

East Hampshire District Council

statement of accounts

2011/2012

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CONTENTS

Further Information

Further information about the accounts is available from Financial Services at Penns Place, Petersfield, (01730) 234125, or at www.easthants.gov.uk. In addition, interested members of the public have a right to inspect the Council's accounts. The availability of the accounts for public inspection is advertised in the local press.

EXPLANATORY FOREWORD

Introduction to the Statement of Accounts

The Statement of Accounts for 2011/12 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The purpose of the published Statement of Accounts is to give electors, local taxpayers, Councillors and other interested parties clear information about the Council's finances.

The Statements inform readers of the cost of services provided by the Council in the year 2011/12, how services were paid for and the Council's assets and liabilities at the year end date of 31st March 2012.

The following statements are included:

The Comprehensive Income & Expenditure Statement (page 13)

This account details all income and expenditure arising from services provided by the Council. This includes costs not borne by the taxpayer, such as depreciation, accounting adjustments such as IAS19 (Pensions), and gains or losses that have not yet been realised, such as revaluation gains. The balance on the Comprehensive Income & Expenditure Statement therefore is not the same as the revenue surplus reported.

The Balance Sheet *(page 14)*

The Balance Sheet shows the value of assets and liabilities of the Council. The balance in respect of the Collection Fund is also included.

The Statement of Movements in Reserves *(page 15)*

The Statement of Movements in Reserves reconciles the balance on the Comprehensive Income and Expenditure Statement to the movement on the Council's reserves, both usable and unusable.

The Cash Flow Statement *(page 16)*

The Cash Flow Statement reconciles the movement in cash and cash equivalents to the surplus or deficit for the Provision of Services within the Comprehensive Income & Expenditure Statement.

The Collection Fund *(pages 67 to 69)*

This account records all transactions relating to Council Tax and National Non Domestic Rates (NNDR). Whilst both elements are shown as one account, they are separate cash flows. The treatment of surpluses or deficits also varies. Council Tax receipts are allocated between the District and major precepting authorities. NNDR is self balancing within the account.

Council Services

The Council had 260.7 budgeted full time equivalent staff at 31st March 2012. The Council's services and activities vary widely, covering homelessness and housing services, the collection of refuse, leisure and recreation, car parking, planning services, cemeteries, environmental health and many other services. More details of these services and the main achievements of the Council and its performance can be found in the Council's website (www.easthants.gov.uk).

Review of the Year

For the 2011/12 financial year, the Council agreed its budget for net revenue spending on General Fund services at £12.48m. During the year the budget was revised to take account of restructuring savings, and was represented to show expenditure net of reserve transfers. The revenue outturn position reported to the Council's management team is detailed in Note 25, page 49.

Net revenue spending is financed in part by Government Grant and the Council's share of National Non-Domestic Rates (NNDR), with the remainder being raised through interest on external investments, use of reserves and Council Tax. The Council Tax charge for Council services was set at £131.33 for band D properties.

The table below compares the revenue outturn figures to the revised budget.

Service Cluster	2011/12 Revised Budget £'000	2011/12 Quarter 3 Forecast £'000	2011/12 Outturn £'000	Variance to revised Budget (Fav) / Adv £'000
Executive	22	(72)	(70)	(93)
Economy & Communities	2,700	2,680	2,521	(179)
Environment & Neighbourhood Quality	4,433	4,324	4,069	(364)
Marketing & Development	49	(96)	(56)	(105)
Governance & Logistics	3,546	3,527	3,377	(169)
Planning & Built Environment	1,314	1,412	1,410	96
Whitehill & Bordon Eco-Town	1,026	1,024	972	(54)
Finance Only	53	39	0	(53)
Total Service Expenditure	**13,143**	**12,838**	**12,223**	**(920)**
<u>Reserves Movements and Other Income</u>				
Interest Earnings	(744)	(926)	(946)	(202)
Non Service Specific income	0	0	(2,770)	(2,770)
Transfers to / (from) Reserves	(1,115)	(1,125)	2,295	3,410
Collection fund deficit	(16)	(16)	(16)	(0)
Depreciation	(503)	(503)	(503)	0
	(2,378)	(2,570)	(1,940)	438
<u>External Finance</u>				
Government Grant	(4,418)	(4,418)	(4,359)	59
Council Tax	(6,347)	(6,347)	(6,347)	0
	(10,765)	(10,765)	(10,706)	59
Total Funding	**(13,143)**	**(13,335)**	**(12,646)**	**497**
Overspend/(Underspend)	**0**	**(497)**	**(423)**	**(423)**

Non Service specific income relates to income received during 2011/12, including grant funding awarded for Whitehill and Bordon, Right to Buy receipts, and New Homes Bonus grant, which have been transferred directly to reserves. The Council’s actual Net General Fund spending was £423,000 below the original budget. The main variances included:

Variance	**£**
Early savings from service reviews	(602,000)
Planned project phasing or changes	(71,000)
Planned extra income	(172,000)
Planned cost savings	(152,000)
Stopping planned charge to reserves	£177,000
Unplanned extra income - economic reasons	(384,000)
Unplanned loss of income - economic reasons	425,000
Unplanned extra income - demand led services	(87,000)
Unplanned loss of income - government	82,000
Unplanned extra costs	110,000
Unplanned cost savings	(33,000)

Usable Reserves

The Council’s usable reserves are outlined at notes 7 and 20, pages 35 and 43. The usable reserves consist of the Council’s General Fund Balance, Specific Reserves and Usable Capital Receipts Reserve.

General Fund Balance

The General Fund is held to provide financial stability to the Council, and enable it to meet unexpected demands. At the end of the year, the Council’s General Fund Reserve stood at £1.8m. The revenue surplus for 2011/12 has been transferred to the General Fund and a decision will be made on the reallocation of the surplus in the 2012/13 financial year.

Specific Reserves

The Council applied a net transfer to/from specific reserves of £2.295m. A further £44,000 from specific reserves was used to support Capital Expenditure. A detailed breakdown of all transfers to and from specific reserves is given at note 7 on page 35. Key transfers to reserves included additional government grant towards the Eco Town project at Whitehill and Bordon of £2m paid during 2011/12, additional income from the sale of recyclable materials of £407,000, and New Homes Bonus grant of £315,000, which was received during the year but not yet spent.

Capital Spending and Funding

Capital expenditure is defined as expenditure which generates an asset that has a useful life of more than one year. Further detail on Capital Spending and Financing can be found at note 32, page 54. Total capital activity in the year amounted to £6.4m. The main items of Capital Expenditure were:

Main Items of Capital Expenditure	**Budget £'000**	**Spend £'000**
Core Capital Programme		
Housing Projects	1,385	1,030
IT projects	240	18
Land Assets	605	26
Buildings, Equipment & Sports Projects	743	155
Vehicles	128	33
Other Capital transactions		
Use of Developers' Contributions	0	1,420
Whitehill and Bordon eco town project	0	1,909
Embedded Finance Leases – vehicle assets	0	1,806
Total Expenditure	**3,101**	**6,397**

Funded By:	**Spend £'000**
Grants & Contributions	2,540
Reserves	44
Developers Contributions	1,420
Capital Resources	587
Embedded Finance Lease	1,806
	6,397

Whitehill and Bordon Eco Town

On 30th March 2010, the Council was awarded a grant of £9.87m towards the proposed Eco Town project at Whitehill and Bordon. The project plans for the eco town project were approved by the Council on 24th February 2010. Expenditure to date against the grant is detailed in the table below.

	Capital £'000	**Revenue £'000**	**Total £'000**
Grant Awarded 2009/10	8,186	1,684	9,870
Grant Awarded 2011/12		2,025	2,025
Dept for Environment and Climate Change Funding	311		311
Homes & Communities Association Funding	960	60	1,020
Linking Environment and Farming funding		15	15
Local Authority Business Growth Incentive Funding		10	10
EHDC Funding		407	407
Total Funding	**9,457**	**4,201**	**13,658**
Capital Expenditure 2009/10	-550		-550
Capital Expenditure 2010/11	-3,093		-3,093
Capital Expenditure 2011/12	-1,909		-1,909
Revenue Expenditure 2009/10		0	0
Revenue Expenditure 2010/11		-740	-740
Revenue Expenditure 2011/12		-700	-700
Remaining Funding	**3,905**	**2,761**	**6,666**

The Whitehill and Bordon Eco Town project is made up of several initiatives designed to implement and encourage sustainable development at Whitehill and Bordon, following the withdrawal of the MOD. Following a successful bid to Central Government, grant funding of £9.86m was secured and this is being used to fund a number of initiatives, such as the retro fitting of existing homes with better insulation, the construction of demonstration homes at Bordon Fire Station, and a number of studies in areas such as sustainable transport.

The project expenditure for 2011/12 is outlined in the table below.

	Capital Expenditure £'000	**Revenue Expenditure £'000**	**Total Expenditure £'000**
Fire Station – Refurbishment and Exhibition Homes	594	13	607
Viking Park design & improvement works	39		39
Eco-fit Loans	175		175
Quebec barracks	9		9
Retrofitting Homes	8		8
Community Development Workers	34		34
Wi Fi Installation at Forest Community Centre	12		12
Habitat improvement & Biodiversity works	11		11
Biomass supply	3		3
Green Rangers		38	38
Retail Impact Assessment at Whitehill and Bordon	9		9
Drop in centre for young people	15		15
One Planet Living funding		48	48
Special Purpose Vehicle - Governance studies	120		120
Eco-studies – Biodiversity action plan		266	266
Transport Study – Evidence Base	285	91	376
Linking Environment and farming	18		18
Project Management Consultancy		3	3
Neighbourhood Engagement Project		17	17
Staffing costs	577	32	609
Advertising & Publicity		5	5
General Office Expenses and Master Plan development		187	187
Total for the Whitehill Bordon Project	**1,909**	**700**	**2,609**

Pension Costs

Information regarding assets, liabilities, income and expenditure relating to the Council's pension scheme is given in Note 36, from page 58. The Council's share of assets and liabilities of the pension fund show an estimated liability of £39.51m at 31st March 2012. The liability represents the difference between the value of the authority's pension fund assets and the estimated present value of payments which it is committed to make. Statutory arrangements for funding the liability mean the financial position of the Council remains acceptable because a proportion of contributions made in 2011/12 relate to past service costs, which ensures that sufficient cash is available to cover current liabilities.

Overall Financial Position

The Council's overall financial position remains strong with good levels of reserves. There are robust processes in place for budget setting and forecasting, and the Council has in place a Medium Term Financial Forecast. There are sound systems in place to ensure cash is collected, that debtor balances are minimised and all funding streams are exploited.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HAMPSHIRE DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of East Hampshire District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. 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 2011/12.

This report is made solely to the members of East Hampshire District Council 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.

Respective responsibilities of the Executive Head of Governance and Logistics and auditor

As explained more fully in the Statement of the Executive Head of Governance and Logistics Responsibilities, the Executive Head of Governance and Logistics 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, and for being satisfied that they give a true and fair view. My 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 me 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 Executive Head of Governance and Logistics; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of East Hampshire District Council as at 31 March 2012 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 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Authority and the 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, East Hampshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of East Hampshire District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Catlow

Officer of the Audit Commission

Collins House

Bishopstoke Road

Eastleigh

Hampshire

SO50 6AD

24 September 2012

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Authority is required to;

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In East Hampshire District Council that officer is the Executive Head for Governance and Logistics (Section 151 Officer)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts

Responsibilities of the Section 151 Officer

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

In preparing this statement of accounts the Section 151 Officer has selected suitable accounting policies and then applied them consistently, made judgments and estimates that were reasonable and prudent, and complied with the local authority Code of Practice.

The Section 151 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 present a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31st March 2012.

Signed:

Jane Eaton CPFA
S151 Officer

Date: 26th June 2012

Certification of the Audited Statement of Accounts

I confirm that the Statement of Accounts have been audited and, in accordance with the Accounts and Audit Regulations (amendment) 2011, I certify that the Audited Statement of Accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31st March 2012.

13/9/12

Signed ……………………………………….. Date…………………….

S151 Officer

Certificate of approval by the Council

I confirm that the Audited Statement of Accounts were approved at the Full Council meeting of East Hampshire District Council on 13th September, 2012.

C. J Graham 13/9/12

Signed ……………………………………….. Date…………………….

Councillor Chris Graham, Vice Chairman of the Council

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise 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.

2010/11				2011/12		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
			Net Expenditure on Council Services (page 70)			
6,473	(5,941)	532	Central Services to the Public	6,507	(5,860)	**647**
2,915	(251)	2,664	Cultural Services	2,434	(158)	**2,276**
6,645	(1,748)	4,897	Environmental and Regulatory Services	6,291	(2,277)	**4,014**
4,888	(2,586)	2,302	Planning and Development Services	5,102	(3,439)	**1,663**
2,333	(1,666)	667	Highways, Roads and Transport	842	(1,636)	**(794)**
25,419	(23,776)	1,643	General Fund Housing Services	25,996	(24,725)	**1,271**
5,218	(1,136)	4,082	Corporate and Democratic Core and Other Services	5,392	(2,657)	**2,735**
300	0	300	Non Distributed costs	200	0	**200**
(10,160)	0	(10,160)	Exceptional Item - Future Pension increases are now based on Consumer Price Index (historically based on Retail Price Index)	0	0	**0**
44,031	**(37,104)**	**6,927**	**Net Cost of Services**	**52,764**	**(40,752)**	**12,012**
			Other Operating Income and Expenditure			
2,655	(12)	2,643	Other Operating Income and Expenditure (Note 8)	2,724	(1)	**2,723**
4,980	(5,227)	(247)	Financing & Investment Income and Expenditure (Note 9 and Note 12)	5,665	(6,500)	**(835)**
0	(15,157)	(15,157)	Tax and Non Specific Grant Income (Note 10)	0	(14,448)	**(14,448)**
51,666	**(57,500)**	**(5,834)**	**Surplus (-) / Deficit for the Provision of Services**	**61,153**	**(61,701)**	**(548)**
2,553	(188)	2,365	Surplus (-) / Deficit on Revaluation of Plant, Property and Equipment (Note 11)	0	(283)	**(283)**
0	0	0	Surplus (-) / Deficit on Revaluation of Available for Sale Financial Assets	0	0	**0**
0	(3,730)	(3,730)	Actuarial Gains (-) / Losses on the Pension Fund (Note 36)	7,060	0	**7,060**
54,219	**(61,418)**	**(7,199)**	**Total Comprehensive Income (-) and Expenditure**	**68,213**	**(61,984)**	**6,229**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves 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'.

2010/11				
01/04/10	**31/03/11**			**2011/12**
£'000	**£'000**	**Balance Sheet as at 31st March 2012**		**£'000**
27,065	23,612	Property, Plant and Equipment (Note 11)	0	**24,569**
15,994	16,159	Investment Property (Note 12)	0	**16,678**
220	215	Intangible Fixed Assets (Note 13)	0	**169**
5,247	10,129	Long Term Investments (Notes 14 and 38)	0	**12,723**
66	41	Long-Term Debtors (Notes 14 and 16)	0	**51**
48,592	**50,156**	**Total Long-Term Assets**		**54,190**
17,149	17,499	Short Term Investments (Notes 14 and 17)	0	**12,675**
0	0	Assets held for sale (Note 11)	0	**789**
38	9	Inventories (Note 15)	0	**7**
4,127	4,100	Short Term Debtors (Note 16)	0	**3,817**
10,254	1,482	Cash & Cash Equivalents (Note 17)	0	**7,339**
31,568	**23,090**	**Total Current Assets**		**24,627**
(564)	(568)	Bank Overdraft (Note 17)	0	**0**
0	0	Short Term Borrowing	0	**0**
(4,828)	(3,348)	Short Term Creditors (Note 18)	0	**(3,540)**
(5,392)	**(3,916)**	**Total Current Liabilities**		**(3,540)**
(4,999)	(5,005)	Long Term Creditors (Note 18)	0	**(6,822)**
(101)	(76)	Provisions (Note 19)	0	**(323)**
0	0	Long Term Borrowing		**0**
(44,450)	(31,850)	Liability related to defined benefit pension scheme (Note 36)	0	**(39,510)**
(618)	(600)	Capital Grants and Contributions Received in Advance (Note 30)	0	**(3,052)**
24,600	**31,799**	**NET ASSETS**		**25,570**
22,223	20,511	Usable Reserves (Note 20)	-	**22,025**
2,377	11,288	Unusable Financial Reserves (Note 21		**3,545**
24,600	**31,799**	**TOTAL RESERVES**		**25,570**

Jane Eaton CPFA - Section 151 Officer J Eaton **Date** 26/6/12

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement for 2011/12 shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves', which can be applied to fund expenditure, and 'unusable reserves'. The surplus/deficit on provision of services line shows the true economic cost of providing services, more details of which are in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts to be charged to the General Fund Balance for Council Tax setting purposes. The net increase/decrease in General Fund Balance shows the statutory General Fund balance before any discretionary transfers to earmarked reserves.

	General Fund Balance (Note 20) £'000	Earmarked Reserves (Notes 7 and 20) £'000	Usable Capital Receipts (Note 20) £'000	Capital Grants and Contributions Unapplied (Notes 20 and 30) £'000	Total Usable Reserves £'000	Unusable Reserves (Note 21) £'000	Total Authority Reserves £'000
Balance as at 31st March 2011	**(1,800)**	**(7,494)**	**(3,220)**	**(7,997)**	**(20,511)**	**(11,288)**	**(31,799)**
Surplus (-) / Deficit on Provision of Services	(548)				**(548)**		**(548)**
Other Comprehensive Income and Expenditure	6,777				**6,777**		**6,777**
Total Comprehensive Income and Expenditure (p13)	**6,229**	**0**	**0**	**0**	**6,229**	**0**	**6,229**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	(8,947)		(1)	(2,232)	**(11,180)**	11,180	**0**
Capital Funding Applied			0	3,393	**3,393**	(3,393)	**0**
Net Increase (-) / Decrease before Transfer to Reserves	**(2,718)**	**0**	**(1)**	**1,161**	**(1,558)**	**7,787**	**6,229**
Contributions to / (-) from earmarked reserves (Note 7)	2,295	(2,276)		25	**44**	(44)	**0**
Increase (-) / Decrease in year	**(423)**	**(2,276)**	**(1)**	**1,186**	**(1,514)**	**7,743**	**6,229**
Balance as at 31st March 2012	**(2,223)**	**(9,770)**	**(3,221)**	**(6,811)**	**(22,025)**	**(3,545)**	**(25,570)**

Comparative Movement in Reserves Statement for 2010/11

	General Fund Balance (Note 20) £'000	Earmarked Reserves (Notes 7 and 20) £'000	Usable Capital Receipts (Note 20) £'000	Capital Grants and Contributions Unapplied (Notes 20 and 30) £'000	Total Usable Reserves £'000	Unusable Reserves (Note 21) £'000	Total Authority Reserves £'000
Balance as at 31st March 2010	**(2,331)**	**(5,867)**	**(3,108)**	**(10,917)**	**(22,223)**	**(2,377)**	**(24,600)**
Surplus (-) / Deficit on Provision of Services	(5,834)				**(5,834)**		**(5,834)**
Other Comprehensive Income and Expenditure	(1,365)				**(1,365)**		**(1,365)**
Total Comprehensive Income and Expenditure (p13)	**(7,199)**	**0**	**0**	**0**	**(7,199)**	**0**	**(7,199)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	5,961		(12)	(63)	**5,886**	(5,886)	**0**
Capital Funding Applied			0	2,983	**2,983**	(2,983)	**0**
Net Increase (-) / Decrease before Transfer to Reserves	**(1,238)**	**0**	**(12)**	**2,920**	**1,670**	**(8,869)**	**(7,199)**
Contributions to / (-) from earmarked reserves (Note 7)	1,769	(1,627)	(100)		**42**	(42)	**0**
Increase (-) / Decrease in year	**531**	**(1,627)**	**(112)**	**2,920**	**1,712**	**(8,911)**	**(7,199)**
Balance as at 31st March 2011	**(1,800)**	**(7,494)**	**(3,220)**	**(7,997)**	**(20,511)**	**(11,288)**	**(31,799)**

CASHFLOW STATEMENT

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

2010/11 £'000	**Cashflow Statement**	**2011/12 £'000**
(5,834)	**Net Surplus (-) / Deficit on the provision of Services**	(548)
8,727	Adjustments to net surplus / deficit on the provision of services for non-cash movements	(3,964)
12	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	1
2,905	**Net Cash flows from operating activities (Note 22)**	**(4,511)**
5,867	**Cash flows from investing activities (Note 23)**	(2,021)
5	**Cash flows from financing activities (Note 24)**	107
8,777	**Net increase (-) / decrease in cash and cash equivalents**	**(6,425)**
9,691	Cash and cash equivalents at the start of the reporting period (Note 17)	**914**
914	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**7,339**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as amended in 2011, which 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 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. 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:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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.

v. Charges to Revenue for Non-Current Assets

Services and support services 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 (England and Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [Minimum Revenue Provision], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. East Hampshire District Council has cash available to finance capital expenditure and therefore has a negative Capital Financing Requirement, and is not required to make a Minimum Revenue Provision.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. Employee benefits include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then appropriated through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement. Termination benefits are accounted for when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority may choose to join the Local Government Pension Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the authority.

The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the indicative rate of return on AA corporate bonds).

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision 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 Pensions Reserve

- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

vii. Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 Authority 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.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority 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 Authority 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.

The Authority has the power to make loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, under Accounting Standards a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, these soft loans are not material to the Authority's accounts and consequently the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where financial 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 a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ix. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Non-ringfenced government grants are general grants allocated by central government directly to local authorities as additional revenue funding. These grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

x. Heritage Assets

Heritage assets are defined as those assets that are held specifically to increase the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules may be relaxed in relation to heritage assets, where no reliable market value is available. The Authority currently has no assets meeting the definition of a heritage asset.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Inventories

Inventories held at the year end are included in the balance sheet at the latest purchase price. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

xiii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiv. Interests in Companies and Other Entities

Local authorities are required to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. In order to assess whether the Council has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations and other public bodies to determine whether:

- the authority has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.

- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the authority.

- if the authority does not have control, whether its interest involves it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.

- if the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities and interests in other entities and no entities have been identified where the Council's interest is such that it would give rise to the requirement to prepare group accounts. This position will be reviewed and updated on an annual basis.

xv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Notes to the Core Financial Statements

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice 2010/11* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Authority’s status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xvii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

The Council currently has no donated assets. However, if donated assets are received they would be measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. Depreciation periods are currently between 30 and 65 years.
- vehicles, plant, furniture and equipment – straight line allocation over the assessed useful life of the asset concerned (life between 4 and 10 years) as advised by a suitably qualified officer.
- intangible assets – straight line depreciation over the term of the software licence up to 10 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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.

xix. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xx. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards Issued, not Adopted

Amendments to International Financial Reporting Standard (IFRS) 7 - Financial Instruments Disclosures were issued in October 2010, but have not yet been adopted. The changes relate to the transfer of financial assets and are intended to assist users of the financial statements to evaluate the risk relating to asset transfers and how they impact on the financial position of the Authority. The Council does not hold any financial assets other than cash deposits, and therefore the transfers described in the Standard do not apply to the Council.

3. Critical Judgements in Applying Accounting Practices

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or uncertainty over future events. The critical judgements made in the Statement of Accounts are:

1. There is a high degree of uncertainty over the future of grant funding for local government. However, this uncertainty is not yet sufficient to provide an indication of the need to impair assets as a result of the need to close facilities and reduce levels of service provision.
2. The Authority has made critical judgements in the classification of investment properties. Investment properties are judged to be held purely to generate revenue for the Authority and not for the provision of the Authority's services.
3. The Authority has made critical judgements in classifying leases as Finance Leases or as Operating Leases. When classifying leases, a number of criteria are applied to determine where risk and rewards of ownership have effectively transferred to or from the Authority. The accounting treatments for operating and finance leases are different and a change in assumption could have a significant impact on the Accounts.
4. The Authority 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). The procurement and control of waste, streetcare and grounds maintenance vehicles for the Joint Waste Contract has been identified as embedded leases during 2011/12.

4. Assumptions made about the Future and Other Major Sources of Accounting Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or regarding other uncertainties. Estimates are made taking into account historical experience, current trends and other relevant factors. However, due to this uncertainty, actual results could be materially different from the assumptions made.

Property, Plant and Equipment
When calculating the fair value of assets, assumptions are made around useful lives, level of repairs, and the impact of the current economic climate. Changes in these assumptions may result in a material change to the depreciation charges applied.

Provisions
The Authority makes provision for known events with uncertain outcomes. Assumptions are made on the consequences of these outcomes. There is a risk that outcomes can vary from assumptions made.

Pensions Liability
The effects on the net pensions liability for funded Local Government Pension Scheme benefits of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £6.54m. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £0.73m as a result of estimates being corrected as a result of experience, and increased by £5.12m attributable to updating of the assumptions.

Doubtful Debts Allowance
The Authority has made allowances for doubtful sundry debts of £93,000 in 2011/12 (£147,000 in 2010/11) based on what it believes to be a prudent but realistic level. The allowances made for property rent and sundry debtors are based on a sliding scale from 0.5% for debt not yet due, to 100% for debts over 365 days old. Council Tax Debtors allowances are based on a sliding scale dependent on where debt is in the recovery cycle. New bills raised are provided for at 5%, while debt passed to bailiffs has a 95% provision. Housing Benefits Overpayments Debtors are provided for on a similar sliding scale. A movement of 1% in the total doubtful debts allowance equates to £9,900 in 2010/11 (£7,500 in 2010/11).

5. Material Items of Income and Expenditure

During 2011/12, the Council received three material credits to the Accounts. All of these credits relate to the Eco Town project at Whitehill and Bordon. During April 2011, a grant of £2.025m was received from the Department for Communities and Local Government to fund the delivery of 60 zero carbon homes and 20 low carbon homes within the Whitehill and Bordon eco town project. This grant has been transferred to a specific reserve. More detail on specific reserves can be found at note 7, page 35. A credit of £2.08m was secured from the Homes and Communities Association (HCA) during March 2012 and is conditional on the acquisition and master planning of the Quebec Barracks site in Bordon. This grant has been treated as a Capital Grant Received in Advance. A further £960,000 was received from the HCA towards the master planning of the Quebeck Barracks site. This grant is not conditional and has been treated as a Capital Grant Unapplied. More detail on capital grants can be found at Note 30, page 53.

During 2011/12 the Pension Scheme recorded an actuarial loss of £7,060,000 which is reflected in the Comprehensive Income and Expenditure Account and is mostly responsible for the increase in the Council' s pension fund liabilities of £7,660,000 (see Note 21, page 44 and note 36, page 58).

6. Adjustments between Funded Basis and Accounting Basis under Regulations

It is important to note that the stated bottom line figure on the Income & Expenditure Account does not represent the revenue surplus/deficit for the year, but the excess of expenditure over income. There are costs included within the Income and Expenditure Account that are not borne by taxpayers, such as Depreciation. These are summarised in the Movement in Reserves Statement on page 15, and are reconciled in this note. The General Fund Movement represents the true Revenue surplus/deficit for the year. Detailed information on reserves can be found at Notes 7, 20 and 21 on pages 35, 43 and 44 to the Accounts.

The adjustments between funded basis and accounting basis for 2011/12 were as follows:

	General Fund £'000	Capital Grants Unapplied £'000	Usable Capital Receipts £'000	Movement in unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account (Note 21)				
Charges for Depreciation and impairment of non-current assets	(509)			509
Movements in the market value of Investment Properties	519			(519)
Amortisation of Intangible Assets	(47)			47
Revenue Expenditure Financed by Capital Under Statute	(4,424)			4,424
Revenue Contributions to Capital Expenditure	112			(112)
Adjustments primarily involving the Revaluation Reserve (Note 21)				
Surplus/Deficit on Revaluation of Plant, Property & Equipment	283			(283)
Adjustments primarily involving Capital Grants Unapplied (Note 20)				
Capital Grants & Contributions unapplied credited to the Comprehensive Income & Expenditure Account	2,232	(2,232)		
Application of grants to capital financing transferred to the Capital Adjustment Account	566	3,393		(3,959)
Adjustments primarily involving the Capital Receipts Reserve (Note 20)				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income & Expenditure Statement	1		(1)	
Adjustments primarily involving the Pensions Reserve (Note 21)				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Account	(9,420)			9,420
Employers' Pension Contributions and direct payments to pensioners payable in the year	1,760			(1,760)
Adjustments primarily involving the Collection Fund Adjustment Account (Note 21)				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(20)			20
Total adjustments between funded and statutory basis	**(8,947)**	**1,161**	**(1)**	**7,787**

NOTES TO THE CORE FINANCIAL STATEMENTS

The comparative adjustments made between Accounting basis and Funded Basis in 2010/11 are as follows:

	General Fund £'000	Capital Grants Unapplied £'000	Usable Capital Receipts £'000	Movement in unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for Depreciation and impairment of non-current assets	(421)			421
Revaluation loss on Property, Plant & Equipment	(1,153)			1,153
Movements in the market value of Investment Properties	165			(165)
Amortisation of Intangible Assets	(74)			74
Capital Grants & Contributions applied	1,569			(1,569)
Revenue Expenditure Financed by Capital Under Statute	(4,496)			4,496
Revenue Contributions to Capital Expenditure	54			(54)
Adjustments primarily involving the Revaluation Reserve				
Surplus/Deficit on Revaluation of Plant, Property & Equipment	(2,365)			2,365
Adjustments primarily involving Capital Grants Unapplied				
Capital Grants & Contributions unapplied credited to the Comprehensive Income & Expenditure Account	63	(63)		
Application of grants to capital financing transferred to the Capital Adjustment Account		2,983		(2,983)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income & Expenditure Statement	12		(12)	
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Account	10,690			(10,690)
Employers' Pension Contributions and direct payments to pensioners payable in the year	1,910			(1,910)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	7			(7)
Total adjustments between funded and statutory basis	**5,961**	**2,920**	**(12)**	**(8,869)**

7. Contributions to / from (-) Earmarked Revenue Reserves

The Authority holds a number of earmarked reserves for the purposes of supporting planned Revenue and Capital expenditure. This note shows the total contributions to and from reserves. More information on the key reserves transfers can be found in the Explanatory Foreword, and a summary of total usable reserves can be found at note 20, page 43.

	2011/12					
	Opening Balance £'000	Capital Contribution £'000	Revenue Contribution from Reserves £'000	Revenue Contribution to Reserves £'000	Transfers to other reserves £'000	Closing Balance £'000
Maintenance Reserves						
Asset Management Maintenance	549	0	(8)	206	0	**747**
Information Technology Fund	118	(17)	0	0	155	**256**
Open Space Maintenance Fund	116	0	(35)	1	0	**82**
External Risk Provisions						
External Support Equalisation	369	0	(305)	0	0	**64**
Insurance Reserve	89	0	0	0	0	**89**
Redundancy and Restructuring Reserve	600	0	0	5	0	**605**
Service Specific Reserves						
Active Lifestyles Fund	26	0	(2)	5	0	**29**
Area Based Grants Reserve	93	0	(37)	315	0	**371**
Beacon Council Grant Reserve	31	0	(8)	0	(23)	**0**
Bus Shelter Maintenance Reserve	16	0	(8)	0	0	**8**
Business Enterprise Regulatory Reform Reserve	68	0	0	0	0	**68**
Business Transformation Reserve	1,070	0	(69)	0	87	**1,088**
Carry Forwards Reserve	146	0	(84)	141	0	**203**
Community Initiatives Fund	107	0	(26)	0	0	**81**
Community Planning Grants	13	0	(3)	0	0	**10**
Community Schools Debt Reserve	222	0	(55)	0	0	**167**
Concessionary Fares Reserve	184	0	0	175	0	**359**
Corporate Training Reserve	40	0	0	17	0	**57**
Credit Union Reserve	28	0	(6)	0	(22)	**0**
Dept for Environment, Food and Rural Affairs Grant	27	(27)	0	0	0	**0**
Dept for Work & Pensions Reserve	155	0	0	0	(155)	**0**
Grants Funding Reserve	85	0	(72)	107	(45)	**75**
Headstone Testing Reserve	48	0	(12)	0	0	**36**
Housing Reserve	0	25	(7)	101	212	**331**
Leisure Management Reserve	166	0	(28)	0	0	**138**
Local Authority Business Growth Incentive Grant Reserve	869	0	(43)	0	0	**826**
Local Development Framework	287	0	0	42	0	**329**
Local Public Service Agreement Reserve	253	0	0	0	0	**253**
Performance Reward Reserve	87	0	0	0	(87)	**0**
Planning Delivery Reserve	20	0	0	0	(20)	**0**
Planning Reserve	147	0	(65)	11	20	**113**
Rural Areas Play Project Reserve	29	0	(20)	25	0	**34**
Right to Buy Receipts Reserve	216	0	(33)	123	0	**306**
Second Homes Discount Reserve	101	0	(2)	23	(122)	**0**
Waste to Resources Action Plan Reserve	62	0	(26)	425	0	**461**
Whitehill and Bordon Revenue Reserve	1,057	0	(498)	2,025	0	**2,584**
Total Earmarked Reserves	**7,494**	**(19)**	**(1,452)**	**3,747**	**0**	**9,770**

8. Other Operating Expenditure

Other Operating Expenditure, as shown in the Comprehensive Income & Expenditure Account on page 13, is made up of the following items of expenditure:

Other Operating Expenditure	2010/11 £'000	2011/12 £'000
Parish Council Precepts	2,633	2,698
Collection Fund Surplus (-) / Deficit	22	26
Gains (-) / Losses on disposal of assets	(12)	(1)
Total Other Operating Expenditure	**2,643**	**2,723**

9. Financing & Investment Income and Expenditure

Financing & Investment income and expenditure, as shown in the Comprehensive Income & Expenditure Account on page 13, is made up of the following items of expenditure:

Financing and Investment Income	2010/11 Net £'000	2011/12 Income £'000	2011/12 Expenditure £'000	2011/12 Net £'000
Pensions Interest Income and Expenditure	1,500	**(3,240)**	**4,200**	**960**
Property Investment Income and Expenditure	(714)	**(2,313)**	**1,410**	**(903)**
Cash Investment Income and Expenditure	(1,033)	**(947)**	**55**	**(892)**
Total Other	**(247)**	**(6,500)**	**5,665**	**(835)**

10. Taxation & Non-Specific Grant income

Taxation and non specific grant income, as shown in the Comprehensive Income and Expenditure Account, is detailed in the table below. Specific revenue grants received have been credited to the relevant service line in the Net Cost of Services. Specific grants received are disclosed in Note 30 on page 53, and Collection Fund income in note 3 to the Collection Fund on page 68.

Taxation & Non Specific Grant Income	2010/11 £'000	2011/12 £'000
Revenue Support Grant	(788)	**(983)**
Council Tax Freeze grant	0	**(158)**
National Non Domestic Rates Grant	(5,425)	**(3,179)**
Council Tax Income	(8,944)	**(9,045)**
Capital Grants & Contributions		
Whitehill and Bordon Capital Grant	0	**(960)**
Right to Buy Receipts	0	**(123)**
Total Taxation & Non Specific Grant Income	**(15,157)**	**(14,448)**

11. Property, Plant & Equipment

The table below analyses the movements in property, plant and equipment for the year. Further information on additions and enhancements to fixed assets can be found at note 32 on page 54.

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Held for Sale £'000	Total Property, Plant & Equipment £'000
Gross Cost / Valuation				
As at 1st April 2011	**21,813**	**3,510**	**0**	**25,323**
Additions	106	1,866	0	**1,972**
Revaluation gains recognised in the Revaluation Reserve	283	0	0	**283**
Revaluation losses recognised in the Revaluation Reserve	0	0	0	**0**
Revaluation losses recognised in the Comprehensive Income and Expenditure Statement	0	0	0	**0**
Derecognition - Other	0	0	0	**0**
Reclassification of Fixed Assets	(789)	0	789	**0**
Gross Cost / Valuation as at 31st March 2012	**21,413**	**5,376**	**789**	**27,578**
Accumulated Depreciation & Impairment				
As at 1st April 2011	729	982	0	**1,711**
Depreciation Charge	149	360	0	**509**
Accumulated Depreciation & Impairments at 31st March 2012	**878**	**1,342**	**0**	**2,220**
Net Book Value 31/03/2012	**20,535**	**4,034**	**789**	**25,358**
Net Book Value 31/03/2011	**21,084**	**2,528**	**0**	**23,612**

The comparative movements in fixed asset values for 2010/11 are disclosed in the table below

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Held for Sale £'000	Total Property, Plant & Equipment £'000
Gross Cost / Valuation				
As at 1st April 2010	**27,178**	**1,178**	**0**	**28,356**
Additions	451	48	0	**499**
Revaluation gains recognised in the Revaluation Reserve	188	0	0	**188**
Revaluation losses recognised in the Revaluation Reserve	(2,553)	0	0	**(2,553)**
Revaluation losses recognised in the Comprehensive Income and Expenditure Statement	(1,153)	0	0	**(1,153)**
Derecognition - Other	(14)	0	0	**(14)**
Reclassification of Fixed Assets	(2,284)	2,284	0	**0**
Gross Cost / Valuation as at 31st March 2011	**21,813**	**3,510**	**0**	**25,323**
Accumulated Depreciation & Impairment				
As at 1st April 2010	578	713	0	**1,291**
Depreciation Charge	151	269	0	**420**
Accumulated Depreciation & Impairments at 31st March 2011	**729**	**982**	**0**	**1,711**
Net Book Value 31/03/2011	**21,084**	**2,528**	**0**	**23,612**
Net Book Value 31/03/2010	**26,600**	**465**	**0**	**27,065**

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:
1. Land and Buildings 30 to 65 years
2. Vehicles, Plant and Equipment 4 to 10 years
3. Software Assets up to 10 years

Capital Commitments as at 31st March 2012
The Authority had no outstanding contractual commitments relating to its Capital Programme for 2011/12.

Effects of changes in estimates
During 2011/12 the Authority resolved to dispose of two assets. These assets were revalued prior to the decision to sell, and subsequently reclassified as 'assets held for sale'. If the sale of these assets does not take place, the assets would be revalued and reclassified to operational property at fair value.

Revaluations

The Authority carries out a rolling programme of revaluations to ensure that all Property, Plant & Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out externally by the independent valuers, Wadham & Isherwood. Valuations of land and buildings were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market, or latest list prices adjusted for the condition of the asset.
When undertaking revaluation of assets, Wadham and Isherwood make a number of assumptions. These are:

- That there are no adverse covenants, possessory titles, leases or other matters unless specifically stated
- That no latent, or patent, defect exists within the asset unless specifically stated
- That all properties have a lawful use for the existing purpose under the current Town & Country Planning Law
- That all details of leases, rental income and other factual matters provided to the valuer are assumed to be correct.

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Total Property, Plant & Equipment £'000
Carried at Historic Cost	**106**	**298**	**404**
Valued at fair value as at			
31st March 2012	0	1,867	1,867
31st March 2011	12,577	1,869	14,446
31st March 2010	7,852	0	7,852
31st March 2009	0	0	0
31st March 2008	0	0	0
Total Net Cost / Valuation	**20,535**	**4,034**	**24,569**

Heritage Assets

Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Council does not hold any assets that meet the definition of a heritage asset.

12. Investment Properties

The following items of income and expenditure have been accounted for within the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Investment property income forms part of the Council's overall Financing and Investment income, which is detailed in note 9, page 36.

	2010/11 £'000	2011/12 £'000
Rental Income from Investment property	(1,207)	(1,205)
Direct Operating Expenditure arising from investment property	658	821
Net Revaluation gains (-) / losses on investment property	(165)	(519)
Total gain (-) / loss on investment properties	**(714)**	**(903)**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. The following table summarises the movement in fair value of investment properties over the year.

	Investment Properties 2010/11 £'000	Investment Properties 2011/12 £'000
Balance at 1st April	**15,994**	**16,159**
Additions:		
Purchase	0	0
Revaluations	596	1,109
Reductions		
Disposals	0	0
Impairments	(431)	(590)
Balance at 31st March	**16,159**	**16,678**

13. 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 licences 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. The useful life assigned to major software suites used by the Authority include:

Depreciation Period	Software Assets
Up to 10 Years	Agresso Financial System

The carrying amount of intangible assets is amortised on a straight line basis. Total amortisation of intangible assets in 2011/12 was £47,000, of which £35,000 was charged to Financial Services, and £12,000 charged to IT services and absorbed as an overhead across all service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

	2010/11			2011/12		
	Internally Generated Assets £'000	Software Assets £'000	Total £'000	Internally Generated Assets £'000	Software Assets £'000	Total £'000
Balance at 1st April:						
Gross Carrying Amounts	0	576	**576**	0	645	**645**
Accumulated Amortisation	0	(356)	**(356)**	0	(430)	**(430)**
Net Carrying Amount at start of year	**0**	**220**	**220**	**0**	**215**	**215**
Additions:			**0**			**0**
Purchases	0	69	**69**	0	1	**1**
Amortisation for the period	0	(74)	**(74)**	0	(47)	**(47)**
Net carrying amount at 31st March:	**0**	**215**	**215**	**0**	**169**	**169**

There is one item of capitalised software that is individually material to the financial statements. This is the Financial Information System (Agresso), which was purchased in 2007 and subsequently developed since purchase. The current net book value of the Financial Information System is £133,000.

14. Financial Instruments

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

	Long Term 2010/11 £'000	Current 2010/11 £'000	Long Term 2011/12 £'000	Current 2011/12 £'000
Investments				
Cash Equivalents	0	1,481	**0**	**7,339**
Loans and Receivables	10,129	17,499	**12,723**	**12,675**
Available for Sale Financial Instruments	0	0	**0**	**789**
Total Investments	**10,129**	**17,499**	**12,723**	**20,803**
Debtors				
Loans and Receivables	0	743	**0**	**1,229**
Financial Assets carried at contracted amounts	41	0	**51**	**0**
Total Debtors	**41**	**743**	**51**	**1,229**
Other Long Term Liabilities				
Finance Lease Liabilities	(5,159)	(5)	**(6,642)**	**(216)**
Total Other Long Term Liabilities	**(5,159)**	**(5)**	**(6,642)**	**(216)**
Long Term Creditors				
Financial liabilities at amortised cost	0	0	**0**	**0**
Financial liabilities at contracted amounts	(146)	0	**(180)**	**0**
Total Long Term Creditors	**(146)**	**0**	**(180)**	**0**

Material Soft Loans

The authority makes loans for car purchase to nine employees in the authority who are in posts that require them to drive regularly on the authority's business. The Council has also issued eco fit loans for retrofitting insulation to homes. None of these loans are considered material for the purposes of this note.

Reclassifications

The Authority did not reclassify any of its investments in 2011/12.

Financial Instruments Gains/Losses

The Gains and Losses recognised in the Comprehensive Income & Expenditure Statement in relation to financial instruments are made up as follows:

	2010/11		2011/12	
	Financial Assets - Loans and Receivables £'000	Financial Liabilities at amortised cost £'000	Financial Assets - Loans and Receivables £'000	Financial Liabilities at amortised cost £'000
Interest expenditure	(1)	0	**(18)**	**0**
Fee Expenditure	(37)	0	**(37)**	**0**
Total Expense	**(38)**	**0**	**(55)**	**0**
Interest income (Cash)	446	0	**674**	**0**
Interest income (Accrued)	627	0	**273**	**0**
Total Income	**1,073**	**0**	**947**	**0**
Net Gain / Loss (-) for the year	**1,035**	**0**	**892**	**0**

Fair Value of Assets and Liabilities

Financial Assets & Liabilities, represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates, based on new lending rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31st March 2011		31st March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Cash Equivalents	1,481	1,481	**7,339**	**7,339**
Deposits exceeding 1 year	10,129	10,129	**12,723**	**12,723**
Deposits under 1 year	17,499	17,499	**12,675**	**12,675**
Total value	**29,109**	**29,109**	**32,737**	**32,737**

15. Inventories

	Consumable Stores £'000	Total Stock £'000
Balance as at 1st April 2011	9	**9**
Purchases	32	**32**
Expended in year	(34)	**(34)**
Balance As at 31st March 2012	**7**	**7**

16. Debtors

Long Term debtors are amounts owed to the Authority that are due after 12 months or more. Current Debtors are amounts owed to the Authority that are due during the next financial year.

Debtors	Balance 31st March 2011 £'000	Balance 31st March 2012 £'000
Amounts falling due within one year		
Prepayments and accrued income	1,045	**1,579**
Government departments	46	**0**
HM Revenue and Customs (Value Added Tax)	237	**165**
Other Local Authorities	223	**681**
Collection Fund - EHDC	148	**173**
Council Tax Balance due from precepting Authorities	0	**122**
Debtors for services	579	**799**
Housing Benefit Debtors	1,088	**1,369**
National Non Domestic Rates Balance due from Central Government	1,579	**0**
Debtors due within one year	4,945	**4,888**
Doubtful debts allowance		
General Fund	(776)	**(994)**
Collection Fund	(69)	**(77)**
Total Debtors due within 1 year	**4,100**	**3,817**
Long Term Debtors		
Employee Car Loans	14	**30**
Deposits owing to the Authority	1	**0**
PUSH Loans	26	**21**
Total Long Term Debtors	**41**	**51**

17. Cash and Cash Equivalents

The Authority defines cash equivalents as any financial instrument that can be immediately converted into a known amount of cash, without incurring any penalty. The Authority's cash and cash equivalents were made up of the following elements:

Movement in Cash and Cash Equivalents	Balance 31st March 2011 £'000	Movement in year £'000	Balance 1st April 2012 £'000
Cash in Hand and Bank Balance	1	0	**1**
Bank Balance / Overdraft	(568)	625	**57**
Overnight Investment Account	1,481	5,800	**7,281**
Total Cash and Cash Equivalents	**914**	**6,425**	**7,339**

18. Creditors

Creditors are amounts owed by the Authority at 31st March 2012.

Creditors	Balance 31st March 2011 £'000	Balance 31st March 2012 £'000
Amounts falling due within one year		
Accruals and income in advance	1,848	**2,083**
Government departments	319	**61**
Her Majesty's Revenues and Customs (Income Tax)	249	**34**
National Non Domestic Rates Balance due to Central Government	0	**764**
Other Local Authorities	162	**0**
Collection Fund - EHDC	103	**96**
Creditors for goods and services	159	**286**
Short Term Finance Lease Capital Liability	305	**216**
Council Tax Balance due to precepting Authorities	203	**0**
Total Creditors payable within 1 Year	**3,348**	**3,540**
Amounts falling due over one year		
Deferred liabilities	146	**180**
Finance Lease - Woolmer Industrial Estate (Note 33)	4,859	**5,153**
Finance Lease - Joint Waste Contract vehicles (Note 33)	0	**1,489**
Total Creditors payable after 1 year	**5,005**	**6,822**

19. Provisions

	Provisions £'000	Total £'000
Balance as at 1st April 2011	76	76
Additional Provisions made in 2011/12	350	350
Amounts used in 2011/12	(27)	(27)
Unused amounts reversed in 2011/12	(76)	(76)
Unwinding of Discounting in 2011/12	0	0
Balance as at 31st March 2012	**323**	**323**

1. There are no legal cases against the Authority at present.
2. There are no cases currently lodged against the Authority for injury or damage compensation.
3. The Authority holds the following general provisions:

1. Concessionary Travel Additional Capacity Claim: One bus operator has made an appeal against East Hampshire District Council's Concessionary travel scheme for additional capacity costs relating to the period from 2007/08 to 2010/11. Additional capacity costs are costs claimed by a participating operator for providing additional capacity over and above the capacity that the operator would be reasonably expected to provide if there was no scheme. The estimated liability to the Authority is between £1,000 and £20,000. The current provision is £20,000.

2. Municipal Mutual Insurance (MMI): MMI was a local authority owned mutual providing insurance to the Council which ceased business in 1992. However, MMI is still liable for certain insurance claims which, if not covered by MMI's remaining assets, will be apportioned between the member authorities. A Supreme Court ruling in March 2012 gave certainty that MMI will incur full liability for Mesothelioma claims, significantly increasing the likelihood that costs will be incurred by the Council. The latest estimate of potential liability is £144,000 and a provision has been created to ensure the council can meet this liability.

3. Joint Working on Waste: During 2011/12 the Council entered into a Joint Working on Waste initiative with Winchester City Council. In order to mitigate against the risk of additional costs incurred during the mobilisation phase, a provision of £125,000 has been made. The rrequirement for this provision will be reviewed after one year of operation.

4: Damage Deposits: In order to meet statutory obligations for reducing homelessness, the Council will guarantee damage deposits on behalf of tenants moving into privately rented accomodation where certain criteria are met. The Council holds a provision of £34,000 against damage deposits in order to undertake that guarantee.

20. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 15, Note 7 on page 35 for specific reserves, and note 30 on page 53 for capital grants & contributions unapplied.

		Balance 1st April 2011 £'000	Net Movement £'000	Balance 31st March 2012 £'000	Note
Usable Capital Receipts	Capital Receipts from fixed asset sales, available for future capital expenditure.	3,220	1	3,221	MIRS
General Fund	Resources available to meet future service costs.	1,800	423	2,223	MIRS
Earmarked Reserves	Specific reserves created to meet future liabilities.	7,494	2,276	9,770	MIRS, Note 7
Capital Grants and Contributions unapplied	Grants and contributions received but not yet spent, where no restrictions exist or where restrictions have been met.	7,997	(1,186)	6,811	MIRS, Note 30
Total Usable Reserves		**20,511**	**1,514**	**22,025**	

21. Unusable reserves

Unusable reserves represent reserves that hold unrealised gains and losses (for example, the Revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The table below summarises the Authority's unusable reserves, and more detail on the individual reserves is provided below the table.

Unusable Reserves	2010/11 £'000	2011/12 £'000
Revaluation Reserve	6,956	7,195
Capital Adjustment Account	36,260	35,958
Financial Instruments Adjustment Account	0	0
Available for Sale Financial Instruments	0	0
Pension Reserve	(31,850)	(39,510)
Collection Fund Adjustment Account	(5)	(25)
Accumulated Absences Account	(73)	(73)
Total Unusable Reserves	**11,288**	**3,545**

Revaluation Reserve

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

1. Revalued downwards or impaired and the gains are lost
2. Used in the provision of services and the gains are consumed through depreciation
3. Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st 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.

Revaluation Reserve	2010/11 £'000	2011/12 £'000
Balance as at 1st April	**9,368**	**6,956**
Upward revaluation of assets	188	**283**
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,553)	**0**
Surplus or Deficit (-) on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	**(2,365)**	**283**
Difference between fair value depreciation and historical cost depreciation	(47)	**(44)**
Amount written off to the Capital Adjustment Account	**(47)**	**(44)**
Balance as at 31st March	**6,956**	**7,195**

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 an historical 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 1st April 2007, the date the Revaluation Reserve was created to hold such gains.
Note 6 on page 33 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2010/11 £'000	2011/12 £'000
Balance as at 1st April	**37,544**	**36,260**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of non current assets	(421)	**(509)**
Charges for impairment of non current assets	0	**0**
Revaluation losses on Property, Plant and Equipment	(1,153)	**0**
Amortisation of intangible assets	(74)	**(47)**
Revenue Expenditure funded from Capital under Statute	(4,496)	**(4,424)**
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	0	**0**
Adjusting amounts written out of the Revaluation Reserve	48	**44**
Net written out amount of the cost of non current assets consumed in the year.	**(6,096)**	**(4,936)**
Capital Financing applied in the year		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	**0**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,556	**3,959**
Application of revenue and reserve funding to capital financing	91	**156**
Movements in the market value of Investment Properties credited or debited to the Comprehensive Income and Expenditure Statement	165	**519**
Total Capital Financing applied	**4,812**	**4,634**
Balance as at 31st March	**36,260**	**35,958**

Available for Sale Financial Instruments Reserve

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

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments, and for bearing losses or benefiting from gains per statutory provisions. The Authority does not invest in any such financial instrument.

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 employers' 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 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. Information on the Council's Pension Scheme can be found at Note 36 on page 58.

Pension Reserve	2010/11 £'000	2011/12 £'000
Balance as at 1st April	(44,450)	**(31,850)**
Actuarial gains or losses on the pension assets or liabilities	3,730	**(7,060)**
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	6,960	**(2,360)**
Employers' pension contributions and direct payments to pensioners payable in the year	1,910	**1,760**
Balance as at 31st March	**(31,850)**	**(39,510)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory requirements for paying amounts to the General Fund from the Collection Fund. The balance on the Account represents East Hampshire District Council's share of the Collection Fund deficit carried forward shown on page 67.

Collection Fund Adjustment Account	**2010/11 £'000**	**2011/12 £'000**
Balance as at 1st April	**(12)**	(5)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	**7**	(20)
Balance as at 31st March	**(5)**	**(25)**

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, such as annual leave entitlements carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	**2010/11 £'000**	**2011/12 £'000**
Balance as at 1st April	(73)	**(73)**
Settlement or cancellation of accrual made at the end of the preceding year	73	**73**
Amounts accrued at the end of the current year	(73)	**(73)**
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	0	**0**
Balance as at 31st March	**(73)**	**(73)**

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Net Cash Flows from Operating Activities

The cash flows for operating activities, shown in the Cash Flow Statement on page 16, include the following items:

Operating Activities	2010/11 £'000	2011/12 £'000
Net Surplus (-) / Deficit on the Provision of Services	**(5,834)**	**(548)**
Adjustments to net surplus / deficit on the provision of services for non-cash movements		
Depreciation and amortisation of fixed assets	(495)	**(556)**
Impairment and downward revaluations	(1,154)	**0**
Movement in Doubtful Debts Allowance	(123)	**(218)**
Increase (-) / Decrease in creditors	1,482	**(226)**
Increase / Decrease (-) in short term debtors	(26)	**(283)**
Increase / Decrease (-) in long term debtors	(25)	**10**
Increase / Decrease (-) in stock	(29)	**(2)**
Difference between pension contributions paid and amounts recognised in the income statement	8,878	**(600)**
Carrying amount of non current assets sold	0	**0**
Movements in provisions	26	**(246)**
Movements in value of investment properties	165	**519**
Other non cash adjustments	28	**15**
Capital grants applied to capital Financing	0	**64**
Capital Grants & Contributions in advance	0	**(2,441)**
Total non-cash adjustments	**8,727**	**(3,964)**
Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities		
Profit / Loss on disposal of fixed assets	12	**1**
Total Operating Activities	**2,905**	**(4,511)**

23. Cash Flows from Investing Activities

The cash flows for investing activities, shown in the Cash Flow Statement on page 16, include the following items:

Investing Activities	2010/11 £'000	2011/12 £'000
Purchase of property, plant and equipment, investment property and intangible assets	556	**166**
Net Purchase of short term and long term investments	5,232	**0**
Net Disposal of short term and long term investments	0	**(2,230)**
Other payments for investing activities	91	**44**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12)	**(1)**
Other receipts from investing activities	0	**0**
Net cash flows from investing activities	**5,867**	**(2,021)**

24. Cash Flows from Financing Activities

The cash flows for financing activities, shown on the Cash Flow Statement on page 16, include the following items:

Financing Activities	2010/11 £'000	2011/12 £'000
Cash receipts of short and long term borrowing	0	**0**
Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	5	**107**
Repayments of short and long term borrowing	0	**0**
Net cash flows from financing activities	**5**	**107**

25. Amounts Allocated for Resource Allocation Decision Activities

The Explanatory Foreword provides a summary of the Council's revenue expenditure for the year. This note expands on this summary through an analysis of income and expenditure by service. The format of the Comprehensive Income and Expenditure Statement is that specified by the Service Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across service clusters. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

1. No charges are made in relation to capital expenditure, with the exception of estimated depreciation charges, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation reserve, amortisations and revenue expenditure funded by capital under statute are charged to services in the Comprehensive Income and Expenditure Statement.

2. The cost of retirement benefits is based on cash flows (payment of employers' pension contributions) rather than the current service costs of benefits paid in the year.
3. Expenditure on some support services is budgeted for centrally and not charged across the service clusters.
4. Transfers to and from Reserves are accounted for within the service clusters, whereas in the financial statements reserves transfers are accounted for through the Movement in Reserves Statement.

The income and expenditure of the Authority's service clusters are recorded in the budget reports for the year as follows:

Service Cluster	2011/12 Revised Budget £'000	2011/12 Quarter 3 Forecast £'000	2011/12 Outturn £'000	Variance to revised Budget (Fav) / Adv £'000
Executive	22	(72)	(70)	(92)
Economy & Communities	2,700	2,680	2,521	(179)
Environment & Neighbourhood Quality	4,433	4,324	4,069	(364)
Marketing & Development	49	(96)	(56)	(105)
Governance & Logistics	3,546	3,527	3,377	(169)
Planning & Built Environment	1,314	1,412	1,410	96
Whitehill & Bordon Eco-Town	1,026	1,024	972	(54)
Finance Only	53	39	0	(53)
Total Service Expenditure	**13,143**	**12,838**	**12,223**	**(920)**
Reserves Movements and Other Income				
Interest Earnings	(744)	(926)	(946)	(202)
Transfers to / (from) Reserves	(224)	(189)	(272)	(48)
Other approved Reserve transfers	(663)	(708)	25	688
Contributions from Equalisation Reserve	(305)	(305)	(305)	0
Developers Contributions Inflation	77	77	77	0
Collection fund deficit	(16)	(16)	(16)	0
Depreciation	(503)	(503)	(503)	0
	(2,378)	(2,570)	(1,940)	438
External Finance				
Government Grant	(4,418)	(4,418)	(4,359)	59
Council Tax	(6,347)	(6,347)	(6,347)	0
	(10,765)	(10,765)	(10,706)	59
Total Funding	**(13,143)**	**(13,335)**	**(12,646)**	**497**
Overspend/(Underspend)	**0**	**(497)**	**(423)**	**(423)**

Reconciliation of Service Cluster income and Expenditure to the Cost of Services in the Comprehensive Income and Expenditure Statement

The table below reconciles the service expenditure above to the net expenditure shown in the Comprehensive Income and Expenditure Account.

	2011/12 £'000
Net expenditure in the Service Clusters analysis	**12,223**
Amounts in the Comprehensive Income and Expenditure Statement relating to pension costs	**(360)**
Amounts in the Comprehensive Income and Expenditure Statement relating to capital grants	**(3,841)**
Amounts in the Comprehensive Income and Expenditure Statement relating to finance leases	**(128)**
Investment Property income transferred from Net Cost of Services to Other Operating Income and	**(345)**
Revenue Expenditure funded from Capital under Statute	**4,424**
Other Adjustments	**39**
Cost of Services in the Comprehensive Income and Expenditure Statement	**12,012**

26. Agency Services

Agency Services are services that the authority provides on behalf of another organisation. The Authority acts as an agent for the collection of National Non Domestic Rates on behalf of Central Government, and as an agent for major precepting bodies for the collection of Council Tax. Income and Expenditure relating to these arrangements are disclosed within the Collection Fund outturn on page 67. The Authority also acts as an agent on behalf of Central Government for the payment of Housing Benefit. During 2011/12, a total of £22.06m was paid to recipients of Housing benefit. The cost of providing Housing Benefit was met from subsidy paid by Government.
With effect from 1st April 2011, the Council has been providing planning services on behalf of the South Downs National Park. Work on the Core Strategy has also been undertaken on behalf of the Park. Planning fee income is collected by the Council and paid on account to the park on a quarterly basis.

An agency arrangement with Winchester City Council was also entered into during 2011/12 for the collection of Green Waste license income.

27. Members' Allowances

Members' Allowances consist of a Basic Allowance for all Councillors of £4,500 and a Special Responsibility Allowance, dependent on the Councillor's role in the Authority.

Members' Allowances	2010/11 £'000	2011/12 £'000
Basic Allowances	198	**195**
Special Responsibility Allowances	110	**111**
Expenses	16	**16**
Total	**324**	**322**

28. Officers' Remuneration

The remuneration paid to the Council's senior employees is disclosed in the table below. A senior employee is defined as an officer who earns a salary of more than £150,000 per annum, or is the designated head of the paid service, or is a statutory chief officer, or is any person having responsibility for the management of the Council, to the extent that the officer has power to direct or control the major activities of the Council, in particular activities involving the expenditure of money, whether solely or collectively with other officers. The employers' contribution rate for pension contributions in 2010/11 was 19.1%, made up of current service cost (14.5%) and past service costs (4.6%). The contribution rate changed for 2011/12 to a common rate for all scheme employers of 19.7% of pensionable pay. Individual adjustments are added or subtracted from the common rate to produce individual employer rates. The individual adjustment for East Hampshire District Council gives a contribution rate of 13.1% of pensionable pay plus an additional monetary amount relating to all scheme members of £430,600 for 2011/12.

No bonuses were paid to any of the officers disclosed.

Post Holder information	Year	Salary, fees and allowances £	Payments for loss of employment £	Employers' pension contributions £	Other emoluments £	Total £
Executive Director	2011/12	91,000	0	11,921	0	102,921
	2010/11	45,550	0	8,690	0	54,240
Executive Director	2011/12	45,500	0	5,960	0	51,460
	2010/11	0	0	0	0	0
Executive Head (Marketing and Development)	2011/12	37,500	0	4,913	0	42,413
	2010/11	37,500	0	7,163	0	44,663
Executive Head (Planning and Built Environment)	2011/12	75,000	0	9,825	0	84,825
	2010/11	37,500	0	7,163	0	44,663
Executive Head (Governance and Logistics)	2011/12	22,177	18,750	2,905	0	43,832
	2010/11	12,701	0	2,426	0	15,127

Note 1: With effect from 12th October 2009, the post of Chief Executive became a shared post with Havant Borough Council. The cost of this post is split equally between both Councils. The chief executive is directly employed by Havant Borough Council, and the amount contributed to Havant Borough Council in respect of this post during 2011/12 was £78,182 (£81,424 in 2010/11). The Joint Management team is made up of the Executive heads, two Executive Directors and five Executive Heads.

Note 2: Executive Directors: As at 31st March, both Executive Directors were employed by East Hampshire District Council. However, for the first six months of the year, one Executive Director post was filled by Havant Borough Council on a temporary basis.

Note 3: Executive Heads There are five Executive Head posts, of which two were vacant as at 31st March 2012. Of the remaining three, two are employed by Havant Borough Council. The vacant posts were filled on a consultancy basis between 1st October 2011 and 31st March 2012. The total cost of this consultancy was £52,000, to which Havant Borough council contributed £26,000.

Note 4: During 2010/11, East Hampshire District Council received £144,414 from Havant Borough Council as a contribution to the termination costs of senior managers employed by East Hampshire District Council. East Hampshire District Council paid £181,478 to Havant Borough Council as a contribution to the termination costs of senior managers employed by Havant Borough Council. During 2011/12, payments for loss of employment totalled £18,750, which was split equally between the two Councils.

The table below outlines the contributions between East Hampshire District Council and Havant Borough Council in respect of senior employees.

Post Title	Contributions paid to Havant Borough Council		Contributions Received from Havant Borough Council	
	2010/11	2011/12	2010/11	2011/12
Chief Executive	£81,424	£78,182	£0	£0
Executive Director	£0	£0	£29,500	£56,609
Executive Director	£28,021	£20,608	£0	£28,305
Executive Head of Economy & Communities	£24,175	£46,362	£0	£0
Executive Head of Environment and Neighbourhood Quality	£24,225	£46,457	£0	£0
Executive Head of Governance & Logistics	£0	£0	£8,195	£36,320
Executive Head of Marketing & Development	£0	£0	£24,225	£36,479
Executive Head of Planning & Built Environment	£0	£0	£24,225	£46,457
Total Contribution	£157,845	£191,609	£86,145	£204,170

The Authority's other employees receiving more than £50,000 remuneration for the year, excluding employers' pension contributions, were paid the following amounts:

	Number of Employees 2010/11	Number of Employees 2011/12	
		Including redundancy	Excluding redundancy
Over £70,000	0	1	1
£65,000 to £70,000	4	1	1
£60,000 to £65,000	2	2	0
£55,000 to £60,000	6	16	15
£50,000 to £55,000	1	9	9

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. No exit packages, other than for compulsory redundancy, were paid in the year. Further information on exit packages is given at note 35, page 57.

	Number of compulsory redundancies		Number of other departures agreed		Total cost of exit packages £	
Cost band	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**
£0 - £20,000	3	**3**	0	**0**	4,100	**51,426**
£20,001 - £40,000	0	**6**	2	**0**	6,770	**126,053**
£40,001 - £60,000	0	**5**	1	**0**	25,000	**248,570**
£60,001 - £80,000	1	**0**	0	**1**	105,706	**18,750**
£80,001 - £100,000	0	**0**	0	**0**	0	**0**
£100,000 +	0	**0**	0	**0**	0	**0**
Total	**4**	**14**	**3**	**1**	**141,576**	**444,799**

29. External Audit Costs

The Authority is required to disclose the following audit costs.

Audit Costs	**2010/11 £'000**	**2011/12 £'000**
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed Auditor	102	**94**
Fees payable to the Audit Commission for the certification of grant claims and returns	37	**26**
Fees payable in respect of other services provided by the appointed Auditor	2	**0**
Total	**141**	**120**

30. Grant Income

The Authority received the following specific grants, contributions and donations to the Net Cost of Services within the Comprehensive Income and Expenditure Statement in 2011/12. The Authority has also received a number of grants, contributions and donations that have yet to be recognised as they have conditions attached to them that will require the monies or property to be returned to the giver. Information on General grants is given at note 10, page 36.

Specific Grant Income	2010/11 £'000	2011/12 £'000
Grants and Contributions Credited to Services		
Area Based Grant	53	**0**
Concessionary Travel Special Grant	93	**0**
Council Tax Benefits Subsidy	5,125	**5,039**
Eco Town grant in respect of Whitehill and Bordon	0	**2,025**
Disabled Facilities Grant	525	**567**
Homelessness Grants	58	**109**
Housing Benefits Subsidy	21,340	**21,969**
Housing Benefit Administration Grant	634	**568**
Housing Benefit Rent Rebate Subsidy	14	**20**
Housing Benefit Transition Grant	0	**22**
Land Charges Additional Burden Support Grant	30	**0**
Local Public Sector Agreement Reward Grant	1	**0**
New Homes Bonus Grant	0	**315**
Non Domestic Rates Cost of Collection Subsidy	154	**152**
Warm Homes Grant	0	**15**
Total Grants and Contributions	**28,027**	**30,801**

The Authority also holds grants and contributions and donations that have been recognised as income but have not yet been applied to capital expenditure. These are known as Capital Grants and Contributions unapplied. Capital Grants and Contributions in Advance are receipts that have yet to be recognised as they have conditions attached to them that will require the monies or property to be returned to the giver. The table below outlines the movement in Capital Grants and Contributions Unapplied and Received in Advance.

Capital Grants & Contributions Unapplied and in Advance	2010/11 £'000	2011/12 £'000
Capital Grants and Contributions Unapplied		
Disabled Facilities Grant	4	**4**
Safer Stronger Communities Fund Grant	25	**0**
Department for Environment and Climate Change Grant	26	**26**
Whitehill and Bordon Eco Town Grant	4,853	**3,905**
Developers' Contributions with no restrictions outstanding	2,985	**2,958**
Partnership for Urban South East Hampshire housing loans contribution	104	**49**
Warm Homes grant	0	**13**
Total Capital Grants and Contributions Unapplied	**7,997**	**6,955**
Capital Grants and Contributions in advance		
Developers' Contributions with restrictions outstanding	600	**744**
Low Carbon Challenge Retrofitting contributions	0	**228**
Homes and Communities Association Contribution to Quebec Barracks Refurbishment	0	**2,080**
Total Capital Grants and Contributions in advance	**600**	**3,052**

31. Related Party Transactions

The Authority is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Authority, or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 a significant amount of funding in the form of grants and prescribes the terms of many of the transactions the Authority has with other parties, for example Council Tax bills and Housing Benefits. Grants received from Central Government are set out in the subjective analysis in Note 25 on reporting for resources allocation decisions, and in Note 30, which shows grants received during 2011/12.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2011/12 is disclosed in Note 27. During 2011/12, no works or services were commissioned from companies in which Members had an interest. Contracts were entered into in full compliance with the Authority's Standing Orders. Grants of £46,000 were awarded to organisations in which Members were on the governing body. No grants were made to organisations whose senior management included close members of the families of Members. In all instances, the grants were made with proper considerations of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details in the Register of Members Interests are available for public inspection.

Officers
There were no declarations of related party transactions made by any senior officer of the Authority in 2011/12.

32. Capital Expenditure and Capital Financing

Financing of Capital Expenditure
The total amount of capital expenditure incurred in the year is shown in the table below, 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 Prudential Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The Authority currently has a negative Capital Financing Requirement.

Financing of Capital Expenditure	2010/11 £'000	2011/12 £'000
Opening Capital Financing Requirement	(3,634)	**(3,229)**
Total Capital Expenditure		
Property, Plant and Equipment	486	**1,972**
Investment Properties	0	**0**
Intangible Assets	70	**1**
Revenue Expenditure funded from Capital under Statute	4,496	**4,424**
Total to finance from capital resources	**5,052**	**6,397**
Method of Finance		
Usable Capital Receipts	0	**0**
Specific Capital Grants	(3,611)	**(2,540)**
Capital Contributions	(945)	**(1,420)**
Sums set aside from Revenue	(91)	**(156)**
	(4,647)	**(4,116)**
Closing Capital Financing Requirement	(3,229)	**(948)**
Explanation of Movements in Year		
Reduction in negative Capital Financing Requirement	405	**587**
Assets acquired under Finance Leases	0	**1,806**
Increase in Capital Financing Requirement	**405**	**2,393**

33. Leases

The Authority may enter into lease arrangements to obtain assets used to provide services as an alternative to purchasing. Additionally, the Council also leases out assets, for example, to community organisations. Lease arrangements may be finance leases or operating leases. The purpose of this note is to disclose the nature and extent of the Authority's leasing obligations.

Lease Classification

Leases are classified as either Finance Leases or Operating Leases. A finance lease is an arrangement where substantially all of the risks and rewards that are incidental to ownership of the asset, transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risks and rewards are classified as operating leases. Where an arrangement includes both land and buildings, the land and buildings elements are considered separately for classification and leases of land are generally considered to be operating leases.

Authority as Lessee: Finance Leases

The Authority entered into a lease arrangement with Liverpool Victoria in the late 1970s. Under this arrangement, the Authority leased land at Woolmer Way, Bordon to Liverpool Victoria, who built industrial units on the site and leased the land and buildings back to the Authority. This lease transferred from Liverpool Victoria to the current lessor, K.S Hampshire, in the 1990s. The buildings element of this lease is classified as a Finance Lease under International Financial Reporting Standards adopted from 2010/11.

The Authority entered into a Joint Waste Contract with Winchester City Council for the provision of Environmental Services. A review of this contract arrangement identified an embedded lease within the contract for the provision of vehicles, particularly refuse vehicles for the collection of refuse and recycling, and vehicles used in the provision of grass cutting and street maintenance. The embedded lease has been classified as a Finance Lease.

The assets acquired under these lease are carried as Investment Properties and Plant & Equipment in the Balance Sheet (notes 11 and 12) at the following net amounts:

	2010/11 £'000	2011/12 £'000
Investment Property	5,194	**5,194**
Vehicles, Plant & Equipment	0	**1,694**
Total	**5,194**	**6,888**

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

Net Present Value of Minimum Lease Payments	31st March 2011 £'000	31st March 2012 £'000
Current Liability (including finance costs)	305	**551**
Long Term Liability	5,159	**6,642**
Finance Costs payable in future years	3,578	**3,561**
Total Minimum Lease payments	**9,042**	**10,754**

The minimum lease payments will be payable over the following periods. The minimum lease payments do not include rents that are contingent on events taking place over time (such as periodic rent reviews).

	Minimum Lease Payments		Finance Lease Liabilities	
	31/3/11 £,000	31/3/12 £,000	31/3/11 £'000	31/3/12 £,000
Up to 1 year	131	377	5	216
1 year to 5 years	655	1,883	31	1,210
Over 5 years	8,256	8,494	5,128	5,432
Total	**9,042**	**10,754**	**5,164**	**6,858**

The Authority sub-lets individual units held under the investment property Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £2.953m at 31st March 2012 (£2.75m at 31st March 2011).

Authority as Lessee: Operating Leases

The Authority has also acquired a number of assets under operating lease agreements. Examples of assets leased include buildings and equipment.

The future minimum lease payments due under non - cancellable leases was £181,000. None of these assets are subleased.

Minimum Lease Payments under Operating Leases	31st March 2011 £'000	31st March 2012 £'000
Up to 1 year	34	**34**
1 year to 5 years	139	**126**
Over 5 years	41	**21**
Total	**214**	**181**

Expenditure on Operating Leases was charged to the following services on the Comprehensive Income and Expenditure Statement as follows:

Service Heading	31st March 2011 £'000	31st March 2012 £'000
Highways, Roads and Transport	16	**16**
Planning and Development	10	**10**
Housing Services (General Fund)	8	**8**
Total	**34**	**34**

Authority as Lessor: Finance Leases

The Authority does not lease any of its assets under a finance lease agreement.

Authority as Lessor: Operating Leases

The Authority leases out property and equipment under operating lease arrangements for the following purposes:

1. For the provision of community services including sports facilities, community centres and village halls.
2. For economic development purposes, to provide affordable retail accommodation for local businesses.
3. To provide allotment space to local residents.

The future minimum lease payments receivable under non cancellable leases in future years are:

	31st March 2011 £'000	31st March 2012 £'000
Up to 1 year	171	171
1 year to 5 years	510	466
5 to 10 years	375	375
Total	**1,056**	**1,012**

34. Capitalisation of Borrowing Costs

The Authority has not borrowed to support capital expenditure in 2011/12. Therefore, no borrowing costs have been capitalised.

35. Termination Benefits

The Authority terminated the contracts of a number of employees during 2011/12, incurring liabilities of £444,799. See Note 28 on page 51 for the total number of exit packages and total cost per band. Of this liability, £18,750 was payable to the Executive Head (Governance & Logistics) in the form of compensation for loss of office. A total of £223,411 was payable to Service Heads who were made redundant following the implementation of a joint management structure with Havant Borough Council. This total was made up of £109,203 compensation for loss of office and £114,208 for enhancement of pension benefits. A total of £74,926 was payable to officers from Environmental Services, who were made redundant due to the implementation of a Joint Waste Contract. This total was made up of £49,325 compensation for loss of office, and £25,601 for enhancement of pension benefits.

36. Defined Benefit Pension Scheme

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"). The funded nature of the LGPS requires East Hampshire District Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets. East Hampshire District Council recognises gains and losses in full, immediately through the Comprehensive Income and Expenditure Statement.
In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to Pension Schemes is required.

The Employer's regular contributions to the Fund for the accounting period to 31st March 2013 are estimated to be £1.41m. In addition, Strain on Fund Contributions may be required. The latest actuarial valuation of the Fund took place on 31st March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected credit method. The principal assumptions used by the actuary in updating the latest valuations of the Fund for IAS19 purposes were:

Financial Assumptions	**31st March 2010**	**31st March 2011**	**31st March 2012**
Rate of Inflation (RPI)	3.7% pa	3.7% pa	**3.5% pa**
Rate of Inflation (CPI)	N/A	2.8% pa	**2.5% pa**
Rate of general increase of salaries	5.4% pa	5.2% pa	**5.0% pa**
Rate of increase to pensions in payment	3.7% pa	2.8% pa	**2.5% pa**
Rate of increase to deferred pensions	3.7% pa	2.8% pa	**2.5% pa**
Discount rate for scheme liabilities	5.5% pa	5.4% pa	**4.7% pa**

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

Post Retirement Mortality	31st March 2011	31st March 2012
Male		
Year of Birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Rating to above base table* (years)	0	0
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% per annum	CMI_2009 with a long term rate of improvement of 1.25% per annum
Future lifetime from age 65 (aged 65 at accounting date)	23.8	23.9
Future lifetime from age 65 (aged 45 at accounting date)	25.6	25.6
Female		
Year of Birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Rating to above base table * (years)	0	0
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% per annum	CMI_2009 with a long term rate of improvement of 1.25% per annum
Future lifetime from age 65 (aged 65 at accounting date)	24.8	24.9
Future lifetime from age 65 (aged 45 at accounting date)	26.7	26.8

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

Members of the Pension Fund are allowed to exchange future pension payments for a lump sum on retirement. This is known as Commutation.

	31st March 2011	31st March 2012
Commutation	Each member assumed to exchange 25% of the maximum amount permitted of their past service pension rights on retirement, for an additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for an additional lump sum.	Each member assumed to exchange 25% of the maximum amount permitted of their pre 1st April 2010 pension entitlements, for an additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their post 31st March 2010 pension entitlements, for an additional lump sum.

Expected Return on Assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of IAS19.
East Hampshire District Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31st March 2012.

	Long term expected rate of return at 31/3/2010 (% pa)	Asset split as at 31/3/2010 (%)	Long term expected rate of return at 31/3/2011 (% pa)*	Asset split as at 31/3/2011 (%)	Long term expected rate of return at 31/3/2012 (% pa)	Asset split as at 31/3/2012 (%)
Equities	8.0	61.3	8.4	63.4	**8.1**	**55.1**
Property	8.5	6.1	7.9	7.3	**7.6**	**7.7**
Government Bonds	4.5	24.4	4.4	23.3	**3.1**	**27.0**
Corporate Bonds	5.5	2.4	5.1	1.7	**3.7**	**1.5**
Cash	0.7	5.8	1.5	4.3	**1.8**	**4.1**
Other**	8.0	0.0	8.4	0.0	**8.1**	**4.6**
Total	**6.7**	**100.0**	**7.1**	**100.0**	**6.4**	**100.0**

* The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.
** Other holdings include hedge funds, currency holdings, asset allocation futures and other. The Actuaries have assumed these will achieve a return in line with equities.

Reconciliation of funded status to the Balance Sheet

The funded status of the Authority's pension fund compares the notional value of assets, and the present value of all committed liabilities to give the overall funding deficit. The net pension liability is represented by the pension asset account on the balance sheet.

	Value as at 31/3/2010 £'m	Value as at 31/3/2011 £'m	Value as at 31/3/2012 £'m
Fair Value of Fund Assets	44.63	46.51	**47.74**
Total Pension Assets	**44.63**	**46.51**	**47.74**
Present Value of funded defined benefit obligation	85.60	75.29	**84.05**
Present Value of unfunded defined benefit obligation	3.48	3.07	**3.20**
Total Pension Liability	**89.08**	**78.36**	**87.25**
Total Net Pension Liability recognised on the Balance Sheet	**44.45**	**31.85**	**39.51**

NOTES TO THE CORE FINANCIAL STATEMENTS

Charges to the Surplus or Deficit on the Provision of Services

The income and expenditure charge reconciles the current year costs recognised within the cost of services on the Comprehensive Income and Expenditure Statement. This is offset by the expected interest return on assets to provide the overall charge for the year.

	Period Ending 31st March 2011 £m		Period Ending 31st March 2012 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Current Service Costs	1.40	0.00	**1.20**	**0.00**
Past Service Costs	(9.53)	(0.33)	**0.20**	**0.00**
Interest costs	4.28	0.17	**4.04**	**0.16**
Expected Return on Assets	(2.95)	0.00	**(3.24)**	**0.00**
Curtailment Cost	0.00	0.00	**0.00**	**0.00**
Settlement Cost	0.00	0.00	**0.00**	**0.00**
Expense Recognised	**(6.8)**	**(0.16)**	**2.20**	**0.16**

Changes to the Present Value of Liabilities during the Accounting Period

This table reconciles the movement in the overall pension liability for the year.

	Period Ending 31st March 2011 £m		Period Ending 31st March 2012 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Opening Present Value of Liabilities	85.6	3.48	75.29	3.07
Current Service Costs	1.40	0.00	1.20	0.00
Interest cost	4.28	0.17	4.04	0.16
Contributions by Participants	0.52	0.00	0.50	0.00
Actuarial Gains (-) / Losses on Liabilities	(4.47)	(0.05)	5.85	0.17
Net Benefits Paid out	(2.51)	(0.20)	(3.03)	(0.20)
Past Service Cost	(9.53)	(0.33)	0.20	0.00
Net increase in liabilities from Disposals and Acquisitions	0.00	0.00	0.00	0.00
Curtailments	0.00	0.00	0.00	0.00
Settlements	0.00	0.00	0.00	0.00
Closing Present Value of Liabilities	**75.29**	**3.07**	**84.05**	**3.2**

Changes to the Fair Value of Assets during the Accounting Period

This table reconciles the movement in the fair value of pension assets for the year.

	Period Ending 31st March 2011 £m		Period Ending 31st March 2012 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Opening Fair Value of Assets	44.63	0.00	**46.51**	**0.00**
Expected return on Assets	2.95	0.00	**3.24**	**0.00**
Actuarial Gains / (-) Losses on assets	(0.79)	0.00	**(1.04)**	**0.00**
Contributions by the Employer	1.71	0.00	**1.56**	**0.20**
Contributions by Participants	0.52	0.00	**0.50**	**0.00**
Net Benefits Paid out*	(2.51)	0.00	**(3.03)**	**(0.20)**
Net increase in assets from Disposals and Acquisitions	0.00	0.00	**0.00**	**0.00**
Settlements	0.00	0.00	**0.00**	**0.00**
Closing Present Value of Liabilities	**46.51**	**0.00**	**47.74**	**0.00**

* Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

NOTES TO THE CORE FINANCIAL STATEMENTS

Actual Return on Assets

This table shows the total return on pension fund assets. This includes the impact of any changes in assumptions made by the actuary.

	Period Ending 31st March 2011 £m	Period Ending 31st March 2012 £m
Expected Return on Assets	2.95	**3.24**
Actuarial Gains / (-) Losses	(0.79)	**(1.04)**
Actual Return on Assets	**2.16**	**2.2**

Analysis of amounts recognised in Other Comprehensive Income and Expenditure

This table shows the unrealised actuarial gains and losses that are not recognised within the Cost of Services.

	Period Ending 31st March 2011 £m	Period Ending 31st March 2012 £m
Total Actuarial Gains / (Losses) - Funded	3.68	**(6.89)**
Total Actuarial Gains / (Losses) - Unfunded	0.05	**(0.17)**
Total Actuarial Gains / (Losses)	**3.73**	**(7.06)**

History of asset values, present value of defined benefit obligation and surplus / deficit

This table provides a history of pension fund asset values for the last five accounting periods.

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m
Fair Value of Assets	**43.41**	**33.99**	**44.63**	**46.51**	**47.74**
Present Value of Liabilities - Funded	(59.53)	(61.94)	(85.6)	(75.29)	**(84.05)**
Present Value of Liabilities - Unfunded	(2.94)	(3.02)	(3.48)	(3.07)	**(3.2)**
Surplus / (-) Deficit	**(19.06)**	**(30.97)**	**(44.45)**	**(31.85)**	**(39.51)**

History of Experience Gains and Losses

Experience Gains / Losses	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m
Experience Gains / (-) Losses - Assets	(0.08)	(11.67)	9.24	(0.79)	**(1.04)**
Experience Gains / (-) Losses - Funded Liabilities	(1.65)	(0.34)	0.93	3.96	**(0.73)**
Experience Gains / (-) Losses - Unfunded Liabilities	(0.01)	(0.06)	0.10	(0.01)	**0.04**
Total Experience Gains / (-) Losses	**(1.74)**	**(12.07)**	**10.27**	**3.16**	**(1.73)**

NOTES TO THE CORE FINANCIAL STATEMENTS

Experience Gains / Losses as a percentage of asset / liability	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Experience Gains / (-) Losses - Assets	N/A	(34.3)	20.70	(1.7)	**(2.2)**
Experience Gains / (-) Losses - Funded Liabilities	N/A	(0.5)	1.10	5.3	**(0.9)**
Experience Gains / (-) Losses - Unfunded Liabilities	N/A	(2.0)	2.90	(0.3)	**1.30**

The Pension Asset Account

Pension Asset Account	2010/11 £'000	2011/12 £'000
Pension Asset Account Balance brought forward	(44,450)	**(31,850)**
Liabilities		
Current Service Cost	(1,400)	**(1,200)**
Past Service Pension Costs	9,860	**(200)**
Interest Cost	(4,450)	**(4,200)**
Total Liabilities	**4,010**	**(5,600)**
Assets		
Return on Assets	2,950	**3,240**
Cash paid to Fund	2,230	**2,060**
Contributions from Participants	(520)	**(500)**
Benefits paid in respect of the unfunded liabilities	200	**200**
Total Assets	**4,860**	**5,000**
Actuarial Changes - Assets	4,520	**(1,040)**
Actuarial Changes - Liabilities	(790)	**(6,020)**
Total Actuarial Changes	**3,730**	**(7,060)**
Balance carried forward	**(31,850)**	**(39,510)**

37. Contingent Liabilities

The council is currently involved with two potential actions for litigation. These include potential appeals regarding ownership of land that was subject to compulsory purchase order in the 1980s, and the refund of land charges fees for personal searches. At this time the council is unable to provide a reliable estimate of amounts involved.

38. Nature and Extent of Risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks. These include:
1. Credit Risk - the possibility that other parties might fail to pay amounts due to the Authority
2. Liquidity Risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
3. Market Risk - the possibility that financial loss may arise for the authority as a result of changes in interest rates

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with banks and financial institutions unless they meet identified minimum credit criteria, as laid down in the Treasury Management Strategy. The Treasury Management Strategy also imposes a maximum sum to be invested with any given financial institution for periods in excess of 12 months.

Certain customers for goods and services are also assessed, taking into account their financial position, past experience and other factors.

The Authority also receives income from Council Tax, National Non Domestic Rates, and Housing Benefit Overpayments. These are statutory debts, and while every effort to collect this income is made, the Council cannot choose who its counterparties are.

The Authority's maximum credit exposure to credit risk in relation to its investments in banks and building societies of £5,000,000 cannot be assessed generally as the risk of any institution failing to repay principal or interest will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2012 that this was likely to crystallise.

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

	Amount at 31/03/12 £'000	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/12 %	Estimated Maximum Exposure at 31st March 2012 £'000	Estimated Maximum Exposure at 31st March 2013 £'000
Sundry Debtors	1,229	5.0%	10.0%	123	123
Council Tax	1,311	15.0%	24.0%	315	315
Business Rates	173	35.0%	49.0%	85	85
Housing Benefit Debtors	1,355	20.0%	50.0%	678	678

No credit limits were exceeded in the reporting period and the Authority does not expect any losses from non performance by any counterparts in relation to deposits and bonds.

The following table shows an aged analysis of Trade Debtors as at 31st March, after taking cash in transit into account. The Authority does not renegotiate debt. The Authority does not generally allow credit for customers. However, of the total debtors, The Authority's total sundry debt position as at 31st March 2012 has increased since 31st March 2011 by £486,000. This is primarily due to a significant number of invoices raised in March 2012. These invoices primarily relate to cost sharing arrangements with the Council's partner organisations, including Havant Borough Council and Winchester City Council. The fourth quarter rental invoices for Woolmer Industrial Estate were raised during February 2012, which means that debts aged 29 to 42 days are higher than usual at year end. After taking these timing differences into account, the underlying debt position for 2011/12 shows an improvement on the debt position in 2010/11.

Age	2010/11 Total £'000	2011/12 Total £'000
0-28 Days	196	**952**
29-42 Days	158	**128**
43-90 Days	186	**14**
91-180 Days	27	**1**
Over 180 Days	176	**134**
Grand Total	**743**	**1,229**

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowing from the money markets, other local authorities or the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority is a 'debt -free' Authority and does not have any long term loans. The risk of borrowing is that the Authority is bound to repay at potentially unfavourable interest rates, and this risk is minimised through close cash flow management, avoiding the need to borrow wherever possible. The Authority sets limits on the proportion of borrowing and the maturity profile of that borrowing.

At the Balance Sheet date, the Authority had no long or short term loans outstanding.

Market Risk

The Authority is exposed to a risk in terms of its exposure to interest rate movements on its investments and, if applicable, borrowing. For example, a rise in rates would have the following impact:

1. Borrowing at Variable rates - The Authority has no loans at 31st March 2012 and therefore a rates rise would have no impact. However, if the Authority were to take out a loan, the interest expense chargeable would rise.
2. Borrowing at fixed rates - The Authority has no loans at 31st March 2012 and therefore a rates rise would have no impact.
3. Variable Rate Investments - the interest income credited to the Surplus/Deficit on the Provision of Services will rise.
4. Fixed Rate Investments - The fair value of long term fixed rate investments would fall, as the return on the investment would become less favourable. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for dealing with interest rate risk. Variable rate investments are limited in the Treasury Management Strategy to 65% of total investments between 2010/11 and 2011/12.

The treasury management function 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 during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether any new borrowing taken out is fixed or variable.

According to this strategy, if average interest rates over the financial year 2011/12 were 1% higher than forecast, the financial effect would have been an increase in interest returns of £54,000.

Price Risk

The Authority does not invest in equity shares, and therefore is not exposed to equity price risk, and thus has no exposure to losses arising from changes in equity prices.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to losses arising from exchange rate movements.

39. Events after the Balance Sheet Date

The draft Statement of Accounts was approved by the Responsible Finance Officer on 26th June 2012, and this is the date up to which Post Balance Sheet Events have been considered for inclusion in the Accounts. No Post balance Sheet events have been identified for 2011/12.

40. Authorisation of the Statement of Accounts

The draft Statement of Accounts were authorised by the Responsible Finance Officer on 26th June 2012.

COLLECTION FUND

This account details all monies due from Council Tax and National Non Domestic Rates (NNDR/Business Rates), and payments made to Hampshire County Council, Hampshire and Isle of Wight Police Authority, Hampshire Fire and Rescue Authority, Parish Councils and the District Council. All Business Rates, less a deduction for collection costs, are paid to a Central Government pool and redistributed to local authorities by formula. The Collection Fund is incorporated within the Balance Sheet and the Cash Flow Statement.

2010/11 £'000	Collection Fund Income and Expenditure Account	2011/12 £'000
	Income	
24,854	Income from Business Ratepayers	**26,016**
63,877	Council Tax	**64,512**
5,071	Council Tax Benefits	**4,969**
93,802	**Total Income**	**95,497**
	Expenditure	
68,800	Precepts paid	**69,244**
24,701	Contribution to National Non Domestic Rates Pool	**25,864**
153	Cost of National Non Domestic Rates Collection	**152**
213	Provision for Uncollectible Council Tax	**144**
98	Bad Debts in Respect of Council Tax	**106**
93,965	**Total Expenditure**	**95,510**
163	**Surplus (-) / Deficit for the year**	**13**
(28)	Contribution to EHDC re previous years deficit	**24**
(199)	Contribution to Hampshire County Council re previous years deficit	**135**
(28)	Contribution to Hampshire and Isle of Wight Police Authority re previous years deficit	**19**
(12)	Contribution to Hampshire Fire and Rescue Authority re previous years deficit	**8**
(104)	**Net Income and Expenditure Account Surplus (-) / Deficit**	**199**

	Appropriation Account	
91	**Deficit Brought Forward**	**(13)**
(104)	Total movement on Collection Fund	**199**
(13)	**(Surplus) / Deficit Carried Forward**	**186**

NOTES TO THE COLLECTION FUND

1. Council Tax base for 2011/12

The Council Tax is a product of a charge per Band D equivalent property and the tax base expressed in number of Band D Properties. Council tax banding is based on property values as at 1st April 1991. The tax base is shown below:

Tax Band		Dwellings	Band D Equivalents	Weighting
A	Up to £40,000	2,706	1,362.56	6/9
B	Over £40,000 & up to £52,000	5,237	3,380.57	7/9
C	Over £52,000 & up to £68,000	11,723	9,281.35	8/9
D	Over £68,000 & up to £88,000	9,955	9110.60	1
E	Over £88,000 & up to £120,000	8,332	9426.11	11/9
F	Over £120,000 & up to £160,000	5,789	7817.73	13/9
G	Over £160,000 & up to £320,000	4,358	6,826.88	15/9
H	Over £320,000	618	1,126.51	18/9
		48,718	**48,332.31**	

The calculation of the tax base is made by multiplying the total dwellings by the weightings shown above, and then adjusted for discounts and exemptions, to arrive at the Band D equivalents shown above.

The average Band D Council Tax charge for 2011/12 was: **£1,432.66**

2. Non Domestic Rateable Value and Multiplier

National Non Domestic Rates (Business rates) are collected by EHDC on behalf of the Government. It is subsequently redistributed to local authorities on the basis of population. The rates are calculated by multiplying assessed rateable values by a fixed multiplier set by Central Government.

The Rateable Value of Non Domestic Properties as at 31/03/12 was: **£74,041,301**

The standard multiplier for the year was: **43.3**

The Small Business Rate Relief Multiplier for the year was: **42.6**

3. Precepting Authorities

Precepts for the year were paid to the following Authorities:

Authority	2010/11 £'000	2011/12 £'000
Hampshire County Council	49,879	**50,163**
Hampshire and Isle of Wight Police Authority	7,028	**7,069**
Hampshire Fire & Rescue Authority	2,949	**2,967**
East Hampshire District Council	8,944	**9,045**
Total Precepts Paid	**68,800**	**69,244**

NOTES TO THE COLLECTION FUND

4. Allocation of Surplus/Deficit between Precepting Authorities

The balance on the Collection Fund is split between the major Precepting Authorities. The split is determined by the size of the precept payable as a percentage of the overall Council Tax income. Balances payable to other authorities are included as debtors/creditors on the Balance Sheet, and EHDC's balance is held as a fund balance in the bottom half of the Balance Sheet.

Authority	2010/11 £'000	2011/12 £'000
Hampshire County Council	14	**135**
Hampshire Fire & Rescue Authority	1	**8**
Hampshire & Isle of Wight Police Authority	2	**19**
East Hampshire District Council	(4)	**24**
Total	**13**	**186**

SERVICE INCOME AND EXPENDITURE

2010/11		2011/12		
Net Expenditure £'000		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
	Central Services to the Public			
420	Local tax Collection	5,776	(5,336)	**440**
97	Elections	455	(244)	**211**
67	Emergency Planning	79	(18)	**61**
(52)	Land Charges	197	(262)	**(65)**
532	**Total Central Services to the Public**	**6,507**	**(5,860)**	**647**
	Cultural Services			
523	Culture & Heritage	211	(14)	**197**
1,593	Recreation & Sport	1,748	(86)	**1,662**
421	Open Spaces	359	(58)	**301**
127	Tourism	116	0	**116**
2,664	**Total Cultural Services**	**2,434**	**(158)**	**2,276**
	Environmental and Regulatory Services			
155	Cemeteries, Cremation & Mortuary Services	263	(178)	**85**
1,291	Environmental Health	1,448	(348)	**1,100**
177	Community Safety	172	(17)	**155**
913	Street Cleaning	828	(155)	**673**
2,368	Waste Collection	3,241	(1,306)	**1,935**
(7)	Service Management & Support Services	339	(273)	**66**
4,897	**Total Environmental Services**	**6,291**	**(2,277)**	**4,014**
	Planning and Development Services			
177	Building Control	595	(450)	**145**
984	Development Control	2,611	(1,811)	**800**
450	Planning Policy	1,081	(827)	**254**
110	Environmental Initiatives	171	(64)	**107**
581	Economic Development	644	(287)	**357**
2,302	**Total Regulatory and Planning Services**	**5,102**	**(3,439)**	**1,663**
	Highways, Roads & Transport Services			
53	Highways & Roads (Routine)	67	(1)	**66**
84	Street Lighting	83	0	**83**
(250)	Parking Services	692	(1,461)	**(769)**
780	Public Transport	0	(174)	**(174)**
667	**Total Highways, Roads & Transport**	**842**	**(1,636)**	**(794)**
	General Fund Housing Services			
387	Housing Strategy & Advice	407	(450)	**(43)**
733	Private Sector Housing Renewal	1,358	(595)	**763**
73	Homelessness	139	(193)	**(54)**
(153)	Housing Benefits Payments	22,397	(22,510)	**(113)**
639	Housing Benefits Admin	1,294	(584)	**710**
(36)	Service Management & Support Services	401	(393)	**8**
1,643	**Total General Fund Housing Services**	**25,996**	**(24,725)**	**1,271**
	Corporate & Democratic Core			
1,626	Democratic Representation & Management	1,820	(508)	**1,312**
710	Corporate Management	864	(94)	**770**
1,746	Other	2,708	(2,055)	**653**
4,082	**Total Corporate & Democratic Core**	**5,392**	**(2,657)**	**2,735**
	Non Distributed Costs			
300	Pension Past Service costs	200	0	200
(10,160)	Exceptional item - Future Pension increases to Consumer Price Index	0	0	0
(9,860)	**Total Non Distributed Costs**	**200**	**0**	**200**
6,927	**Net Cost of Services**	**52,764**	**(40,752)**	**12,012**
0	**Memorandum - Central & Support Services**	6,055	(6,055)	**0**
0	**Total Support Services**	**6,055**	**(6,055)**	**0**

Glossary of Terms

Accrual
This concept means that income and expenditure is accounted for as it is earned or incurred, not as the money is received or paid (cash basis).

Asset
A tangible or intangible item, that is of value to the Authority. Tangible assets include land and
buildings, plant and machinery, vehicles, fixtures and fittings. Intangible assets include computer software licenses and in house software development.

Actuarial Gains & Losses (Pensions)
Over reporting period, these consist of:
• Experience gains and losses are the effects of differences between previous assumptions made when calculating overall pension liability, and what has actually occurred, and
• The effects of changes in actuarial assumptions such as salary inflation and life expectancy on the pension liability.

Billing Authority
The Council responsible for collecting Council Tax from residents. East Hampshire District Council is a billing authority.

Capital Expenditure
Expenditure on the acquisition or construction of assets, or expenditure that enhances an existing asset that has a long-term value to the authority, particularly land and buildings.

Capital Adjustment Account (CAA)
An accounting reserve which forms part of the capital accounting system and is not available for use. It represents amounts that have been set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.

Capital Programme
The authority's plan of capital projects and spending over future years. Included in this category is the purchase or enhancement of land and buildings, vehicle purchases and other major items of
equipment.

Capital Receipts
Income from the sale of land or buildings which can be used to finance new capital
expenditure, or to repay outstanding debt on assets originally financed through loans.

Carrying Amount
The cost or value of an asset, less depreciation incurred against that asset.

Cash and Cash Equivalents
Cash relates to the Council's bank balance or overdraft, petty cash and change floats as at 31st March. Cash equivalents relate to cash deposits that are readily convertible into cash at any given time, for example, balances held in the Council's overnight investment account.

Central Services to the Public
This covers services to the public that are often provided by central departments and includes Local Tax Collection, Elections, Emergency Planning, and Local Land Charges.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Collection Fund
Income and expenditure relating to the collection and distribution of Council Tax and National Non Domestic Rates.

Community Assets
Assets that the Council intend to hold in perpetuity for the benefit of the Community, that have no determinable useful life and that may have restrictions on their disposal. East Hampshire District Council's community assets relate mainly to open spaces.

Contingent Assets and Liabilities
A liability that, at the balance sheet date, can be anticipated to arise if a particular event occurs. A
typical example is a court case pending against the Council, the outcome of which is uncertain, but if the judgement were to be awarded against the Council, could result in a financial cost being incurred (liability) or an award of income to the council (asset).

Creditors
A creditor is an organisation, body or individual from whom the Council has purchased goods or services but the payment for which has not yet been made.

Current Service Cost
The present value of pension benefits accrued to employees in the period of account.

Curtailment
Curtailments show the cost of the early payment of pension benefits if any employee has been
made redundant in the previous financial year.

Debtors
Organisations, bodies or individuals who have received goods or services from the Council for which the payment has not yet been received.

Deferred Credit
This is income that has been received before the period or periods to which it relates. Deferred income is shown in the Balance Sheet.

Deficit
A deficit arises where expenditure exceeds income. A deficit can be financed by reserves.

Depreciation
An annual charge made in the Council's revenue account reflecting the reduction in value of an asset caused by the day to day operation of that asset.

Expected Rate of Return on Assets (Pensions)
The expected increase in the value of pension fund assets, based on valuations and long-term
expected returns as at the start of the accounting period.

Existing Use Value
This is a method of valuing property that achieves a valuation based on the current use of the asset.

Fair Value
A methodology used to determine the value of Council assets. For land and buildings it is the amount that would be paid for an asset in its existing use or, where this is not available, the cost of replacing the asset in its existing use.

Financial Instruments
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial Instruments include trade debtors and trade creditors, and treasury management transactions, for example, cash deposits, swaps, and embedded derivatives.

General Fund
The main revenue fund of the Council which contains the income and expenditure of all
services provided by the District Council. The General Fund Balance represents the Council's minimum reserve balance to cover emergency expenditure.

Gross Book Value (GBV)
The GBV of a fixed asset is the value of the asset before depreciation has been applied.

Historic Cost
The historic cost of an asset Is deemed to be the carrying amount of an assets as at 1 April 2007 (the date the revaluation reserve was created) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IFRS
International Financial Reporting Standards

Impairment Loss
A significant decline in the value of an asset that is specific to that asset which is caused through deterioration rather than a reduction in market value of the asset.

Interest Cost (Pensions)
Increase in present value of pension benefit obligations, which arise because the benefits are one year closer to payment.

Market Value
The Market Value of an asset is the value that could be achieved if the asset were offered for sale with no restrictions that could affect its value.

National Non-Domestic Rates (NNDR)
Tax charged on the rateable value of non-domestic properties (business properties). The rate of
tax is set by the Government. The proceeds are pooled nationally and are redistributed on the
basis of a fixed amount per head of population.

Net Book Value
The value of an asset, less the depreciation that has been applied to the asset since its purchase or revaluation.

Current Replacement Cost
The cost of replacing an asset, reduced to reflect obsolescence. This cost is often used to value assets where market values or existing use values are not available.

Net Realisable Value
The existing use value of an asset, less any additional costs likely to be incurred to bring the asset into use.

Non-Current Assets
Tangible and intangible assets that yield benefits to the authority for a period of more than one year, for example, land and buildings.

Past Service Cost
The increase in the present value of pension benefits for employee service before the year of account, which result in the current period from the introduction of, or changes to, post-employment benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Precept
The levy (demand) made by the County Council, Parish and Town Councils, on the District
Council's Collection Fund for their net expenditure requirements.

Present value of defined benefit obligation
The value, in today's money, of expected future payments required to settle the pension obligation resulting from employee service.

Provisions
Amounts set aside to meet liabilities or losses which are likely to occur, or certain to occur in the
future, but where the exact amounts and/or dates are uncertain.

Reserves
Amounts set aside to meet planned future capital or revenue expenditure, particularly projects.

Revenue Expenditure
Day to day income and expenditure, relating to the provision of the Council's services.

Revaluation Reserve
An unusable reserve, that represents the amount by which the Council's assets have been revalued since April 2007.

Revenue Support Grant (RSG)
A general government grant in support of local authority expenditure. The grant is calculated by Central Government and is based on the relative needs of the district.

SeRCOP
The Service Reporting Code of Practice. This guide is used by Councils to ensure that service expenditure is accounted for consistently across all Councils, to enable comparisons between authorities to be made, and to allow the calculation of the total cost of services provided by all local authorities.

Settlement (Pension)
Settlement occurs when the council enters into a transaction that eliminates all further obligation for part or all of the benefits provided under a defined benefit pension, for example, when a lump-sum cash payment is made to, or on behalf of, participants in exchange for their rights to receive specified post-employment benefits.

Surplus
A surplus occurs where income exceeds expenditure. In some cases, a surplus will be transferred to an appropriate reserve.

  

Further information

If you would like to find out more about our accounts for the year 2011/2012 please contact:

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published by
EHDC FINANCIAL SERVICES