements in 2013-14</u></b>						
Additions	14,048	1,715	41	3,396	358	19,558
Disposals and impairments	-	(672)	-	(118)	-	(790)
Reclassifications	5,435	24	24	1,208	(6,696)	(5)
Revaluations (charged to services)	(7,372)	-	-	(376)	-	(7,748)
Revaluations (to the Revaluation Reserve)	5,131	-	-	-	-	5,131
<b>As at 31 March 2014</b>	<b>99,674</b>	<b>13,220</b>	<b>1,580</b>	<b>13,981</b>	<b>6,037</b>	<b>134,492</b>
<b><u>Accumulated Depreciation</u></b>						
As at 1 April 2013	(4,266)	(6,218)	(154)	(1,071)	-	(11,709)
<b><u>Movements in 2013-14</u></b>						
Depreciation - annual charge	(1,091)	(1,321)	(27)	(246)	-	(2,685)
Depreciation written out to the revaluation reserve	1,680	-	-	-	-	1,680
Disposals and impairments	-	638	-	14	-	652
<b>As at 31 March 2014</b>	<b>(3,677)</b>	<b>(6,901)</b>	<b>(181)</b>	<b>(1,303)</b>	<b>-</b>	<b>(12,062)</b>
<b>Net Book Value at 31 March 2014</b>	<b>95,997</b>	<b>6,319</b>	<b>1,399</b>	<b>12,678</b>	<b>6,037</b>	<b>122,430</b>

A revised valuation was undertaken for several non-current assets at 31 March 2014. These valuations were undertaken by DVS Property Specialists (Valuation Office Agency).

**NOTES TO THE ACCOUNTS continued**

**10 Heritage assets - 5 year summary of transactions**

	2010-11 £'000	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000
<b>Cost of Acquisitions of heritage assets</b>					
Civic Regalia	148	148	148	148	148
Other Works of Art	-	319	361	425	433
- Additions	319	60	28	3	73
- Reclassified	-	37	36	5	50
	<b>467</b>	<b>564</b>	<b>573</b>	<b>581</b>	<b>704</b>
<b>Value of Heritage Assets Acquired by Donation</b>					
Civic Regalia	-	-	-	-	-
Other Works of Art	-	-	-	-	-
	-	-	-	-	-
<b>Disposal of Heritage Assets *</b>					
Civic Regalia	-	-	-	-	-
Other Works of Art	-	(55)	-	-	-
	-	(55)	-	-	-
<b>Grand Total</b>	<b>467</b>	<b>509</b>	<b>573</b>	<b>581</b>	<b>704</b>

\* In all circumstances the disposal of heritage assets has occurred in relation to the transfer of such assets to the ownership and control of Parish Councils located within the Borough of Eastleigh.

**11 Heritage assets - further information**

A Council's heritage assets can be categorised into two elements (1) Civic Regalia, and (2) all other works of art. Civic regalia has been accumulated over an extended period of time and includes some fine display pieces and items that are worn by the Mayor on official matters.

Other works of art relate to outside display sculptures which notably includes the "Howzat" cricket stumps at the Ageas Bowl location, a model of the "Spitfire" airplane at the airport location and the famous "Railwayman" denoting the nature of Easteigh's past railway heritage.

**NOTES TO THE ACCOUNTS continued**

**12 Investment Property**

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

2013-14 £'000	Investment Property	2014-15 £'000
25,075	Balance at the start of the year	28,677
	Movements in the year	
85	Additions - expenditure in year	51
4,294	Gain from fair value adjustment	940
(777)	Loss from fair value adjustment	(135)
	- Reclassifications	-
<b>28,677</b>	<b>Total</b>	<b>29,533</b>

A full revaluation of investment properties was carried out at the end of the year by the Valuation Office Agency.

**13 Income and expenditure in relation to Investment properties & changes in their fair value**

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.

A breakdown of the expenditure and income is shown below:

2013-14 £'000	Income and expenditure in relation to Investment properties & changes in their fair value	2014-15 £'000
(4,294)	(Gain) on Revaluation of Investment Property	(940)
777	Loss on Revaluation of Investment Property	135
(1,935)	Income from Investment Property	(2,122)
(5,452)	Sub-total - gains	(2,927)
655	Maintenance and running costs of Investment Property	907
<b>(4,797)</b>	<b>Net (Gain) on investment Property</b>	<b>(2,020)</b>

**NOTES TO THE ACCOUNTS continued**

**14 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 ten years, however this is reviewed as part of the annual asset verification process.

2013-14 £'000	Intangible assets	2014-15 £'000
	<b>Balance at the start of the financial year</b>	
781	Cost b/fwd	828
(382)	Accumulated amortisation b/fwd	(461)
399	Net book value of intangible assets	367
	<b>Movements in the year</b>	
47	Additions - purchases	99
-	- Reclassifications	58
(79)	Amortisation charged to services	(79)
	<b>Balance at the start of the financial year</b>	
828	Cost c/fwd	985
(461)	Accumulated amortisation c/fwd	(540)
<b>367</b>	<b>Net book value of intangible assets</b>	<b>445</b>

**15 Finance Lease Asset**

The finance lease asset is recognition of the 999 year lease to RB Plc for the Ageas Bowl Land & Stadium owned by Eastleigh Borough Council.

2013-14 £'000	Finance Lease Asset	2014-15 £'000
	<b>Balance at the start of the financial year</b>	
6,503	Cost b/fwd	6,503
-	- Lease value written to the Comprehensive Income and Expenditure Account *	-
<b>6,503</b>	<b>Net book value of Non-Current Assets held for Sale</b>	<b>6,503</b>

Over the period of 999 years the value of the leased asset will be charged to the Comprehensive Income and Expenditure account to recognise that RB Plc will amortise the asset during its full useful economic life.

\* The amount amortised is of relatively low value in the early financial years, and therefore has only minor value effect in the Comprehensive Income and Expenditure account.

## 16 Long-term Investments

The Council has a service level agreement in place with the Hampshire Community Bank, which has loaned an amount to the Council in order to finance the making of non-specified investments into small institutions. This long-term investment sum on the balance sheet relates to the element of the investments made that are not due for repayment within the next financial year.

## 17 Contractual Commitments

The Council entered into contractual commitments of £342,483 in 2014-15 for works at Lakeside & Market Place environmental improvements. The value of works as at 31st March 2015 was in the sum of £195,941 and contract liabilities of £146,542 remain as at 31st March 2015 to complete these works.

## 18 Long term debtors

Long-term debtors are listed in the table below:

2013-14 £'000	Long term debtors	2014-15 £'000
59	Housing Association Loans	77
9	Mortgages (ex Housing Revenue Account properties & renovations)	6
146	Car loans to staff	141
56	Other	56
<b>269</b>	<b>Total long-term debtors</b>	<b>279</b>

## 19 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. It covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions.

The financial assets and liabilities disclosed in the Balance Sheet are analysed across a range of categories on the following page:



**NOTES TO THE ACCOUNTS continued**

**19 Financial Instruments - continued**

Carrying amount 31 March 2014 £'000	Fair Value 31 March 2014 £'000	Loans and receivables and financial liabilities fair values	Carrying amount 31 March 2015 £'000	Fair Value 31 March 2015 £'000
		<u>Current</u>		
2,164	2,164	Cash and cash equivalents	9,308	9,308
3,237	3,237	Loans and receivables	2,386	2,386
(65,576)	(65,576)	Financial liabilities	(65,948)	(65,948)
(60,175)	(60,175)	Total Current	(54,254)	(54,254)
		<u>Non-Current</u>		
-	-	Long-term Investments	182	182
-	-	Loans and receivables	279	279
(6,085)	(6,085)	Financial liabilities	(6,022)	(6,022)
(6,085)	(6,085)	Total Non-Current	(5,561)	(5,561)

The fair value of total current financial liabilities at the end of 2014-15 is reduced (in terms of overall liability) when compared to the fair value amount of financial liabilities at the end of 2013-14. The reasons for this reduction as at 31st March 2015 are (a) the Council has received substantial specific grant sums in 2014-15, a significant amount of which remains unspent, & (b) sundry debtors are substantially less.

**20 Nature and extent of risk arising from financial instruments**

Nature and extent of risks arising from financial instruments

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.

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

## **20 Nature and extent of risk arising from financial instruments - continued**

Treasury risk management is carried out by a central treasury team, under policies approved by Council's Audit and Resources Committee during 2014-15. 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.

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.

### Credit risk

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

In relation to investments 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 other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is BBB+. The limit is £7.5m per institution and restricted in duration to 100 days
- certificates of deposit with Banks and Building Societies meeting the above credit criteria;
- Deposits with other local authorities;
- Money Market funds with a AAAM rating or equivalent and a Constant Net Asset Value (Constant NAV); the limit is £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 on the following page. The maximum exposure to all non-specified investments will be £14.5m. They will cover the following investments (see next page):

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**NOTES TO THE ACCOUNTS continued**

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**20 Nature and extent of risk arising from financial instruments - continued**

<b>Investment type</b>	<b>Criteria</b>	<b>Maximum duration</b>
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.
g) Hampshire Community Bank	No defined credit rating	These investments do not have a fixed maturity date
h) Municipal Bonds Agency	No defined credit rating	

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. Experience shows 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 31st March 2015 that this was likely to crystallise.

**NOTES TO THE ACCOUNTS continued**

**20 Nature and extent of risk arising from financial instruments - continued**

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.

<b>Potential maximum exposure to credit risk</b>					
Estimated maximum exposure to default & uncollectability		Amount	Historical experience of default	Historical experience adjusted for market conditions	Estimated maximum exposure to default & uncollectability
<b>31 March 2014</b>		<b>at 31st March 2015</b>	<b>at 31st March 2015</b>	<b>at 31st March 2015</b>	<b>31 March 2015</b>
£'000		£'000	%	%	£'000
		A	B	C	(A * C)
-	Deposits into banks and financial institutions*	9,319	-	-	-
-	Long-term debtors #	279	-	-	-
25	Court costs	229	14.8	14.6	33
-	Government & public bodies*	188	-	-	-
27	Customers (exc. statutory debts)	6,346	0.5	0.5	32
<b>52</b>					<b>65</b>

\* 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 for payment" but not impaired amount can be analysed by age as follows:

<b>31 March 2014</b>	<b>Customer balances past their due date for payment</b>	<b>31 March 2015</b>
<b>£'000</b>		<b>£'000</b>
3,182	Less than two months	2,647
1,463	Two to five months	585
539	Five months to one year	455
1,516	More than one year	1,454
<b>6,700</b>	<b>Total</b>	<b>5,141</b>

**20 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.

<b>31 March 2014 £'000</b>	<b>Maturity analysis of financial liabilities</b>	<b>31 March 2015 £'000</b>
(44,132)	Less than three months <i>The above includes all collection fund creditors</i>	(44,220)
(18,936)	Three to six months	(24,016)
(6,624)	Six months to one year	(4,679)
(6,268)	More than one year	(6,187)
(75,960)	Total of all financial instruments liabilities	(79,102)
(2,772)	Less - Collection Fund creditors (all maturing in less than three months)	(5,588)
<b>(73,188)</b>	<b>Total equal to total short and long term borrowing and creditors</b>	<b>(73,514)</b>

All trade and other payables are due to be paid in less than one year. The above table does not include capital contributions of £8,137,000 (£7,349,000 in 2013-14). 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 Comprehensive 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.

**20 Nature and extent of risk arising from financial instruments - continued**

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.

Based on the above strategy, at 31 March 2015, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2014-15 would have been:

Year Ending 31 March 2014 £'000	Effect in the financial year of a 1% higher interest rate	Year Ending 31 March 2015 £'000
388	Increase in interest payable on variable rate borrowings	458
(199)	Increase in interest receivable on variable rate investments	(125)
189	Interest that would have been to the charged/credited to the Comprehensive Income and Expenditure Statement if interest rates had rates had been 1% higher in the year	333

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2014-15 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.

**21 Short-term investments available for sale**

As at 31 March 2015 no short-term investments (available for sale) were held.

**22 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.

**NOTES TO THE ACCOUNTS continued**

**23 Short Term Debtors**

<b>31 March 2014 £'000</b>	<b>Short Term Debtors</b>	<b>31 March 2015 £'000</b>
539	Central government bodies	84
1,052	Other local authorities	179
13	NHS bodies	-
-	- Public corporations and trading funds	-
5,564	Other entities and individuals	6,503
(1,495)	Bad debt provision for "Other entities and individuals"	(1,625)
<b>5,673</b>	<b>Total</b>	<b>5,141</b>

**24 Cash and cash equivalents**

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

<b>31 March 2014 £'000</b>	<b>Cash and cash equivalents</b>	<b>31 March 2015 £'000</b>
10	Cash held by the authority	11
2,164	Bank current accounts	7,708
-	- Short-term deposits in money market funds	1,600
<b>2,174</b>	<b>Total</b>	<b>9,319</b>

**25 Short-term borrowing**

The Council's short-term borrowing has decreased slightly as at the end of 2014-15 when compared to 2013-14. This is mainly due to the receipt of significant government grant income received in the year of which only an element has been discharged to third parties coupled with a reduction in outstanding sundry debtors. This decrease is partly offset by an element of capital expenditure for the year being financed by borrowing within the terms of the prudential code.

<b>31 March 2014 £'000</b>	<b>Short-term borrowing</b>	<b>31 March 2015 £'000</b>
(1,000)	Public Works Loans Board (PWLB) element of short-term borrowing	(1,000)
(57,692)	Other Short Term Borrowing	(55,586)
<b>(58,692)</b>	<b>Total all short-term borrowing</b>	<b>(56,586)</b>

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**NOTES TO THE ACCOUNTS continued**

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## 25 Short-term borrowing - continued

The Council plans to convert an element of its short-term borrowing to long-term borrowing at sometime in the future, and budget planning accommodates the potential for a conversion of short-term debt into long-term debt at a time when it is considered appropriate.

## 26 Short Term Creditors

31 March 2014 £'000	Short Term Creditors	31 March 2015 £'000
(1,586)	Central government bodies	6,554
(2,910)	Other local authorities	3,085
(6,772)	Other entities and individuals	6,926
<b>(11,268)</b>	<b>Total</b>	<b>16,565</b>

## 27 Provisions

31 March 2014 £'000	Provisions	Change yr on yr	31 March 2015 £'000
(1,253)	Non-Domestic Rating (NDR) Provision for Appeals	(918)	(2,171)
(220)	VAT partial exemption	-	(220)
<b>(1,473)</b>	<b>Total</b>	<b>(918)</b>	<b>(2,391)</b>

The substantive amount for NDR is in relation to the outstanding rating appeals relevant to Business Rate Retention. The VAT partial exemption provision has been maintained at £220,000 as prudent financial protection regarding breach of the partial exemption limit.

## 28 Long-term borrowing

The Council has £5.0m of PWLB long-term debt as at 31st March 2015 (£6.0m as at 31st March 2014), and £0.95m loan from the Hampshire Community Bank (no comparative amount as at 31st March 2014) amounting to £5.95m in total. The Council did not commit to convert any of its short-term borrowing into long-term borrowing in the year 2014-15 as market conditions remained favourable in relation to the holding of short-term borrowing.

## 29 Other long Term liabilities

This liability (related to an IFRIC 12 PFI matter) is analysed within the table at Note 50 on page 78.

## 30 Capital grants receipts in advance

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



**31 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 42. The movements in usable capital receipts is given in detail below.

<b>2013-14 £'000</b>	<b>Capital Receipts Reserve</b>	<b>2014-15 £'000</b>
<b>5,936</b>	Opening balance for the year	<b>6,898</b>
2	Capital receipts released from deferred receipts in the year	2
<b>2</b>	<b>Total capital receipts related to housing mortgages</b>	<b>2</b>
(2)	Housing receipts paid to the CLG National Pool subject to percentage pooling arrangements	(1)
-	Net receipts remaining after costs and pooling payment	1
988	Capital receipts received in the year	630
(26)	Financing of capital expenditure in the year	-
<b>6,898</b>	<b>Closing balance</b>	<b>7,529</b>

**32 Unusable reserves**

**32a 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**

**32 Unusable reserves - 32a Revaluation reserve continued**

2013-14 £'000	Revaluation Reserve	2014-15 £'000
7,660	Opening balance for the year	14,160
6,810	Revaluation of Operational Non-Current Assets	4,896
14,470	Net surplus arising on the revaluation of Non-Current Assets	19,056
	- Disposal of non-current assets	(83)
(310)	Depreciation on revalued Non-Current Assets	(316)
<b>14,160</b>	<b>Closing balance</b>	<b>18,657</b>

**32b Financial Instruments Adjustment Account**

2013-14 £'000	Financial Instruments Adjustment Account	2014-15 £'000
	- Balance at 1 April	-
	- 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	-
	- <b>Balance at 31 March</b>	-

**32c 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**

**32c Capital adjustment account - continued**

2013-14 £'000	Capital adjustment account	2014-15 £'000
<b>48,577</b>	<b>Balance at 1 April</b>	<b>45,032</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(10,123)	Charges for depreciation and impairment of non-current assets	(9,527)
(79)	Amortisation of intangible assets	(79)
(3,464)	Revenue expenditure funded from capital under statute	(3,281)
(139)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,568)
<b>(13,805)</b>	Net written out amount of the cost of non-current assets consumed	<b>(14,455)</b>
	<b>Capital financing applied in the year:</b>	
26	Use of the Capital Receipts Reserve to finance capital expenditure capital expenditure	-
4,400	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,786
1,425	Statutory provision for the financing of capital investment charged against the General Fund	1,907
891	Capital expenditure charged against the General Fund	725
<b>6,742</b>	Net capital financing applied in the year	<b>6,418</b>
3,518	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	805
<b>3,518</b>	Net movements recognised in the Comprehensive Income and Expenditure Statement	<b>805</b>
<b>45,032</b>	<b>Balance at 31 March</b>	<b>37,800</b>

**NOTES TO THE ACCOUNTS continued**

**32d Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current 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.

<b>2013-14 £'000</b>	<b>Deferred Capital Receipts Reserve</b>	<b>2014-15 £'000</b>
6,511	Balance at 1 April	6,509
-	- Finance lease asset	-
(2)	Amount released to unapplied capital receipts	(2)
<b>6,509</b>	<b>Balance at 31 March</b>	<b>6,507</b>

**32e 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:

<b>2013-14 £'000</b>	<b>Pensions Reserve</b>	<b>2014-15 £'000</b>
<b>(49,320)</b>	Balance at 1 April	<b>(40,910)</b>
10,900	Actuarial gains or losses on pensions assets and liabilities	(3,030)
(4,850)	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	(4,310)
2,360	Employer's pensions contributions and direct payments to pensioners payable in the year	2,510
<b>(40,910)</b>	<b>Balance at 31 March</b>	<b>(45,740)</b>
(39,330)	Funded element of the Pensions Reserve - see page 81	(44,140)
(1,580)	Unfunded element of the Pensions Reserve - see page 84	(1,600)
<b>(40,910)</b>	<b>Balance at 31 March</b>	<b>(45,740)</b>

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**NOTES TO THE ACCOUNTS continued**

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**32f 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 and National Non-Domestic Rates.

<b>2013-14 £'000</b>	<b>Collection Fund Adjustment Account</b>	<b>2014-15 £'000</b>
293	Opening balance	(380)
(673)	Movement in the year	942
<b>(380)</b>	<b>Closing balance</b>	<b>562</b>

**32g 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:

<b>2013-14 £'000</b>	<b>Accumulated Absences Account</b>	<b>2014-15 £'000</b>
(272)	Balance at 1 April	(296)
272	Settlement or cancellation of accrual made at the end of the preceding year	296
(296)	Amounts accrued at the end of the current year	(311)
<b>(296)</b>	<b>Balance at 31 March</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	<b>(311)</b>

**NOTES TO THE ACCOUNTS continued**

**33 Cash Flow statement - Cash Operating activities**

2013-14 £'000	Cash Flow statement - Cash Operating activities	2014-15 £'000
(520)	Interest received	(483)
562	Interest paid	502
<b>42</b>	<b>Net total for Cash Flow statement - Cash Operating activities</b>	<b>19</b>

**34 Cash Flow statement - Investing activities**

2013-14 £'000	Cash Flow statement - Investing activities	2014-15 £'000
20,908	Purchase of property, plant and equipment, investment property and intangible assets	311
(1,063)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,460)
	- Sale of Short Term Investment	-
(66)	Net Interest paid / (Received)	188
<b>19,779</b>	<b>Net cash flows from investing activities</b>	<b>(961)</b>

**35 Cash Flow statement - Financing activities**

2013-14 £'000	Cash Flow statement - Financing activities	2014-15 £'000
(69,160)	Cash receipts of short and long-term borrowing	(95,760)
60,768	Repayments of short and long-term borrowing	94,370
<b>(8,392)</b>	<b>Net cash flows from financing activities</b>	<b>(1,390)</b>

**NOTES TO THE ACCOUNTS continued**

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

2013-14 £'000	Adjustment of net (surplus) or deficit on the provision of services for non cash movements	2014-15 £'000
13	Rental charges not paid in cash	13
(3)	IFRIC 12 Interest charged to Comprehensive I&E Statement	(2)
851	Non-cash movements regarding the disposal of non current assets	(1,021)
(2,490)	International Accounting Standard 19 (IAS 19 - Pensions)	(1,800)
3,517	Investment Property revaluations	805
	- Non Cash Movement regarding sale of Assets Held for Sale	-
(79)	Amortisation of intangible assets	(79)
(2,685)	Depreciation and impairment of non-current assets	(2,616)
(7,748)	Revaluation of Non Current Assets charged to Comprehensive I&E Statement	(7,228)
(122)	Bishopstoke Parish Council precept & contribution transferred to investment	(145)
37	Change in Provisions	-
(8)	Change in Long Term Debtors	10
(41)	Change in Inventories and Work in Progress	24
827	Change in Debtors	(530)
(2,276)	Change in Creditors	393
<b>(10,207)</b>	<b>Total adjustment of net (surplus) or deficit on the provision of services for non cash movements (as per page 16)</b>	<b>(12,176)</b>

### **37 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 Service Reporting 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

- \* revenue 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 18th June 2015 in relation to the 2014-15 accounts is available to the Council and readers of the accounts as the "Provisional Outturn for 2014-15", Agenda Item 6 - Appendix A. The report summary can be located using the following internet link:

<http://intranet2:8080/documents/g5455/Public%20reports%20pack%20Thursday%2018-Jun-2015%2018.00%20Cabinet.pdf?T=10>

The monitoring statement approved by the Cabinet on 12th June 2014 in relation to the 2013-14 accounts is available to the Council and readers of the accounts as the "Provisional Outturn for 2013-14", Agenda Item 9 - Appendix A. The report summary can be located using the following internet link:

<http://www.eastleigh.gov.uk/meetings/documents/b50003289/Late%20Paper%20Thursday%2012-Jun-2014%2018.00%20Cabinet.pdf?T=9>

A reconciliation between this summary and the Comprehensive Income and Expenditure Statement is provided on page 67



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**NOTES TO THE ACCOUNTS continued**

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**37 Amounts reported for resource allocation decisions continued**

Core information provided within Appendix A of Cabinet report Agenda item 6 - 18th June 2015

<b>For the financial year 2014-15</b>	<b>£'000</b>
Area Committees (Net of gross area cost adjustment)	(453)
Regeneration and Resources	6,201
Environment	2,297
Transport and Streetscene	(247)
Health	443
Business and Skills	(4,049)
Leisure	3,207
Youth and Social Policy	178
Housing & Customer Services	<u>2,188</u>
<b>Net Expenditure</b>	<b>9,765</b>

Core information provided within Appendix A of Cabinet report Agenda item 9 - 12th June 2014

<b>For the financial year 2013-14</b>	<b>£'000</b>
Area Committees (Net of gross area cost adjustment)	(598)
Regeneration and Resources	5,880
Environment	2,425
Transport and Streetscene	(136)
Health	481
Business and Skills	(3,848)
Leisure	3,204
Communities	454
Housing & Customer Services	<u>2,271</u>
<b>Net Expenditure</b>	<b>10,133</b>

**Reconciliation of Cabinet Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

	<b>2013-14</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
Net Expenditure in the Cabinet analysis	10,133	9,765
Additional minor transactional effects across portfolios	1	(2)
New homes Grant out of General Fund services	79	-
Reclassification of investment property & revaluation of operational Land & Buildings	9,029	7,930
Adjustment into the General Fund regarding "self-insurance"	(5)	-
Rental income stated as interest in accordance with lease accounting	421	420
IFRIC 12 adjustment	<u>11</u>	<u>-</u>
Amounts not included in the analysis presented to the Cabinet but now contained in the Comprehensive Income and Expenditure Statement	9,536	8,348
Cost of Services in the Comprehensive Income & Expenditure Statement	19,669	18,113

**NOTES TO THE ACCOUNTS continued**

**37 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.

<b>2013-14 £'000</b>		<b>2014-15 £'000</b>
(22,654)	Fees, Charges & other service income	(23,794)
59	Surplus or deficit on associates and joint ventures	16
(520)	Interest and investment income	(483)
(8,999)	Income from council tax and NDR (Business Rate Retention)	(10,567)
(41,181)	Revenue grants and contributions	(43,362)
<b>(73,295)</b>	<b>Total Income</b>	<b>(78,190)</b>
9,097	Employee expenses	8,819
2,120	Pension past service costs	1,700
49,135	Other service expenses	51,129
9,715	Support Service recharges	10,866
6,974	Depreciation, amortisation and impairment	9,092
563	Interest Payments	502
2,288	Precepts & Levies	2,461
2	Payments to Housing Capital Receipts Pool	1
(851)	(Gain)/Loss on Disposal of Fixed Assets	1,021
<b>79,043</b>	<b>Total Expenditure</b>	<b>85,591</b>
<b>5,748</b>	<b>Deficit on the provision of services</b>	<b>7,401</b>

**38 Acquired and discontinued operations**

The Council has had no circumstances where it has acquired or discontinued operations in the year 2014-15.

**NOTES TO THE ACCOUNTS continued**

**39 Trading operations**

The Authority has six 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 six of those units is provided in the table below:

		2012-13		2013-14		2014-15	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Trade Waste</b>	Turnover	570		570		657	
	Expenditure	511		510		566	
<b>Surplus</b>			<b>59</b>		<b>60</b>		<b>91</b>

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: £225k

<b>Wessex House</b>	Turnover	947		927		942	
	Expenditure	906		334		593	
<b>Surplus</b>			<b>41</b>		<b>593</b>		<b>349</b>

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.

<b>Open Air Markets</b>	Turnover	29		45		46	
	Expenditure	32		63		55	
<b>Surplus/(Deficit)</b>			<b>(3)</b>		<b>(18)</b>		<b>(9)</b>

A Management contract is let to operate a market in the town centre on a Thursday and Saturday.

<b>Corporation Estates</b>	Turnover	3,882		3,604		4,157	
	Expenditure	1,009		3,931		1,457	
<b>Surplus</b>			<b>2,873</b>		<b>(327)</b>		<b>2,700</b>

The Authority manages a portfolio of properties across the Borough including offices, Industrial and retail let out on various length leases. It should be noted that due to specific accounting requirements the Council's investment properties are not included in the above table of information.

<b>Transport</b>	Turnover	-		120		121	
	Expenditure	-		101		128	
<b>Surplus</b>			<b>-</b>		<b>19</b>		<b>(7)</b>

The Authority operate MOT test facilities in accordance with regulations (previous figures unavailable).

<b>Streetscene</b>	Turnover	-		176		178	
	Expenditure	-		86		61	
<b>Surplus</b>			<b>-</b>		<b>90</b>		<b>117</b>

The Authority provides grounds maintenance and street cleansing services to Parish Councils and external companies (previous figures unavailable).

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.

**NOTES TO THE ACCOUNTS continued**

**40 Agency services**

The Council currently undertakes work on an agency basis for Hampshire County Council. The reimbursable expenditure for the year 2014-15 was £1,240,000 and comparison to the previous year (2013-14) is shown in the table below.

<b>2013-14</b> Expenditure <b>£'000</b>	<b>2013-14</b> Income <b>£'000</b>	<b>2013-14</b> Net <b>£'000</b>	<b>Agency services</b>	<b>2014-15</b> Expenditure <b>£'000</b>	<b>2014-15</b> Income <b>£'000</b>	<b>2014-15</b> Net <b>£'000</b>
153	(122)	31	Traffic Management	125	(93)	32
289	(275)	14	Environmental	167	(160)	7
100	(100)	-	Development Control	103	(101)	2
1,352	(1,352)	-	Design	886	(886)	-
<b>1,894</b>	<b>(1,849)</b>	<b>45</b>	<b>Totals for Hampshire County Council</b>	<b>1,281</b>	<b>(1,240)</b>	<b>41</b>

**41 Members' allowances**

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

<b>2013-14</b> <b>£'000</b>	<b>Members' allowances</b>	<b>2014-15</b> <b>£'000</b>
269	Basic allowance	267
107	Other special allowances (e.g. chairs of committees)	108
8	Travel, subsistence and other expenses	7
<b>384</b>	<b>Total</b>	<b>382</b>

**42 Officers' remuneration**

The table for 2014-15 shown on the following page 71, sets out the remuneration disclosure for Senior Officers of the Council whose salary is less than £150,000 but equal to or more than £50,000 per year.

The table of comparatives for 2013-14 shown on page 72, sets out the remuneration disclosure for Senior Officers of the Council whose salary is also less than £150,000 but equal to or more £50,000 per year.

**NOTES TO THE ACCOUNTS continued**

**42 Officers' remuneration continued**

**Information for 2014-15**

<b>Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2014-15)</b>				
<b>Post Title</b>	<b>Salary</b>	<b>Total</b>	<b>Pension</b>	<b>Total</b>
	including fees & allowances	Remuneration exc pension contributions	Contributions	including pension contributions
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	99,434	99,434	12,956	112,390
Corporate Director	82,014	82,014	10,674	92,688
Corporate Director	72,168	72,168	9,391	81,559
Head of Regeneration & Planning Policy	59,474	59,474	7,721	67,195
Head of Revenue & Benefits	57,877	58,840	7,553	66,393
Head of Transport and Engineering	58,359	58,359	7,553	65,912
Head of Housing	57,396	57,396	7,450	64,846
Head of Financial Services pt 35.25 hrs to 31 08 14 then ft salary £58191	57,371	57,371	7,405	64,776
Head of Customer Service & ICT	56,822	56,822	7,373	64,195
Head of HR	56,103	56,103	7,279	63,382
Head of Culture	54,430	54,430	7,060	61,490
Head of Direct Services	52,273	53,236	6,847	60,083
Area Co-Ordinator	52,549	52,549	6,814	59,363
Area Co-Ordinator	52,442	52,442	6,814	59,256
Area Co-Ordinator	51,525	51,525	6,658	58,183
Head of Legal and Democratic Services part time 24 hrs ft salary £62670 includes £6173 returning officer fees	47,357	47,357	5,325	52,682
Area Co-Ordinator left 30.11.14. Full year salary £52265	34,843	34,843	4,517	39,360
Corporate Director from 01.03.15 Full year £59031	4,523	4,523	587	5,110

The information below applies for the year 2014-15 and for the year 2013-14 (see next page).

The Council had no staff who were paid more than £150,000 in either of the above mentioned years, and none of the above posts were paid "compensation for loss of office".

Employer's pension contributions in relation to staff were 19.1% for both of the above mentioned years. and the contribution analysis amounted to 13.1% directly attributable to each staff member, plus a lump sum of 6%.

**NOTES TO THE ACCOUNTS continued**

**42 Officers' remuneration continued**

**Information for 2013-14**

<b>Senior Officers emoluments - Salary is between £50,000 and £150,000 per year (2013-14)</b>				
<b>Post Title</b>	<b>Salary</b>	<b>Total</b>	<b>Pension</b>	<b>Total</b>
	including fees & allowances	Remuneration exc pension contributions	Contributions	including pension contributions
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Corporate Director	78,675	78,675	10,306	88,981
Chief Executive left 15/12/13 FT £108,473	76,689	76,689	10,046	86,735
Chief Executive from 16/12/13 FT £98,902	58,690	58,690	7,688	66,378
Head of Transport and Engineering	58,369	58,369	7,511	65,880
Head of Housing	57,638	57,638	7,511	65,149
Head of Revenue & Benefits	58,521	58,521	7,511	66,032
Head of Regeneration & Planning Policy	56,729	56,729	7,431	64,160
Head of Customer Service & ICT	55,154	55,154	7,225	62,379
Head of HR	54,449	54,449	7,132	61,581
Head of Culture	54,565	54,565	7,021	61,586
Head of Financial Services to 31/03/14	53,751	53,751	6,809	60,560
Area Co-Ordinator	52,137	52,137	6,776	58,913
Area Co-Ordinator	51,782	51,782	6,776	58,558
Head of Direct Services	52,695	52,695	6,776	59,471
Area Co-Ordinator	51,607	51,607	6,760	58,367
Head of Legal and Democratic Services part time 24 hrs ft £62,328 inc £5,637 returning officer	46,066	46,066	5,296	51,362
Area Co-Ordinator left 04/10/13 ft salary £51,732	28,417	28,417	3,461	31,878
Corporate Director up to 15/12/13 FT Salary £83,015	28,979	28,979	3,796	32,775
Corporate Director from 01/01/14 full year £71,301	17,825	17,825	2,335	20,160
Head of Financial Services from 01/02/14 ft full year £57,343	9,415	9,415	1,192	10,607

Refer to the text at the base of the previous page (Page 71) to review information about the pension contributions in 2013-14 and the above salary amounts.

**NOTES TO THE ACCOUNTS continued**

**42 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.

2013-14 No	Number of employees whose remuneration was in the range:	2014-15 No
1	£50,000 - £54,999	1
-	£55,000 - £59,999	-
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
-	£70,000 - £74,000	-
-	£75,000 - £79,999	-
<b>1</b>	<b>Total number of officers whose remuneration exceeded £50,000</b>	<b>1</b>

It should be noted that employees only appear in the above table if they are not disclosed in the Senior Officer's Emoluments tables on pages 71 & 72.

**43 Exit packages regarding compulsory and other departures**

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band  £'000
	No	No	No	
<b>In the year 2014-15</b>				
£0 - £20,000	2	3	5	58
£20,001 - £40,000	-	2	2	43
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	1	-	1	63
<b>Total of all categories</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>164</b>
<b>In the year 2013-14</b>				
£0 - £20,000	3	1	4	44
£20,001 - £40,000	1	-	1	30
£40,001 - £60,000	-	1	1	53
<b>Total of all categories</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>127</b>

**44 External Audit Costs**

The Authority has incurred costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Authority's external auditors. Refer to the table on the following page:

**NOTES TO THE ACCOUNTS continued**

**44 External Audit Costs - continued**

2013-14 £'000	External Audit Costs	2014-15 £'000
81	Fees payable to the Audit Commission and EY with regard to external audit services carried out by the appointed auditor for the year	85
16	Fees payable to EY for the certification of grant claims and returns and claims for the year	12
<b>97</b>	<b>Total of all external audit fees</b>	<b>97</b>

**45 Grant and Contributions Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014-15:

2013-14 £'000	Grant and Contributions Income	2014-15 £'000
7,884	<b>Credited to Taxation and Non Specific Grant Income</b> Council Tax Income	8,112
3,410	Revenue Support Grant & Council tax freeze grant (for 2014-15 only)	2,697
316	Area Based Grant & S31 grants related to National Non-Domestic Rates	631
<b>11,610</b>	<b>Total Grant and Contributions Income</b> <b>Credited to Taxation and Non Specific Grant Income</b>	<b>11,440</b>

2013-14 £'000	Grant and Contributions Income	2014-15 £'000
	<b>Credited to Services</b>	
	<b>Department for Communities and Local Government</b>	
60	Council Tax Freeze Grant	-
152	Cost of Collection	151
6	UK Online Centre	18
5	Business Support Scheme	6
-	- Council Tax Discount for Family Annexes	3
-	- Transparency Grant	6
<b>223</b>	<b>Total amount for Department for Communities and Local Government</b>	<b>184</b>
<b>27</b>	<b>Cabinet Office - Individual Electoral Registration</b>	<b>46</b>
	<b>Department for Environment, Food and Rural Affairs</b>	
6	Invasive Non Native Species	3
30	Stewardship Grant	20
11	Single Payment Scheme & Higher Level Stewardship (HLS)	-
<b>47</b>	<b>Total amount for Department for Environment, Food and Rural Affairs</b>	<b>23</b>
<b>297</b>	<b>Total amount carried forward to next page:</b>	<b>253</b>



**NOTES TO THE ACCOUNTS continued**

**45 Grant and Contributions Income - continued**

2013-14 £'000	Grant and Contributions Income - Credited to Services - continued	2014-15 £'000
297	<b>Bfwd from previous page</b>	253
	<b>Department for Work and Pensions</b>	
596	Housing and Council Tax Benefit Administration	533
	- Housing Benefit Review	1
30,355	Housing Benefit Rebates	30,723
52	Housing Benefit Council Tax Support	73
127	Housing Benefit Discretion Rent Allowance	152
119	Non HRA Rent Allowances Subsidy	100
20	Housing Benefit Recession	-
25	Housing Benefit Transitional Funding	19
	- Local Authority Data Sharing (LADS) Programme	12
	- New Burdens	28
	- Fraud and Error Reduction Incentive Scheme (FERIS)	8
<b>31,294</b>	<b>Total amount for Department for Work and Pensions</b>	<b>31,649</b>
1	<b>Department of Transport - Bus operators grant</b>	<b>6</b>
	- <b>Department of Energy and Climate Change - Pioneer Places</b>	<b>64</b>
214	<b>Department of Business &amp; Growth - Regional Growth Fund</b>	<b>2,786</b>
	<b>Other Bodies</b>	
56	Hampshire County Council - Community Safety	79
419	Hampshire County Council	572
101	Other Local Authority Grants	62
20	Lottery Funding	88
60	Arts Council	40
431	Other Contributions	336
24	Natural England	47
23	B&Q	23
4	Social Services	-
189	Partnership for Urban South Hampshire (PUSH)	44
30	Esmee Fairbairn	-
	- Sport England Grant	2
	- Interreg European Regional Dev Fund	225
4,400	Capital Grants applied to Services (includes New Homes Bonus Grant)	3,786
<b>5,757</b>	<b>Total amount for Other Bodies</b>	<b>5,304</b>
<b>37,563</b>	<b>Total Grant and Contributions Income Credited to Services</b>	<b>40,062</b>

#### **45 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.

#### **46 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**

Elected members have direct control over the Council's financial and operating policies. During 2014-15 a number of members were involved in various organisations which received funding from the Council; these are listed below. A significant number of members also declared that they were elected members for Parish/Town councils. Any declarations of interest are recorded in the Register of Members' Interests which is open to public inspection.

	<b>£</b>
Citizens Advice Bureau(CAB) - Grant towards costs - Member trustee of CAB (4)	178,376
Hiltingbury Community Association - Rent for hire of hall - Member trustee of assoc (3)	400
Eastleigh Mardi Gras - Contribution - Two members on Mardi Gras committee (2)	1,490
Asian Welfare & Cultural Association - Grant - Member chair of association (2)	2,400
QE2 Centre - Grant - Member Vice President (2)	900
Emanuel Baptist Church - Hire of church - Member elder of church (1)	80
Eastleigh College - Apprenticeship Fees Paid - Member Governor of College (2)	2,720

For each related party above the full balance due in the year 2014-15 has been paid. The figure in brackets indicates the number of payments made during the year.

##### **Officers**

Senior Officers have the ability to influence the council. During 2014-15 there were no related party transactions between the Council and other organisations.

##### **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**

**47 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.

2013-14 £'000	<b>Capital expenditure and capital financing</b>	2014-15 £'000
76,348	<b>Opening capital financing requirement</b>	92,775
19,692	Capital expenditure for non-current assets	3,171
3,464	Revenue expenditure funded from capital under statute	3,281
	Material elements of the above expenditure are stated in the foreword in the tables presented on page 4	
<b>23,156</b>	<b>Total capital investment</b>	<b>6,452</b>
	<u>Sources of finance</u>	
(4,400)	Government grants and other contributions	(3,785)
(891)	Sums set aside from revenue (RCCO & Voluntary Revenue Provision)	(724)
(26)	Use of capital receipts	-
(1,425)	Minimum Revenue Provision	(1,907)
13	Adjustment regarding discharge of liability related to IFRIC 12	13
<b>(6,729)</b>	<b>Total sources of finance</b>	<b>(6,403)</b>
92,775	Closing capital financing requirement	92,824
<b>16,427</b>	<b>Change in capital financing requirement in the year</b>	<b>49</b>

2013-14 £'000	<b>Explanation of movements in year</b>	2014-15 £'000
17,839	Increase in underlying need to borrowing (unsupported by government financial assistance)	1,943
(1,425)	Minimum revenue provision	(1,907)
13	Assets acquired under PFI/PPP contracts	13
<b>16,427</b>	<b>Change in capital financing requirement in the year</b>	<b>49</b>

**48 Leases - Council as a lessee**

Future minimum lease rentals payable are given in the table below, all relating to property. At 31 March 2015 the Council had no vehicle leases or any other operating leases relating to vehicles.

2013-14 £'000	<b>Future minimum lease rentals payable</b>	2014-15 £'000
249	Due within one year	249
994	Due later than one year and not later than five years	994
1,339	Due after five years	1,091
<b>2,582</b>	<b>Total Future Minimum Lease Rentals Payable</b>	<b>2,334</b>

**NOTES TO THE ACCOUNTS continued**

**49 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:

2013-14 £'000	Future minimum lease rentals receivable	2014-15 £'000
5,432	Due within one year	5,639
20,313	Due later than one year and not later than five years	20,403
525,053	Due after five years	522,682
<b>550,798</b>	<b>Total Future Minimum Lease Rentals Receivable</b>	<b>548,724</b>

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

**50 PFI and Similar Contracts**

The Council is currently engaged in a long-term contract with Places for People (formerly 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 Places for People. 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:

	<b>Liability</b> £'000	<b>Service</b> £'000	<b>Interest</b> £'000
Within one year	13	(16)	2
Within two to five years	57	(62)	5
Within six to ten years	15	(15)	0

The gross value of the asset written into Other Land and Buildings (part of Property, Plant and Equipment) was £291,000.

**51 Impairment Losses**

All non-current assets are regularly assessed and no indication of impairment was found.

**52 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 33. No circumstances arose in the year where this policy was applied.

**53 Termination Benefits**

The Council continued with budget plans developed in the previous financial year to cope with the economic downturn that prevailed in previous years because, as with other public bodies, future government funding is now known to be reduced when compared to previous expectations. In order to continue the process of cost reduction started in the previous financial year 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.

**54 Defined Benefit Pension Schemes****LGPS funded benefits**

The disclosures [below] relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS") [and certain related unfunded liabilities which have been separately disclosed].

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

**Funding/Governance Arrangements of the LGPS**

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. An actuarial valuation of the Fund will be carried out at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the period three year period from 1 April 2017.

The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.

**Assets**

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures split by quoted and unquoted investments.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

The latest actuarial valuation of Eastleigh Borough Council's liabilities took place as at 31 March 2013. The expected employer contributions for 2015-16 are £2.47m and the duration of liabilities is 18.1 years.

**54 Defined Benefit Pension Schemes continued**

**LGPS funded benefits**

**Risks associated with the Fund in relation to accounting**

Asset volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

Inflation Risk

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life Expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

<b>Principal financial assumptions (% per annum)</b>	<b>31 March 2013 % p.a.</b>	<b>31 March 2014 % p.a.</b>	<b>31 March 2015 % p.a.</b>
Discount rate	4.4	4.3	3.2
Pension increases	2.7	2.4	1.8
Pension accounts revaluation rate	n/a	n/a	1.8
Salary increases	4.6	3.9	3.3

**NOTES TO THE ACCOUNTS continued**

**54 Defined Benefit Pension Schemes (funded) continued**

**Mortality assumptions** - The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below:

<b>Assumed life expectancy at age 65</b>	<b>31 March 2014</b>	<b>31 March 2015</b>
Males	years	years
Member aged 65 at accounting date	24.4	24.5
Member aged 45 at accounting date	26.5	26.6
Females		
Member aged 65 at accounting date	26.2	26.3
Member aged 45 at accounting date	28.5	28.6

<b>Asset allocation</b>	<b>Value at 31 March 2014</b>		<b>Value at 31 March 2015</b>	
	<b>Total</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>
	%	%	%	%
Equities	60.8	54.9	2.9	57.8
Property	7.5	1.1	6.9	8.0
Government bonds	23.6	25.0	0.4	25.4
Corporate bonds	1.6	1.5	0.1	1.6
Cash	3.8	3.7	0.0	3.7
Other *	2.7	0.0	3.5	3.5
	100.0	86.2	13.8	100.0

<b>Reconciliation of funded status to the balance sheet</b>	<b>Value at 31 March 2014</b>	<b>Value at 31 March 2015</b>
	£M	£M
Fair value of assets	69.64	78.93
Present value of funded defined benefit obligation	108.97	123.07
Funded status	(39.33)	(44.14)
Impact of minimum funding requirement/asset ceiling	0.00	0.00
Asset/liability recognised in the balance sheet	(39.33)	(44.14)

The split of the liabilities at the last valuation between the various categories of members is as follows:

<b>Split of the defined benefit obligation at the last valuation date between the various categories of members</b>	<b>Split at 31 March 2013</b>
	%
Active members	37
Deferred Pensioners	16
Pensioners	47
<b>Total</b>	<b>100</b>

**NOTES TO THE ACCOUNTS continued**

**54 Defined Benefit Pension Schemes (funded) continued**

Breakdown of amounts recognised in profit and loss/Surplus or Deficit and Other Comprehensive Income (OCI)	Period ending 31 March 2014 £M	Period ending 31 March 2015 £M
<b>Operating cost</b>		
Current service cost (1)	2.68	2.56
Past service cost (including curtailments)	0.05	0.05
Settlement cost	-	-
<b>Financing cost</b>	2.05	1.64
Interest on net defined benefit liability/(asset)		
Pension expense recognised in profit and loss	4.78	4.25
<b>Remeasurements in OCI</b>		
Return on plan assets (in excess of)/below that recognised in net interest	(1.09)	(6.98)
Actuarial (gains)/losses due to change in financial assumptions	(5.72)	10.65
Actuarial (gains)/losses due to change in demographic assumptions	(2.02)	-
Actuarial (gains)/losses due to liability experience	(2.03)	(0.71)
Total amount recognised in OCI	(10.86)	2.96
<b>Total Amount recognised</b>	<b>(6.08)</b>	<b>7.21</b>
<b>Changes to the present value of defined benefit obligation during the accounting period</b>	<b>Period ending 31 March 2014 £M</b>	<b>Period ending 31 March 2015 £M</b>
Opening defined benefit obligation	114.00	108.97
Current service cost	2.68	2.56
Interest expense on defined benefit obligation	4.95	4.62
Contributions by participants	0.74	0.80
Actuarial (gains)/losses on liabilities - financial assumptions	(5.72)	10.65
Actuarial (gains)/losses on liabilities - demographic assumptions	(2.02)	0.00
Actuarial (gains)/losses on liabilities - experience	(2.03)	(0.71)
Net benefits paid out	(3.68)	(3.87)
Past service cost (including curtailments)	0.05	0.05
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
<b>Closing defined benefit obligation</b>	<b>108.97</b>	<b>123.07</b>



**NOTES TO THE ACCOUNTS continued**

**54 Defined Benefit Pension Schemes (funded) continued**

Changes to the fair value of assets during the accounting period	Period ending 31 March 2014 £M	Period ending 31 March 2015 £M
Opening fair value of assets	66.34	69.64
Interest income on assets	2.90	2.98
Remeasurement gains/(losses) on assets	1.09	6.98
Contributions by the employer	2.25	2.40
Contributions by participants	0.74	0.80
Net benefits paid out	(3.68)	(3.87)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
<b>Closing fair value of assets</b>	<b>69.64</b>	<b>78.93</b>

Actual return on assets	Period ending 31 March 2014 £M	Period ending 31 March 2015 £M
Expected return on assets	2.90	2.98
Actuarial gains/(losses) on assets	1.09	6.98
<b>Actual return on assets</b>	<b>3.99</b>	<b>9.96</b>

**LGPS unfunded benefits**

The disclosures below relate to unfunded pension arrangements established by Eastleigh Borough Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme (LGPS) under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations. No pension fund exists to meet these benefits.

In the accounting period ending 31 March 2016 the Employer expects to pay £0.11M directly to beneficiaries.

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2014.

Principal financial assumptions (% per annum)	31 March 2013 % p.a.	31 March 2014 % p.a.	31 March 2015 % p.a.
Discount rate	4.1	4.2	3.2
Pension increases	2.6	2.2	1.8

**NOTES TO THE ACCOUNTS continued**

**54 Defined Benefit Pension Schemes (unfunded) continued**

**Mortality assumptions** - The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below:

Assumed life expectancy at age 65	<b>31 March 2014</b>	<b>31 March 2015</b>
Males	years	years
Member aged 65 at accounting date	24.4	24.5
Females		
Member aged 65 at accounting date	26.2	26.3

Reconciliation of funded status to the balance sheet	<b>Value at 31 March 2014 £M</b>	<b>Value at 31 March 2015 £M</b>
Present value of funded defined benefit obligation	1.58	1.60
Asset/liability recognised in the balance sheet	(1.58)	(1.60)

<b>Breakdown of amounts recognised in profit and loss/Surplus or Deficit and Other Comprehensive Income (OCI)</b>	<b>Period ending 31 March 2014 £M</b>	<b>Period ending 31 March 2015 £M</b>
<b>Operating cost</b>	-	-
<b>Financing cost</b>	0.07	0.06
Interest on net defined benefit liability/(asset)		
Pension expense recognised in profit and loss	0.07	0.06
<b>Remeasurements in OCI</b>		
Actuarial (gains)/losses due to change in financial assumptions	(0.08)	0.08
Actuarial (gains)/losses due to change in demographic assumptions	0.04	-
Actuarial (gains)/losses due to liability experience	-	(0.01)
Total amount recognised in OCI	(0.04)	0.07
<b>Total Amount recognised</b>	<b>0.03</b>	<b>0.13</b>

**NOTES TO THE ACCOUNTS continued**

**54 Defined Benefit Pension Schemes (unfunded) continued**

<b>Changes to the present value of defined benefit obligation during the accounting period</b>	<b>Period ending 31 March 2014 £M</b>	<b>Period ending 31 March 2015 £M</b>
Opening defined benefit obligation	1.66	1.58
Current service cost	-	-
Interest expense on defined benefit obligation	0.07	0.06
Contributions by participants	-	-
Actuarial (gains)/losses on liabilities - financial assumptions	(0.08)	0.08
Actuarial (gains)/losses on liabilities - demographic assumptions	0.04	-
Actuarial (gains)/losses on liabilities - experience	-	(0.01)
Net benefits paid out	(0.11)	(0.11)
Past service cost (including curtailments)	-	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
<b>Closing defined benefit obligation</b>	<b>1.58</b>	<b>1.60</b>

<b>Changes to the fair value of assets during the accounting period</b>	<b>Period ending 31 March 2014 £M</b>	<b>Period ending 31 March 2015 £M</b>
Opening fair value of assets	-	-
Interest income on assets	-	-
Remeasurement gains/(losses) on assets	-	-
Contributions by the employer	0.11	0.11
Contributions by participants	-	-
Net benefits paid out	(0.11)	(0.11)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
<b>Closing fair value of assets</b>	<b>0.00</b>	<b>0.00</b>

**55 Contingent Liabilities**

There are contingent liabilities that could potentially impact on the Council. These liabilities are included in the table below:

<b>2013-14 £'000</b>	<b>Contingent Liabilities</b>	<b>2014-15 £'000</b>
71	Wide Lane Land - dependent on potential changes in land valuation	71
<b>71</b>	<b>Total</b>	<b>71</b>

**56 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 2014-15 the income generated from this source was £568,090 (2013-14 £563,820). The generation of this income is outside of the Council's control and is not quantifiable for future years.

**57 Group accounts**

For 2014-15 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.

**58 Events after the balance sheet date**

**Ageas Bowl Hotel Complex** - The externally funded construction of a 4 star Hotel, Media & Conference Centres at the Ageas Bowl cricket ground was delayed in 2013-14 due to difficulties experienced by the building contractor. The construction of the hotel complex recommenced in the year 2014-15 and has been achieved with financing provided by an external funder directly to the main building contractor. The Council has acquired the completed building in May 2015.

The Hotel will be operated as a Hilton franchise and managed by Interstate United Kingdom Ltd. It opened for business in Spring 2015. The Media Centre (located within the hotel complex) had however already been completed in 2014-15, primarily in readiness for communications' use at high season cricket matches at the Ageas Bowl stadium.

**Fleming Park Leisure Centre** - The Council is considering redevelopment of the Fleming Park Leisure Centre, widening its appeal to the public as a centre for excellence regarding recreational sports and promotion of a healthy lifestyle.

**59 Date accounts are authorised for issue**

These accounts were authorised for issue by the Chief Financial Officer on 30th June 2015 and the 8th September 2015.

## 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 business rates.

2013-14		Collection Fund	2014-15	
£'000	£'000		£'000	£'000
61,234		<b>Amounts required by statute to be credited to the Collection Fund</b>	62,495	
		Council Tax (Note 1)		
(68)		Transfers from General Fund:		
		Council Tax Benefits	(63)	
54,316		Income collectable from business rate payers (note 2)	58,251	
	<b>115,482</b>	<b>TOTAL INCOME</b>		<b>120,683</b>
		<b>Amounts required by statute to be debited to the Collection Fund</b>		
		<b>Precepts and demands:</b>		
43,151		Hampshire County Council: Council Tax	43,522	
4,739		Hampshire County Council: Business rates	4,899	
6,288		Police & Crime Commissioner for Hampshire: Council Tax	6,469	
2,552		Hampshire Fire and Rescue: Council Tax	2,574	
527		Hampshire Fire and Rescue: Business rates	544	
5,546		Eastleigh Borough Council: Council Tax	5,454	
21,060		Eastleigh Borough Council: Business rates	21,774	
2,288		Parish Councils: Council Tax	2,461	
	86,151			87,697
		<b>Business rates:</b>		
26,325		Payment to national pool	27,217	
151		Costs of collection	151	
3,133		Provision for appeals	4,280	
	29,609			31,648
		<b>Impairment of debts:</b>		
41		Council Tax write offs	37	
214		Business rates write offs	170	
160		Increase/(decrease) in provision for bad debts	31	
	415			238
		<b>Contributions/transfers towards previous year's estimated Collection Fund surplus/deficits (CT &amp; NDR)</b>		
-		Government	(1,491)	
276		Hampshire County Council	814	
39		Police & Crime Commissioner for Hampshire	158	
16		Hampshire Fire and Rescue	34	
50		Eastleigh Borough Council	(996)	
	381			(1,481)
	<b>116,556</b>	<b>TOTAL EXPENDITURE</b>		<b>118,102</b>
		<b>MOVEMENT ON FUND BALANCE</b>		
903		(Deficit)/Surplus for year: Council Tax	355	
(1,977)		(Deficit)/Surplus for year: Business rates	2,227	
	(1,074)			2,582
2,237		Balance brought forward Council Tax	3,140	
-		Balance brought forward Business rates	(1,977)	
	2,237			1,163
3,140		Balance carried forward Council Tax	3,495	
(1,977)		Balance carried forward Business rates	250	
	<b>1,163</b>			<b>3,745</b>

**NOTES TO THE COLLECTION FUND**

**Note 1 - Council Tax Base for 2014-15 by banding**

<b>Band</b>	<b>Value Range</b>	<b>No. of dwellings</b>	<b>Ratio to Band D</b>	<b>Band D equivalents</b>
A-	Band A with disabled reduction	3.20	5/9	3.0
A	Up to £40,000	2,264.70	6/9	2,103.6
B	£40,001 to £52,000	7,498.60	7/9	6,965.1
C	£52,001 to £68,000	13,984.90	8/9	12,989.9
D	£68,001 to £88,000	8,709.50	9/9	8,089.7
E	£88,001 to £120,000	8,009.50	11/9	7,439.6
F	£120,001 to £160,000	3,793.10	13/9	3,523.2
G	£160,001 to £320,000	1,581.70	15/9	1,469.2
H	Over £320,000	35.50	18/9	33.0
Summary of band D equivalents				42,616.3
Reduction for non collection				-681.9
<b>Local Tax Base (expressed to one decimal place)</b>				<b>41,934.4</b>

**Note 2 - Rateable values used for Business ratepayers**

<b>2013-14</b>		<b>2014-15</b>
131,864,563	Total rateable value as at 31 March	133,209,983
46.2p	National Non-Domestic Rate for the year	47.1p
47.1p	Small business rate relief	48.2p

**Note 3 - Collection Fund allocation of surplus**

The fund surplus of £3,745,000 shown at the bottom of page 87, is attributed to the following bodies:

<b>Attributable parts of the Collection Fund surplus as at 31 March 2015</b>	<b>£000</b>
Hampshire County Council:	
Council Tax	2,509
Business rates	22
Police & Crime Commissioner for Hants:	
Council Tax	377
Hampshire Fire and Rescue:	
Council Tax	148
Business rates	2
Eastleigh Borough Council:	
Council Tax	462
Business rates	100
Central Government:	
Business rates	125
<b>Collection Fund surplus shown on page 87</b>	<b>3,745</b>

<b>2013-14 £'000</b>	<b>Reconciliation of the amount shown as demand on the Collection Fund relating to Council Tax (see page 12)</b>	<b>2014-15 £'000</b>
5,546	Precepts and demands from Eastleigh Borough Council	5,454
50	Surplus contributable to Eastleigh Borough Council	197
2,288	Precepts and demands from Parish and Town Councils	2,461
-	Community charge surplus to Eastleigh Borough Council	-
7,884		8,112
118	Change to accruals accounting in relation to main demand	50
<b>8,002</b>	<b>Sum included in Comprehensive Income &amp; Expenditure Statement</b>	<b>8,162</b>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTLEIGH BOROUGH COUNCIL****Opinion on the Authority's financial statements**

We have audited the financial statements of Eastleigh Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 59, and Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Eastleigh Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on pages 10, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the financial year 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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## INDEPENDENT AUDITOR'S REPORT

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### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Eastleigh Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the financial year 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

### Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Respective responsibilities of the Authority and auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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



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## INDEPENDENT AUDITOR'S RERPORT

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Eastleigh Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the accounts of Eastleigh Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

K L Handy  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton

22 September 2015

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## GLOSSARY OF TERMS

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**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”.

**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.

**Business Rates Retention** – revised scheme of National Non-Domestic Rating introduced as from 1st April 2013. The Government methodology behind the rating process is that the scheme provides for Local Authority stimulation and growth in relation to commercial property located in its area.

**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.

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## GLOSSARY OF TERMS continued

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**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".

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## GLOSSARY OF TERMS continued

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**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.

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## GLOSSARY OF TERMS continued

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**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 revenue 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.

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

**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.

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## GLOSSARY OF TERMS continued

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**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.

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## GLOSSARY OF TERMS continued

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**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.

**Prudential Code Borrowing** - This is specified in detail within Statutory Instruments issued in relation to the Local Government Finance Act 2003. The Council use it to borrow for capital items only after a full appraisal is undertaken to determine that it is prudent.

**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.

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## GLOSSARY OF TERMS continued

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

**Service Reporting Code of Practice (SerCOP)** – the code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities.

**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.

**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.



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