East Hampshire District Council

statement of accounts

2010/2011

EAST HAMPSHIRE

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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 2010/11 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 2010/11, how services were paid for and the Council's assets and liabilities at the year end date of 31st March 2011.

The following statements are included:

The Comprehensive Income & Expenditure Statement (page 12)

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 13)*

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 14)*

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 15)*

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 66 to 68)*

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 discrete as are the treatment of surpluses or deficits. Council Tax receipts are allocated between the District and major precepting authorities. NNDR is self balancing within the account.

Council Services

The Council had 287.2 budgeted full time equivalent staff at 1st April 2010. 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 2010/11 financial year, the Council agreed its budget for net revenue spending on General Fund services at £14.053m.

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 final outturn figures to the budget.

	Budget £'000	**Actual £'000**	**Difference £'000**
Net General Fund spending	**14,053**	**13,347**	**(706)**
Financed By:			
Government grant	(6,214)	(6,213)	1
Depreciation	(503)	(503)	0
Interest on investments	(1,091)	(979)	112
Council Tax	(6,311)	(6,311)	0
Releases to reserves	66	66	0
Total	**0**	**(593)**	**(593)**

The Council's actual Net General Fund spending was £593,000 below the original budget. The main variances were as follows:

Variances	£'000
Overspends/Shortfalls of Income	
Impact of economic downturn on rental income	51
Under recovery of metered car parking income	66
Underspends / Additional Income	
Higher than budgeted income from major planning applications	(82)
Higher than budgeted Benefits Administration subsidy	(115)
Higher than budgeted recovery of Housing Benefits overpayments	(163)
Reduction in purchases of IT equipment	(87)
Additional savings arising from vacant posts	(83)
Other minor variances	(180)

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 £2.331m. The revenue surplus for 2010/11 will be transferred to specific reserves. The Cabinet have set an upper limit of £1.8m on the General Fund, and a transfer of £531,000 has been made from the General Fund to Earmarked Reserves to support business transformation projects.

Capital Spending and Receipts

Capital expenditure is defined as expenditure which generates an asset that has a useful life of more than one year. The expenditure in the year amounted to £5.3m. The main items of Capital Expenditure were:

Main Items of Capital Expenditure	Budget £'000	Spend £'000
Housing Projects	1,003	1,014
Public Conveniences	53	35
Land Assets	700	168
Buildings, Equipment & Sports Projects	368	51
Community Projects	100	0
Use of Developers' Contributions	0	947
Whitehill / Bordon eco town project	462	3,091

Funded By:	Budget £’000	Spend £’000
Grants & Contributions	1,027	3,692
Reserves	124	37
Developers Contributions	0	947
Capital Resources	1,115	403
PUSH* Empty Homes Loans funding	0	227
Borrowing	420	0

*PUSH is the Partnership for Urban South-east Hampshire

Whitehill / Bordon Eco Town

On 30th March 2010, the Council was awarded a grant of £9.86m towards the proposed Eco Town project at Whitehill / Bordon. The project plans for the eco town project have been approved by the Council on 24th February 2010 and the expenditure against the grant is detailed in the table below.

	Capital £'000	Revenue £'000	Total £'000
Grant Awarded	**8,186**	**1,675**	**9,861**
Capital Expenditure 2009/10	-550		-550
Revenue Expenditure 2009/10		0	0
Capital Expenditure 2010/11	-3,091		-3091
Revenue Expenditure 2010/11		-740	-740
Other sources of funding			
Dept for Environment and Climate Change	307		307
Homes & Communities Association		30	30
East Hampshire District Council		130	130
Remaining Grant	**4,852**	**1,095**	**5,947**

The Whitehill / Bordon eco town project is made up of several initiatives designed to implement and encourage sustainable development at Whitehill / 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 2010/11 is outlined in the table below.

	Capital Expenditure £'000	Revenue Expenditure £'000	Total Expenditure £'000
Fire Station - Refurbishment	214	0	214
Viking Park design & improvement works	44	0	44
Eco-fit Loans	307	0	307
Retrofitting Library & Primary Schools	1,275	0	1,275
Retrofitting Homes	49	0	49
Community Development Workers	0	25	25
Habitat improvement & Biodiversity works	76	0	76
Green Rangers	0	12	12
Creation of Allotments	25	0	25
Timber Fitness Trail	38	0	38
Drop in centre for young people	15	0	15
Sports and recreation study	0	9	9
Special Purpose Vehicle - Governance studies	21	0	21
Eco-studies – Biodiversity action plan	0	86	86
Transport Study – Evidence Base	775	0	775
Project Management Consultancy	0	56	56
Staffing costs	252	421	673
General Office Expenses and Master Plan development	0	131	130
Total for the Whitehill Bordon Project	**3,091**	**740**	**3,831**

Pension Costs

Information regarding assets, liabilities, income and expenditure relating to the Council's pension scheme is included on page 57. The Council's share of assets and liabilities of the pension fund show an estimated liability of £31.85m at 31st March 2011. 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 that the financial position of the Council remains acceptable because a proportion of contributions made in 2010/11 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 auditors' report to the Members of East Hampshire District Council

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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 2011.

Signed:

Dr N E Street C.P.F.A
S151 Officer

Date: 28 June 2011

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 2011.

8/9/11

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

Kevin Harlow

Acting 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 8th September, 2011.

8/9/11

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

Councillor Ken Carter, 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.

2009/10				2010/11		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
			Net Expenditure on Council Services (page 69)			
6,304	(5,795)	509	Central Services to the Public	6,473	(5,941)	**532**
14,785	(3,402)	11,383	Cultural, Environment, Regulatory and Planning Services	14,448	(4,585)	**9,863**
2,063	(1,854)	209	Highways, Roads and Transport	2,333	(1,666)	**667**
24,647	(23,199)	1,448	General Fund Housing Services	25,419	(23,776)	**1,643**
4,463	(2,189)	2,274	Corporate and Democratic Core and Other Services	5,218	(1,136)	**4,082**
110	0	110	Non Distributed costs	300	0	**300**
0	0	0	Exceptional Item: recalculation of pension increases now based on the Consumer Price Index	(10,160)	0	**(10,160)**
52,372	**(36,439)**	**15,933**	**Net Cost of Services**	**44,031**	**(37,104)**	**6,927**
			Other Operating Income and Expenditure			
2,637	(166)	2,471	Other Operating Income and Expenditure (Note 9, p37)	2,655	(12)	**2,643**
2,438	(5,243)	(2,805)	Financing & Investment Income and Expenditure (Note 10, p37 and Note 13, p39)	4,980	(5,227)	**(247)**
0	(24,248)	(24,248)	Tax and Non Specific Grant Income (Note 11, p37)	0	(15,157)	**(15,157)**
57,447	**(66,096)**	**(8,649)**	**Surplus (-) / Deficit for the Provision of Services**	**51,666**	**(57,500)**	**(5,834)**
0	(9,430)	(9,430)	Surplus (-) / Deficit on Revaluation of Plant, Property and Equipment (Note 12, p37)	2,553	(188)	**2,365**
0	0	0	Surplus (-) / Deficit on Revaluation of Available for Sale Financial Assets	0	0	**0**
11,730	0	11,730	Actuarial Gains (-) / Losses on the Pension Fund (Note 37, p57)	0	(3,730)	**(3,730)**
69,177	**(75,526)**	**(6,349)**	**Total Comprehensive Income (-) and Expenditure**	**54,219**	**(61,418)**	**(7,199)**

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'.

2009/10			2010/11
01/04/09	31/03/10		
£'000	£'000	**Balance Sheet as at 31st March 2011**	£'000
18,472	27,065	Property, Plant and Equipment (Note 12)	**23,612**
11,419	15,994	Investment Property (Note 13)	**16,159**
274	220	Intangible Fixed Assets Note 14)	**215**
12,686	5,247	Long Term Investments (Notes 15 and 39)	**10,129**
176	66	Long-Term Debtors (Note 17)	**41**
43,027	**48,592**	**Total Long-Term Assets**	**50,156**
9,661	17,149	Short Term Investments (Notes 15 and 19)	**17,499**
0	0	Assets held for sale	**0**
57	38	Inventories (Note 16)	**9**
2,959	4,127	Short Term Debtors (Note 17)	**4,100**
2,891	10,254	Cash & Cash Equivalents (Note 18)	**1,482**
15,568	**31,568**	**Total Current Assets**	**23,090**
(69)	(564)	Bank Overdraft (Note 18)	**(568)**
0	0	Short Term Borrowing	**0**
(3,588)	(4,828)	Short Term Creditors (Note 19)	**(3,348)**
(3,657)	**(5,392)**	**Total Current Liabilities**	**(3,916)**
(4,998)	(4,999)	Long Term Creditors (Note 19)	**(5,005)**
(101)	(101)	Provisions (Note 20)	**(76)**
0	0	Long Term Borrowing	**0**
(30,970)	(44,450)	Liability related to defined benefit pension scheme (Note 37)	**(31,850)**
(618)	(618)	Capital Grants and Contributions Received in Advance (Note 31)	**(600)**
18,251	**24,600**	**NET ASSETS**	**31,799**
13,916	22,223	Usable Reserves (Note 21)	**20,511**
4,335	2,377	Unusable Financial Reserves (Note 22)	**11,288**
18,251	**24,600**	**TOTAL RESERVES**	**31,799**

Dr N E Street CPFA - Section 151 Officer **Date** 28 June 2011

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement 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 21) £'000	Earmarked Reserves (Note 21) £'000	Usable Capital Receipts (Note 21) £'000	Capital Grants & Contributions Unapplied (Note 21) £'000	Total Usable Reserves £'000	Unusable Reserves (Note 22) £'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 (p12)	**(7,199)**	**0**	**0**	**0**	**(7,199)**	**0**	**(7,199)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7, p35)	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 8, p36)	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)**

The reduction in the General Fund balance of £531,000 is explained under the heading 'General Fund' in the explanatory foreword.

Comparative Movement in Reserves Statement for 2009/10

	General Fund Balance (Note 21) £'000	Earmarked Reserves (Note 21) £'000	Usable Capital Receipts (Note 21) £'000	Capital Grants & Contributions Unapplied (Note 21) £'000	Total Usable Reserves £'000	Unusable Reserves (Note 22) £'000	Total Authority Reserves £'000
Balance as at 31st March 2009	**(1,846)**	**(6,165)**	**(3,266)**	**(2,639)**	**(13,916)**	**(4,335)**	**(18,251)**
Surplus/Deficit on provision of	(371)				**(371)**		**(371)**
Other Comprehensive Income & Expenditure	(5,978)				**(5,978)**		**(5,978)**
Total Comprehensive Income & Expenditure (p12)	**(6,349)**	**0**	**0**	**0**	**(6,349)**	**0**	**(6,349)**
Adjustments between Accounting basis and funding basis under regulations (Note 7, p36)	6,026		(212)	(9,445)	**(3,631)**	3,631	**0**
Capital Funding Applied	0		370	1,167	**1,537**	(1,537)	**0**
Net Increase / Decrease before Transfer to Reserves	**(323)**	**0**	**158**	**(8,278)**	**(8,443)**	**2,094**	**(6,349)**
Transfer to / from (-) earmarked reserves	(162)	298	0	0	**136**	(136)	**0**
Increase/ Decrease in year	**(485)**	**298**	**158**	**(8,278)**	**(8,307)**	**1,958**	**(6,349)**
Balance as at 31st March 2010	**(2,331)**	**(5,867)**	**(3,108)**	**(10,917)**	**(22,223)**	**(2,377)**	**(24,600)**

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.

2009/10 £'000	Cashflow Statement	2010/11 £'000
(8,649)	**Net Surplus (-) / Deficit on the provision of Services**	(5,834)
(479)	Adjustments to net surplus / deficit on the provision of services for non-cash movements	8,727
(61)	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	12
(9,189)	**Net Cash flows from operating activities (Note 23, p49)**	**2,905**
2,316	**Cash flows from investing activities (Note 24, p49)**	5,867
5	**Cash flows from financing activities (Note 25, p49)**	5
(6,868)	**Net increase (-) / decrease in cash and cash equivalents**	**8,777**
2,823	Cash and cash equivalents at the start of the reporting period (Note 18, p43)	**9,691**
9,691	**Cash and cash equivalents at the end of the reporting period (Note 18, p43)**	**914**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

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

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

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. 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.

xi. 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.

xii. 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.

xiii. 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.

xiv. 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.

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.

xv. 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 *Best Value Accounting Code of Practice 2010/11* (BVACOP). 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvi. 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.

xvii. 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.

xviii. 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.

xix. 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.

xx. 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

The Accounting Code of Practice requires any accounting standards that have been issued but have yet to be adopted to be identified in the notes to the Accounts. There is one new standard relating to Heritage Assets. Financial Reporting Standard (FRS) 30 on Heritage Assets will require the Authority to recognise Heritage Assets as a separate class of assets for the first time in the 2011/12 accounts. Heritage assets are defined as assets of historical or similar significance. The Authority does not possess any Heritage Assets and therefore there is no impact on the Accounts.

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 future levels 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). No embedded leases have been identified during 2010/11.

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 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 £5.79m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £3.96m as a result of estimates being corrected as a result of experience, and decreased by £0.51m attributable to updating of the assumptions.

Doubtful Debts Allowance
The Authority has made allowances for doubtful debts of £147,000 in 2010/11 (£123,000 in 2009/10) 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 £7,500 in 2010/11 (£6,200 in 2009/10).

Future contracts
A partnership between East Hampshire District Council and Winchester City Council to provide environmental services under a new joint contract will commence in October 2011 for a minimum period of eight years. Savings to the Authority in excess of £1m per annum are anticipated.

5. Material Items of Income and Expenditure

With effect from 1st April 2011, increases to Local Government Pensions in payment and deferred pensions will be linked to increases in the Consumer Price Index (CPI), rather than the Retail Price Index (RPI). Since CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the defined benefit obligation on the Balance Sheet. This has been treated as a change to benefits and a negative past service cost of £9.53m has been charged to the Net Cost of Services.

6. Implementation of International Financial Reporting Standards (IFRS)

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

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. However, the Authority accrued for compensated absences in the 2009/10 Accounts in preparation for the implementation of IFRS and therefore no restatement has been made.

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

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has one property lease where the accounting treatment has changed following the introduction of the Code. The Authority leases the Woolmer Trading Estate from K.S Hampshire. The lease term is 99 years from November 1979. The buildings element of the lease has been reclassified as a finance lease under the requirements of the Code.

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

1. The Authority has recognised an asset (the building) and a finance lease liability.
2. The operating lease charge within Financing and Investment Income and Expenditure has been reduced by the amount that relates to the buildings element of the lease payments.
3. No depreciation charges have been incurred as the asset is classified as an investment property.
4. The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.
5. Investment property income and expenditure is not recorded in the Net Cost of Services in the Comprehensive Income and Expenditure line, and now features as part of the Financing and Investment Income and Expenditure on the Comprehensive Income & Expenditure Account.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening Balance Sheet as at 1st April 2009

	2009/10 Opening Balance £'000	Adjustments Made £'000
Investment property	7,981	5,240
Long term creditors	0	(5,178)
General Fund balance	(1,785)	(62)

Closing Balance Sheet as at 31st March 2010

	2009/10 Closing Balance £'000	Adjustments Made £'000
Investment property	7,981	5,240
Long term creditors	0	(5,178)
General Fund balance	(2,261)	(71)

2009/10 Comprehensive Income & Expenditure Account

	2009/10 Statement £'000	Adjustments Made £'000
Cultural, Environment, Planning & Regulatory Services	9,870	695
Financing & Investment Income & Expenditure	0	(690)
General Fund balance	0	(5)

Grants & Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets against which which they were applied. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

1. The balance on the Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

2. Portions of Government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

3. Grants in respect of Whitehill/Bordon, and Empty Homes Loans were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which were shown within the Liabilities section of the Balance Sheet. Following the change in accounting policy, these grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening Balance Sheet as at 1st April 2009

	2009/10 Opening Balance £'000	Adjustments Made £'000
Government Grants Deferred Account	(181)	181
Capital Adjustment Account	(35,222)	(181)

Closing Balance Sheet as at 31st March 2010

	2009/10 Closing Balance £'000	Adjustments Made £'000
Government Grants Deferred Account	(8,577)	8,577
Capital Adjustment Account	(33,311)	(941)
Capital Grants and Contributions unapplied	0	(7,636)

2009/10 Comprehensive Income & Expenditure Account

	2009/10 Statement £'000	Adjustments Made £'000
Cultural, Environment, Planning & Regulatory Services	9,870	(64)
General Fund Housing Services	1,905	(12)
Corporate and Democratic Core	2,211	(8)

Government grants and non-Government grants and contributions

The general position taken in the Code to the recognition of grants and donated assets is that the Comprehensive Income and Expenditure Statement is credited with income at the point that the Authority's relationship with the entity giving the financial support or donation ceases to have the formal status of a liability. This will be when the Authority has satisfied all the conditions relating to the grant or donation that could otherwise have resulted directly in repayment or return of the donated asset.

The Authority has reviewed all grants & contributions to identify whether there are any restrictions that have not yet been satisfied. Restrictions on certain developers' contributions held by the Authority have been identified and these have been recorded as a liability on the Balance Sheet of £618,000 in 2009/10. All other developers' contributions have been classified as capital grants and contributions unapplied and recorded within usable reserves on the balance sheet.

Cash and Cash Equivalents

The definition of cash has been expanded within the Code to include cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are defined as 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. This has resulted in a reclassification from short term investments to Cash & Cash Equivalents.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening Balance Sheet as at 1st April 2009

	2009/10 Opening Balance £'000	Adjustments Made £'000
Short Term Investments	12,552	(2,891)
Cash and Cash Equivalents	0	2,891

Closing Balance Sheet as at 31st March 2010

	2009/10 Closing Balance £'000	Adjustments Made £'000
Short Term Investments	27,404	(10,253)
Cash and Cash Equivalents	0	10,253

Reclassification of operational and non operational fixed assets

The definitions of Investment Properties and Surplus assets have been revised in the new Code to meet the requirements of IAS16 and IAS40. Investment properties are now defined as those assets that are solely held to generate an income to the Council. Assets held for the purpose of economic development are now classified as operational property. Additionally, surplus assets have been redefined as assets held for sale. In order to meet this criteria, a decision to dispose of the asset will have been made and a disposal plan will be in place to dispose of the asset within 12 months.

All revaluations relating to investment properties are now directly charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening Balance Sheet as at 1st April 2009

	2009/10 Opening Balance £'000	Adjustments Made £'000
Investment property	7,981	(1,802)
Surplus assets	985	(985)
Property, plant and equipment	15,091	2,787

Closing Balance Sheet as at 31st March 2010

	2009/10 Closing Balance £'000	Adjustments Made £'000
Investment property	13,524	(2,770)
Revaluation Reserve	(12,872)	3,351
Capital Adjustment Account	(33,311)	(3,351)
Surplus assets	1,029	(1,029)
Property, plant and equipment	22,827	3,799

2009/10 Comprehensive Income & Expenditure Account

	2009/10 Statement £'000	Adjustments Made £'000
Financing and Investment Income and Expenditure	0	3,351

Other adjustments made to meet the requirements of International Financial Reporting Standards

Other adjustments to meet the requirement of International Financial Reporting Standards include the following adjustments:

1. Deferred Liabilities of £135,000 at 31st March 2010 relate to rent deposits held at Woolmer Trading Estate. These have been reclassified as Long Term Creditors.
2. Deferred Credits of £111,000 at 31st March 2010 represent amounts due to the Authority in respect of debt charges receivable from Hampshire County Council. The present value of the debt charges are now recognised in the Comprehensive Income and Expenditure Statement, and appropriated to earmarked reserves.

7. 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 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 8, 21 and 22 to the Accounts.

	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 between the General Fund and 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)**

8. Contributions to / from (-) Earmarked 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.

	2010/11					
	Opening Balance £'000	Capital Contribution £'000	Revenue Contribution to Reserves £'000	Revenue Contribution from Reserves £'000	Transfers to other reserves £'000	Closing Balance £'000
Maintenance Reserves						
All Weather Pitch	35	0	0	0	(35)	**0**
Asset Management Maintenance	596	0	201	(248)	0	**549**
Forest Centre Maintenance Reserve	10	0	0	0	(10)	**0**
Information Technology Fund	155	(37)	0	0	0	**118**
Open Space Maintenance Fund	151	0	0	(35)	0	**116**
External Risk Provisions						
Corporate Planning Reserve	142	0	0	(5)	(137)	**0**
External Support Equalisation	508	0	0	(139)	0	**369**
Insurance Reserve	89	0	0	0	0	**89**
Redundancy and Restructuring Reserve	194	0	0	345	61	**600**
Service Specific Reserves						
Active Lifestyles Fund	28	0	0	(2)	0	**26**
Area Based Grants Reserve	56	0	53	(16)	0	**93**
Beacon Council Grant Reserve	0	0	56	(25)	0	**31**
Bus Shelter Maintenance Reserve	0	0	16	0	0	**16**
Business Enterprise Regulatory Reform Reserve	69	0	0	(1)	0	**68**
Business Transformation Reserve	122	0	780	(13)	181	**1,070**
Carry Forwards Reserve	47	0	146	(47)	0	**146**
Community Initiatives Fund	163	0	0	(56)	0	**107**
Community Planning Grants	19	0	0	(6)	0	**13**
Community Schools Debt Reserve	275	0	55	(108)	0	**222**
Concessionary Fares Reserve	292	0	93	(201)	0	**184**
Credit Union Reserve	71	0	0	(43)	0	**28**
Dept for Environment, Food and Rural Affairs Grant	27	0	0	0	0	**27**
Dept for Work & Pensions Reserve	145	0	55	0	(45)	**155**
Environmental Improvements	200	0	0	(200)	0	**0**
Grants Funding Reserve	0	0	133	(48)	0	**85**
Headstone Testing Reserve	54	0	0	(6)	0	**48**
Housing Benefit Reserve	5	0	0	0	(5)	**0**
Housing Reserve	(2)	0	0	0	2	**0**
Leisure Management Reserve	179	0	0	(13)	0	**166**
Local Authority Business Growth Incentive Grant Reserve	927	0	0	(58)	0	**869**
Local Development Framework	237	0	50	0	0	**287**
Local Public Service Agreement Reserve	252	0	1	0	0	**253**
Lottery Play Strategy Reserve	1	0	0	0	(1)	**0**
Management Development Reserve	20	0	0	20	0	**40**
Performance Reward Reserve	87	0	0	0	0	**87**
Planning Delivery Reserve	25	(5)	0	0	0	**20**
Planning Reserve	321	0	0	(174)	0	**147**
Rural Areas Play Project Reserve	0	0	32	(3)	0	**29**
Right to Buy Receipts Reserve	145	0	146	(75)	0	**216**
Second Homes Discount Reserve	100	0	23	(22)	0	**101**
Waste to Resources Action Plan Reserve	111	0	63	(112)	0	**62**
Web Development Reserve	11	0	0	0	(11)	**0**
Whitehill/Bordon Revenue Reserve	0	0	1,612	(555)	0	**1,057**
Total Earmarked Reserves	**5,867**	**(42)**	**3,515**	**(1,846)**	**0**	**7,494**

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

2009/10 £'000	Other Operating Expenditure	2010/11 £'000
2,555	Parish Council Precepts	**2,633**
(23)	Collection Fund Surplus (-) / Deficit	**22**
(61)	Gains (-) / Losses on disposal of assets	**(12)**
2,471	**Total Other Operating Expenditure**	**2,643**

10. Financing & Investment Income

2009/10 Net £'000	Financing and Investment Income	2010/11 Income £'000	2010/11 Expenditure £'000	2010/11 Net £'000
2,410	Pensions Interest Income and Expenditure	**(2,950)**	**4,450**	**1,500**
(4,046)	Property Investment Income and Expenditure	**(1,372)**	**658**	**(714)**
(1,169)	Cash Investment Income and Expenditure	**(1,071)**	**38**	**(1,033)**
(2,805)	**Total Other Operating Expenditure**	**(5,393)**	**5,146**	**(247)**

11. Taxation & Non-Specific Grant income

Taxation and non specific grant income 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 31.

2009/10 £'000	Taxation & Non Specific Grant Income	2010/11 £'000
(1,160)	Revenue Support Grant	**(788)**
(5,022)	National Non Domestic Rates Grant	**(5,425)**
(8,621)	Council Tax Income	**(8,944)**
	Capital Grants & Contributions	
(8,186)	Whitehill/Bordon Grant	**0**
(96)	HCC Playbuilder Grant	**0**
(71)	Partnership for Urban South East Hampshire - Empty Homes Loans	**0**
(25)	Safer Stronger Communities Fund Grant	**0**
(1,067)	Developers' contributions received	**0**
(24,248)	**Total Taxation & Non Specific Grant Income**	**(15,157)**

12. Property, Plant & Equipment

The table below analyses the movements in property, plant and equipment for the year.

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Under Construction £'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**

The comparative movements in fixed asset values for 2009/10 are disclosed in the table below

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost / Valuation				
As at 1st April 2009	**18,199**	**1,084**	**0**	**19,283**
Additions	1,068	94	0	**1,162**
Revaluation increases / decreases recognised in the Revaluation Reserve	9,429	0	0	**9,429**
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	(1,413)	0	0	**(1,413)**
Derecognition - disposals	(105)	0	0	**(105)**
Cost / Valuation as at 31st March 2010	**27,178**	**1,178**	**0**	**28,356**
Accumulated Depreciation & Impairment				
As at 1st April 2010	321	490	0	**811**
Depreciation Charge	257	223	0	**480**
Accumulated Depreciation & Impairments at 31st March 2010	**578**	**713**	**0**	**1,291**
Net Book Value 31/03/2010	**26,600**	**465**	**0**	**27,065**
Net Book Value 31/03/2009	**17,878**	**594**	**0**	**18,472**

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 2011
The Authority had no outstanding contractual commitments relating to its Capital Programme for 2010/11.

Effects of changes in estimates
During 2010/11 the Authority introduced a componentisation policy for its highest value property assets. The purpose of componentisation is to identify the value of the plant, machinery and equipment within the building, and depreciate these separately. This resulted in a reclassification of £2.284m from Land & Buildings assets to Vehicles, Plant and Equipment, relating to the component parts of Alton Sports Centre and Penns Place. The total impact on the depreciation charge was calculated to be an increase of £55,000.

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.

The table below outlines the revaluation profile of the Authority's assets.

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Total Property, Plant & Equipment £'000
Carried at Historic Cost	**0**	**298**	**298**
Valued at fair value as at			
31st March 2011	10,703	2,230	12,933
31st March 2010	10,381	0	10,381
31st March 2009	0	0	0
31st March 2008	0	0	0
31st March 2007	0	0	0
Total Net Cost / Valuation	**21,084**	**2,528**	**23,612**

13. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009/10 £'000	2010/11 £'000
Rental Income from Investment property	(2,073)	(1,207)
Direct Operating Expenditure arising from investment property	1,379	658
Revaluation gains (-) / losses on investment property	(3,352)	(165)
Total gain (-) / loss on investment properties	**(4,046)**	**(714)**

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 2009/10 £'000	Investment Properties 2010/11 £'000
Balance at 1st April	**11,419**	**15,994**
Additions:		
Purchase	1,223	0
Revaluations	3,352	596
Reductions		
Disposals	0	0
Impairments	0	(431)
Balance at 31st March	**15,994**	**16,159**

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased 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 was £74,000, of which £45,000 was charged to Financial Services and £14,000 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. The remaining £15,000 was charged to Housing Services in the Net Cost of Services.

	2009/10			2010/11		
	Internally Generated Assets £'000	Software Assets £'000	Total £'000	Internally Generated Assets £'000	Software Assets £'000	Total £'000
Balance at 1st April:						**0**
Gross Carrying Amounts	0	572	572	0	576	**576**
Accumulated Amortisation	0	(298)	(298)	0	(356)	**(356)**
Net Carrying Amount at start of year	**0**	**274**	**274**	**0**	**220**	**220**
Additions:						**0**
Purchases	0	4	4	0	69	**69**
Amortisation for the period	0	(58)	(58)	0	(74)	**(74)**
Net carrying amount at 31st March:	**0**	**220**	**220**	**0**	**215**	**215**

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 £167,000.

15. Financial Instruments

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

	Long Term 2009/10 £'000	Current 2009/10 £'000	Long Term 2010/11 £'000	Current 2010/11 £'000
Investments				
Cash Equivalents	0	10,253	**0**	**1,481**
Loans and Receivables	5,247	17,149	**10,129**	**17,499**
Available for Sale Financial Instruments	0	0	**0**	**0**
Total Investments	**5,247**	**17,149**	**10,129**	**17,499**
Debtors				
Loans and Receivables	0	535	**0**	**743**
Financial Assets carried at contracted amounts	66	0	**41**	**0**
Total Debtors	**66**	**535**	**41**	**743**
Creditors				
Creditors for Goods and Services	0	**(330)**	**0**	**(159)**
Total Creditors	**0**	**(330)**	**0**	**(159)**
Other Long Term Liabilities				
Finance Lease Liabilities	(5,164)	(5)	**(5,159)**	**(5)**
Total Other Long Term Liabilities	**(5,164)**	**(5)**	**(5,159)**	**(5)**
Long Term Creditors				
Financial liabilities at amortised cost	0	0	**0**	**0**
Financial liabilities at contracted amounts	(135)	0	**(146)**	**0**
Total Long Term Creditors	**(135)**	**0**	**(146)**	**0**

Reclassifications
The Authority did not reclassify any of its investments in 2010/11.

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:

	2009/10		2010/11	
	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	(15)	0	**(1)**	**0**
Loss on derecognition	0	0	**0**	**0**
Reductions in Fair Value	0	0	**0**	**0**
Impairment losses	0	0	**0**	**0**
Fee Expenditure	(37)	0	**(37)**	**0**
Total Expense	**(52)**	**0**	**(38)**	**0**
Interest income (Cash)	524	0	**446**	**0**
Interest income (Accrued)	651	0	**627**	**0**
Increases in Fair Value	0	0	**0**	**0**
Gains on derecognition	0	0	**0**	**0**
Fee income	0	0	**0**	**0**
Total Income	**1,175**	**0**	**1,073**	**0**
Gains on revaluation	0	0	**0**	**0**
Losses on revaluation	0	0	**0**	**0**
Amounts recycled to Surplus or Deficit on Provision of Services after impairment	0	0	**0**	**0**
Surplus / Deficit (-) arising from revaluation	**0**	**0**	**0**	**0**
Net Gain / Loss (-) for the year	**1,123**	**0**	**1,035**	**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 2010		31st March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Available for Sale Assets	0	0	**0**	**0**
Cash Equivalents	10,253	10,253	**1,481**	**1,481**
Deposits exceeding 1 year	5,247	5,247	**10,129**	**10,129**
Deposits under 1 year	17,149	17,149	**17,499**	**17,499**
Total value	**32,649**	**32,649**	**29,109**	**29,109**

16. Inventories

	Consumable Stores £'000	Travel Tokens £'000	Total Stock £'000
Balance as at 1st April 2010	10	29	**39**
Purchases	36	294	**330**
Expended in year	(37)	(323)	**(360)**
Balance As at 31st March 2011	**9**	**0**	**9**

17. 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.

Balance 31st March 2010 £'000	Debtors	Balance 31st March 2011 £'000
	Amounts falling due within one year	
585	Prepayments and accrued income	**1,045**
0	Government departments	**46**
26	Other Local Authorities	**223**
138	Collection Fund - EHDC	**148**
651	Debtors for services	**579**
943	Housing Benefit Debtors	**1,088**
168	HM Revenue and Customs (Value Added Tax)	**237**
2,323	National Non Domestic Rates Balance due from Central Government	**1,579**
4,834	**Debtors due within one year**	**4,945**
	Doubtful debts allowance	
(653)	General Fund	**(776)**
(54)	Collection Fund	**(69)**
4,127	**Total Debtors due within 1 year**	**4,100**
	Long Term Debtors	
1	Mortgages	**0**
34	Employee Car Loans	**14**
1	Deposits owing to the Authority	**1**
30	PUSH Loans	**26**
66	**Total Long Term Debtors**	**41**

18. 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:

Balance 1st April 2010 £'000	Movement in Cash and Cash Equivalents	Movement in year £'000	Balance 31st March 2011 £'000
1	Cash in Hand and Bank Balance	0	**1**
(564)	Bank Overdraft	(4)	**(568)**
10,253	Overnight Investment Account	(8,771)	**1,481**
9,690	**Total Cash and Cash Equivalents**	**(8,775)**	**914**

19. Creditors

Creditors are amounts owed by the Authority at 31st March 2011.

Balance 31st March 2010 £'000	Creditors	Balance 31st March 2011 £'000
	Amounts falling due within one year	
103	Government departments	**319**
228	Her Majesty's Revenues and Customs (Income Tax)	**249**
0	Other Local Authorities	**162**
123	Collection Fund - EHDC	**103**
3,606	Accruals and income in advance	**1,848**
330	Creditors for goods and services	**159**
305	Short Term Finance Lease Liability	**305**
133	**Council Tax Balance due to precepting Authorities**	**203**
4,828	**Total Creditors payable within 1 Year**	**3,348**
	Amounts falling due over one year	
135	Deferred liabilities	**146**
4,864	Finance Lease - Woolmer Industrial Estate (Note 34)	**4,859**
4,999	**Total Creditors payable after 1 year**	**5,005**

20. Provisions

	General Provisions £'000	Total £'000
Balance as at 1st April 2010	101	101
Additional Provisions made in 2010/11	0	0
Amounts used in 2010/11	0	0
Unused amounts reversed in 2010/11	(25)	(25)
Unwinding of Discounting in 2010/11	0	0
Balance as at 31st March 2011	**76**	**76**

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 one general provision to cover liabilities that would be faced by the Authority if it exceeds its VAT partial exemption limit of £76,000. A provision against shared ownership defaults of £25,000 has been reversed in 2010/11. This provision related to the transfer of shared properties to Drum Housing in 1997, and is no longer required.

21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (MIRS), Note 8 for specific reserves, and note 31 for capital grants & contributions unapplied.

		Balance 1st April 2010 £'000	Net Movement £'000	Balance 31st March 2011 £'000	Note
Usable Capital Receipts	Capital Receipts from fixed asset sales, available for future capital expenditure.	3,108	112	3,220	MIRS
General Fund	Resources available to meet future service costs.	2,331	(531)	1,800	MIRS
Earmarked Reserves	Specific reserves created to meet future liabilities.	5,867	1,627	7,494	MIRS, Note 8
Capital Grants and Contributions unapplied	Grants and contributions received but not yet spent, where no restrictions exist or where restrictions have been met.	10,917	(2,920)	7,997	MIRS, Note 31

22. 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.

2009/10 £'000	Unusable Reserves	2010/11 £'000
9,368	Revaluation Reserve	**6,956**
37,544	Capital Adjustment Account	**36,260**
0	Financial Instruments Adjustment Account	**0**
0	Available for Sale Financial Instruments	**0**
(44,450)	Pension Reserve	**(31,850)**
(12)	Collection Fund Adjustment Account	**(5)**
(73)	Accumulated Absences Account	**(73)**
2,377	**Total Unusable Reserves**	**11,288**

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.

2009/10 £'000	Revaluation Reserve	2010/11 £'000	2010/11 £'000
0	**Balance as at 1st April**		**9,368**
9,430	Upward revaluation of assets	**188**	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(2,553)**	
9,430	**Surplus or Deficit (-) on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services**		**(2,365)**
(62)	Difference between fair value depreciation and historical cost depreciation	**(47)**	
(62)	**Amount written off to the Capital Adjustment Account**		**(47)**
9,368	**Balance as at 31st March**		**6,956**

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 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £'000	Capital Adjustment Account	2010/11 £'000	2010/11 £'000
35,403	**Balance as at 1st April**		**37,544**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(480)	Charges for depreciation of non current assets	**(421)**	
(1,413)	Charges for impairment of non current assets	**0**	
0	Revaluation losses on Property, Plant and Equipment	**(1,153)**	
(58)	Amortisation of intangible assets	**(74)**	
(1,196)	Revenue Expenditure funded from Capital under Statute	**(4,496)**	
(104)	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**	
62	Adjusting amounts written out of the Revaluation Reserve	**48**	
(3,189)	**Net written out amount of the cost of non current assets consumed in the year.**		**(6,096)**
	Capital Financing applied in the year		
371	Use of the Capital Receipts Reserve to finance new Capital Expenditure	**0**	
1,473	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**4,556**	
135	Application of revenue and reserve funding to capital financing	**91**	
3,351	Movements in the market value of Investment Properties credited or debited to the Comprehensive Income and Expenditure Statement	**165**	
5,330	**Total Capital Financing applied**		**4,812**
37,544	**Balance as at 31st March**		**36,260**

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 37.

2009/10 £'000	Pension Reserve	2010/11 £'000	2010/11 £'000
(30,970)	**Balance as at 1st April**		**(44,450)**
(11,730)	Actuarial gains or losses on the pension assets or liabilities	**3,730**	
(1,240)	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	**9,390**	
(510)	Employers' pension contributions and direct payments to pensioners payable in the year	**(520)**	
(44,450)	**Balance as at 31st March**		**(31,850)**

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.

2009/10 £'000	Collection Fund Adjustment Account	2010/11 £'000
(98)	**Balance as at 1st April**	**(12)**
86	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**
(12)	**Balance as at 31st March**	**(5)**

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.

2009/10	Accumulated Absences Account	2010/11	
£'000		£'000	£'000
0	**Balance as at 1st April**		**(73)**
0	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**
(73)	**Balance as at 31st March**		**(73)**

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Net Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2009/10 £'000	Operating Activities	2010/11 £'000
(8,649)	**Net Surplus (-) / Deficit on the Provision of Services**	**(5,834)**
	Adjustments to net surplus / deficit on the provision of services for non-cash movements	
(538)	Depreciation and amortisation of fixed assets	**(495)**
(1,413)	Impairment and downward revaluations	**(1,154)**
87	Movement in Doubtful Debts Allowance	**(123)**
(1,116)	Increase (-) / Decrease in creditors	**1,482**
991	Increase / Decrease (-) in short term debtors	**(26)**
(110)	Increase / Decrease (-) in long term debtors	**(25)**
(19)	Increase / Decrease (-) in stock	**(29)**
(3,440)	Pension past and current service costs	**6,960**
1,690	Pension contributions and payments to pensioners	**1,918**
(105)	Carrying amount of non current assets sold	**0**
0	Movements in provisions	**26**
3,351	Movements in value of investment properties	**165**
143	Other non cash adjustments	**28**
(479)	**Total non-cash adjustments**	**8,727**
	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	
(61)	Profit / Loss on disposal of fixed assets	**12**
(9,189)	**Total Operating Activities**	**2,905**

24. Cash Flows from Investing Activities

The cash flows for investing activities include the following items:

2009/10 £'000	Investing Activities	2010/11 £'000
2,390	Purchase of property, plant and equipment, investment property and intangible assets	**556**
0	Purchase of short term and long term investments	**5,232**
91	Other payments for investing activities	**91**
(165)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(12)**
0	Other receipts from investing activities	**0**
2,316	**Net cash flows from investing activities**	**5,867**

25. Cash Flows from Financing Activities

The cash flows for financing activities include the following items:

2009/10 £'000	Financing Activities	2010/11 £'000
0	Cash receipts of short and long term borrowing	**0**
0	Other receipts from financing activities	**0**
5	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	**5**
0	Repayments of short and long term borrowing	**0**
0	Other payments for financing activities	**0**
5	**Net cash flows from financing activities**	**5**

26. Amounts Allocated for Resource Allocation Decision Activities

The analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across 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	2010/11 Original Budget £'000	2010/11 Revised Budget £'000	2010/11 Quarter 3 Forecast £'000	2010/11 Outturn £'000	Variance to Quarter 3 Forecast (Fav) / Adv £'000
Executive Group	118	71	80	59	(21)
Economy and Communities	3,346	3,255	3,176	3,140	(36)
Environment and Neighbourhood Quality	4,677	4,576	4,402	4,390	(12)
Marketing and Development	226	205	67	82	15
Governance and Logistics	4,087	4,046	3,697	3,688	(9)
Planning and Built Environment	2,043	2,000	1,988	1,857	(131)
Whitehill and Bordon Eco Town	216	171	171	130	(41)
Budget Savings Target	(460)	(81)	0	0	0
Central Budgets Pending Allocation	100	0	0	0	0
Managed Savings Target	(300)	(300)	0	0	0
Restructuring Savings Achieved	0	110	0	0	0
Total Service Expenditure	**14,053**	**14,053**	**13,581**	**13,346**	**(235)**
Interest Earnings	(1,091)	(1,091)	(970)	(978)	(8)
Releases to Reserves	(139)	(139)	(139)	(139)	0
Depreciation	(503)	(503)	(503)	(503)	0
Government Grant	(6,214)	(6,214)	(6,214)	(6,213)	1
Council Tax	(6,311)	(6,311)	(6,311)	(6,311)	0
Collection fund deficit	28	28	28	28	0
Contributions to capital	100	100	100	100	0
Developers' Contributions Inflation	77	77	77	77	0
Total Funding	**(14,053)**	**(14,053)**	**(13,932)**	**(13,939)**	**(7)**
Overspend/(Underspend)	**0**	**0**	**(351)**	**(593)**	**(242)**

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

	2010/11 £'000
Net expenditure in the Service Clusters analysis	**13,346**
Amounts in the Comprehensive Income and Expenditure Statement relating to pension costs	**(10,378)**
Amounts in the Comprehensive Income and Expenditure Statement relating to capital expenditure	**1,907**
Movement in the Doubtful Debt Allowance	**53**
Revenue Expenditure funded from Capital under Statute	**2,603**
Reversal of transfers to and from specific reserves to the Movement in Reserves Statement	**(604)**
Cost of Services in the Comprehensive Income and Expenditure Statement	**6,927**

27. 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 66. The Authority also acts as an agent on behalf of Central Government for the payment of Housing Benefit. During 2010/11, a total of £21.34m was paid to recipients of Housing benefit. The cost of providing Housing Benefit was met from subsidy paid by Government. The Authority will start providing Planning services on behalf of the South Downs National Park from 1st April 2011.

28. 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.

2009/10 £'000	Members' Allowances	2010/11 £'000
198	Basic Allowances	**198**
120	Special Responsibility Allowances	**110**
19	Expenses	**16**
337	**Total**	**324**

29. Officers' Remuneration

The remuneration paid to the Council's senior management team is disclosed in the table below, broken down by types of emolument. The note includes staff who left during the year. Pension contributions are made up of current service cost (14.5%) and past service costs (4.6%). No bonuses were paid to any of the officers disclosed.

	Year	Salary, fees and allowances £	Payments for loss of employment £	Employers' pension contributions £	Other emoluments £	Total £
Chief Executive*	2010/11	5	0	0	0	5
	2009/10	5	0	0	0	5
Executive Director (From October 2010)	2010/11	45,550	0	8,690	0	54,240
	2009/10					
Business Director (To February 2011)	2010/11	66,108	42,255	72,041	0	180,404
	2009/10	77,098	0	14,340	0	91,438
Executive Head (Marketing and Development) (From October 2010)	2010/11	37,500	0	7,163	0	44,663
	2009/10	0	0	0	0	0
Executive Head (Planning and Built Environment) (From October 2010)	2010/11	37,500	0	7,163	0	44,663
	2009/10	0	0	0	0	0
Executive Head (Governance and Logistics) (From February 2011)	2010/11	12,701	0	2,426	0	15,127
	2009/10	0	0	0	0	0

*The Authority shares a Chief Executive with Havant Borough Council. The Chief Executive salary is paid by Havant and EHDC pays a nominal salary of £5 per annum. EHDC was recharged £81,424 by Havant for its share of the cost of this post in 2010/11. The Council implemented a Joint Management Team in October 2010, consisting of two Executive Directors and five Executive Heads. One Executive Director and two Executive Heads are paid by Havant Borough Council and a recharge of £87,417 was made to the Council for these posts. The remaining posts were paid by EHDC, and recharge income of £86,145 was received from Havant Borough Council in respect of these posts. East Hampshire was recharged £181,477 by Havant for its share of redundancy costs, and recharge income of £144,413 was received from Havant in respect of redundancies at East Hampshire.

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 2009/10	Number of Employees 2010/11
£65,000 to £70,000	4	4
£60,000 to £65,000	2	2
£55,000 to £60,000	6	6
£50,0000 to £55,000	1	1

30. External Audit Costs

The Authority is required to disclose the following audit costs.

2009/10 £'000	Audit Costs	2010/11 £'000
96	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed Auditor	**79**
25	Fees payable to the Audit Commission in respect of Statutory Inspection	**27**
34	Fees payable to the Audit Commission for the certification of grant claims and returns	**26**
0	Fees payable in respect of other services provided by the appointed Auditor	**0**
155	**Total**	**132**

31. 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 2010/11. 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.

Specific Grant Income	2009/10 £'000	2010/11 £'000
Grants and Contributions Credited to Taxation and Non Specific Grant Income		
Grants and Contributions Credited to Services		
Area based Grant	33	**53**
Concessionary Travel Special Grant	209	**93**
Council Tax Benefits Subsidy	4,922	**5,125**
Disabled Facilities Grant	475	**525**
Free Swimming Grant	36	**0**
Homelessness Grants	77	**58**
Housing Benefits Subsidy	20,579	**21,340**
Housing Benefit Administration Grant	601	**634**
Housing Benefit Rent Rebate Subsidy	10	**14**
Land Charges Additional Burden Support Grant	0	**30**
Local Authority Business Growth Incentive Grant	75	**0**
Local Public Sector Agreement Reward Grant	253	**1**
Non Domestic Rates Cost of Collection Subsidy	154	**154**
Planning Delivery Grant	140	**0**
Safer, Stronger Communities Grant	78	**0**
Whitehill / Bordon Grant	1,674	**0**
Total Grants and Contributions	**29,316**	**28,027**

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	2009/10 £'000	2010/11 £'000
Capital Grants and Contributions Unapplied		
Disabled Facilities Grant	0	**4**
Safer Stronger Communities Fund Grant	25	**25**
Department for Environment and Climate Change Grant	0	**26**
Whitehill/Bordon Grant	7,636	**4,853**
Developers' Contributions with no restrictions outstanding	3,185	**2,985**
Partnership for Urban South East Hampshire housing loans contribution	71	**104**
Total Capital Grants and Contributions Unapplied	**10,917**	**7,997**
Capital Grants and Contributions in advance		
Developers' Contributions with restrictions outstanding	618	**600**
Total Capital Grants and Contributions in advance	**618**	**600**

32. 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 26 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2011 are shown in Note 31.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2010/11 is disclosed in Note 28. During 2010/11, 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 £140,000 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
The Council shares a management team with Havant Borough Council. Costs associated with shared management arrangements are outlined in Note 29. There were no declarations of related party transactions made by any senior officer of the Authority in 2010/11.

33. 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 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.

2009/10 £'000	Financing of Capital Expenditure	2010/11 £'000	2010/11 £'000
	Total Capital Expenditure		
1,163	Property, Plant and Equipment	**486**	
1,223	Investment Properties	**0**	
4	Intangible Assets	**70**	
1,199	Revenue Expenditure funded from Capital under Statute	**4,496**	
3,589	**Total expenditure**		**5,052**
3,589	**Total to finance from capital resources**		**5,052**
	Method of Finance		
1,959	Usable Capital Receipts	**0**	
551	Specific Capital Grants	**3,611**	
353	Capital Contributions	**945**	
81	Revenue Contributions	**91**	
645	Reduction in negative Capital Financing Requirement	**405**	
3,589	**Total Resources used**		**5,052**

34. 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 assets acquired under this lease are carried as Investment Properties in the Balance Sheet (note 12) at the following net amount:

	2009/10 £'000	2010/11 £'000
Investment Property	5,240	**5,194**
Total	**5,240**	**5,194**

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 2010 £'000	31st March 2011 £'000
Current Liability	305	**305**
Long Term Liability	4,864	**4,859**
Finance Costs payable in future years	4,004	**3,878**
Total Minimum Lease payments	**9,173**	**9,042**

The minimum lease payments will be payable uover 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	
	31/3/10 £'000	31/3/11 £,000	31/3/10 £'000	31/3/11 £,000
Up to 1 year	131	131	5	5
1 year to 5 years	655	655	31	31
Over 5 years	8,387	8,256	5,133	5,128
Total	**9,173**	**9,042**	**5,169**	**5,164**

The Authority sub-lets individual units held under this Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £2.75m at 21st March 2011 (£2.493m at 31st March 2010).

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 £214,000. None of these assets are subleased.

Minimum Lease Payments under Operating Leases	31st March 2010 £'000	31st March 2011 £'000
Up to 1 year	34	**34**
1 year to 5 years	149	**139**
Over 5 years	65	**41**
Total	**248**	**214**

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

Service Heading	31st March 2010 £'000	31st March 2011 £'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 2010 £'000	31st March 2011 £'000
Up to 1 year	171	171
1 year to 5 years	595	510
5 to 10 years	375	375
Total	**1,141**	**1,056**

35. Capitalisation of Borrowing Costs

The Authority has not borrowed to support capital expenditure in 2010/11. Therefore, no borrowing costs have been capitalised.

36. Termination Benefits

The Authority terminated the contracts of a number of employees during 2010/11, incurring liabilities of £136,103. Of this liability, £105,706 is payable to the Business Director in the form of compensation for loss of office of £42,255 and enhanced pension benefits of £63,451, as disclosed in Note 29. The remaining £30,307 is payable to officers from the Community Services department and Financial Services department, who were made redundant due to service restructuring.

37. 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.
Following the UK Government's announcement on 22nd June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Price Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long term, which means that the defined benefit obligation has reduced. The Actuaries consider this policy change constitutes a change to the constructive obligation to provide certain benefits to scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised as at 22nd June 2010.
In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to Pension Schemes is required.

The Employer's regular contributions to the Fund for the accounting period to 31st March 2012 are estimated to be £1.45m. 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 2009**	**31st March 2010**	**31st March 2011**
Rate of Inflation (RPI)	3.4% pa	3.7% pa	**3.7% pa**
Rate of Inflation (CPI)	N/A	N/A	**2.8% pa**
Rate of general increase of salaries	4.9% pa	5.4% pa	**5.2% pa**
Rate of increase to pensions in payment	3.4% pa	3.7% pa	**2.8% pa**
Rate of increase to deferred pensions	3.4% pa	3.7% pa	**2.8% pa**
Discount rate for scheme liabilities	6.7% pa	5.5% pa	**5.4% 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 2010
Male		
Year of Birth base table	Standard SAPS Normal Health Light Amounts	PNFA00 with allowance for Medium Cohort Improvement
Rating to above base table* (years)	0	0
Scaling to above base table rates	100%	110%
Improvements to base table rates	CMI_2009 with a long term	80% of Long Cohort (from
Future lifetime from age 65 (aged 65 at accounting date)	23.8	22.3
Future lifetime from age 65 (aged 45 at accounting date)	25.6	24.7
Female		
Year of Birth base table	Standard SAPS Normal Health Light Amounts	PNFA00 with allowance for Medium Cohort Improvement
Rating to above base table * (years)	0	0
Scaling to above base table rates	100%	110%
Improvements to base table rates	CMI_2009 with a long term	80% of Long Cohort (from
Future lifetime from age 65 (aged 65 at accounting date)	24.8	24.3
Future lifetime from age 65 (aged 45 at accounting date)	26.7	26.5

* 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 2010
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 2008 pension entitlements. Each member assumed to exchange 75% of the maximum amount permitted of their post 31st March 2008 pension entitlements.

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 2011.

	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 31/3/2010 (% pa)**	**Asset split as at 31/3/2010 (%)**	**Long term expected rate of return at 31/3/2009 (% pa)**	**Asset split as at 31/3/2009 (%)**
Equities	**8.4**	**63.4**	8.0	61.3	7.0	55.2
Property	**7.9**	**7.3**	8.5	6.1	6.0	7.3
Government Bonds	**4.4**	**23.3**	4.5	24.4	4.0	27.4
Corporate Bonds	**5.1**	**1.7**	5.5	2.4	5.8	3.9
Cash	**1.5**	**4.3**	0.7	5.8	1.6	6.2
Other**	**8.4**	**0.0**	8.0	0.0	1.6	0.0
Total	**7.1**	**100.0**	**6.7**	**100.0**	**5.7**	**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 31/3/2011 £'m	**Value as at 31/3/2010 £'m**	**Value as at 31/3/2009 £'m**
Fair Value of Fund Assets	**46.51**	44.63	33.99
Total Pension Assets	**46.51**	**44.63**	**33.99**
Present Value of funded defined benefit obligation	**75.29**	85.60	61.94
Present Value of unfunded defined benefit obligation	**3.07**	3.48	3.02
Total Pension Liability	**78.36**	**89.08**	**64.96**
Total Net Pension Liability recognised on the Balance Sheet	**31.85**	**44.45**	**30.97**

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 2010 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Current Service Costs	1.40	0.00	0.92	0.00
Past Service Costs	(9.53)	(0.33)	0.11	0.00
Interest costs	4.28	0.17	4.12	0.20
Expected Return on Assets	(2.95)	0.00	(1.91)	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)**	**3.24**	**0.20**

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 2010 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Opening Present Value of Liabilities	85.6	3.48	61.94	3.02
Current Service Costs	1.40	0.00	0.92	0.00
Interest cost	4.28	0.17	4.12	0.20
Contributions by Participants	0.52	0.00	0.51	0.00
Actuarial Gains (-) / Losses on Liabilities	(4.47)	(0.05)	20.51	0.46
Net Benefits Paid out	(2.51)	(0.20)	(2.51)	(0.20)
Past Service Cost	(9.53)	(0.33)	0.11	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**	**85.6**	**3.48**

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 2010 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Opening Fair Value of Assets	**44.63**	**0.00**	33.99	0.00
Expected return on Assets	**2.95**	**0.00**	1.91	0.00
Actuarial Gains / (-) Losses on assets	**(0.79)**	**0.00**	9.24	0.00
Contributions by the Employer	**1.71**	**0.00**	1.49	0.00
Contributions by Participants	**0.52**	**0.00**	0.51	0.00
Net Benefits Paid out*	**(2.51)**	**0.00**	(2.51)	0.00
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**	**44.63**	**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.

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 2010 £m
Expected Return on Assets	**2.95**	1.91
Actuarial Gains / (-) Losses	**(0.79)**	9.24
Actual Return on Assets	**2.16**	**11.15**

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 2010 £m
Total Actuarial Gains / (Losses)	**3.68**	(11.27)
Total Actuarial Gains / (Losses)	**3.68**	**(11.27)**

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.

	2010/11 £m	2009/10 £m	2008/09 £m	2007/08 £m	2006/07 £m
Fair Value of Assets	**46.51**	**44.63**	**33.99**	**43.41**	**40.79**
Present Value of Liabilities - Funded	**(75.29)**	(85.6)	(61.94)	(59.53)	(63.51)
Present Value of Liabilities - Unfunded	**(3.07)**	(3.48)	(3.02)	(2.94)	(3.19)
Surplus / (-) Deficit	**(31.85)**	**(44.45)**	**(30.97)**	**(19.06)**	**(25.91)**

History of Experience Gains and Losses

Experience Gains / Losses	2010/11 £m	2009/10 £m	2008/09 £m	2007/08 £m	2006/07 £m
Experience Gains / (-) Losses - Assets	**(0.79)**	9.24	(11.67)	(0.08)	(0.06)
Experience Gains / (-) Losses - Funded Liabilities	**3.96**	0.93	(0.34)	(1.65)	(0.18)
Experience Gains / (-) Losses - Unfunded Liabilities	**(0.01)**	0.10	(0.06)	(0.01)	N/A
Total Experience Gains / (-) Losses	**3.16**	**10.27**	**(12.07)**	**(1.74)**	**(0.24)**

The Pension Asset Account

2009/10 £'000	Pension Asset Account	2010/11 £'000
(30,970)	Pension Asset Account Balance brought forward	**(44,450)**
	Liabilities	
(920)	Current Service Cost	**(1,400)**
(110)	Past Service Pension Costs	**9,860**
(4,320)	Interest Cost	**(4,450)**
(5,350)	**Total Liabilities**	**4,010**
	Assets	
1,910	Return on Assets	**2,950**
2,000	Cash paid to Fund	**2,230**
(510)	Contributions from Participants	**(520)**
200	Benefits paid in respect of the unfunded liabilities	**200**
3,600	**Total Assets**	**4,860**
(20,970)	Actuarial Changes - Assets	**4,520**
9,240	Actuarial Changes - Liabilities	**(790)**
(11,730)	**Total Actuarial Changes**	**3,730**
(44,450)	**Balance carried forward**	**(31,850)**

38. Contingent Liabilities

1. There is an issue surrounding the ownership of land that was subject to a compulsory purchase order in the late 1980s. This could result in a claim on the Authority in the order of £259,000. A risk assessment has assessed the likelihood of this happening as being low. The Authority currently has no provision in the accounts for this item.

2. On the 30 September 1992, the Authority's insurers, M.M.I Limited, announced that they had ceased taking on new business or issuing renewals and had placed a moratorium on claims payments. On 6 October 1992, M.M.I resumed the full payment of claims but no new business was accepted and existing policies were not renewed.

As at 31 March 2010 the estimated outstanding claims relating to M.M.I Ltd totalled £0.185m. On 21 January 1994, a contingent scheme of arrangement became effective for the company. Under the terms of the scheme the company will continue to pay all creditors in full and be managed by the directors unless at any time in the future a solvent run off cannot be foreseen, at which point the payment provisions of the scheme were to be triggered and management of the company would pass to the scheme administrator. Under the provisions of the scheme the largest insurance creditors of the company would suffer a reduction in the level of their claim payments and a partial claw back of claims paid since 1 October 1993, which would correspond to the level of deficit. In return for agreeing to enter into the agreement, the scheme creditors and the policyholders protection board are entitled to commission up to total of £30m split in proportion to claims paid since 1 October 1993. This commission will be the first call upon any surplus that the company may have immediately prior to the final winding up of the company and ahead of any distribution to members.

The director's report within the last M.M.I Ltd accounts indicates that the company feels that all the outstanding claims will be met in full and therefore no provision has been made within the balance sheet. However, in the event of a claw back of claims, the Authority's maximum liability would be £144,000.

3. Under the Environmental Information Regulations 2004 (EIR), it is possible that Land Search information will have to be provided free of charge. The potential liability for personal search income since 1st January 2005 amounts to £103,910, with an ongoing annual loss of income of circa £25,000 (based on 2009/10 personal search income). The worst case scenario is that all charges made since 1st January 2005 are affected and this increases the potential risk to £1.7m. The Authority has not made provision for this liability.

4. 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 £134,000 and the Authority has accounted for this claim.

39. 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 £2,500,000 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 2011 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 31/03/11 £'000	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/11 %	Estimated Maximum Exposure at 31st March 2011 £'000	Estimated Maximum Exposure at 31st March 2010 £'000
Sundry Debtors	743	5.0%	10.0%	74	54
Council Tax	1,121	12.9%	15.0%	168	160
Business Rates	203	32.6%	35.0%	71	204
Housing Benefit Debtors	1,114	13.8%	20.0%	223	98

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 and Mortgage Debtors. The Authority does not renegotiate debt. The Authority does not generally allow credit for customers. However, of the total debtors, £547,000 is beyond the due date for payment.
The Authority's total debt position as at 31st March 2011 has increased since 31st March 2010 by £208,000. This is primarily due to timing differences. The fourth quarter rental invoices were raised during February 2011, compared to late March 2010, which has resulted in a temporary increase in debts aged 29 to 42 days of £100,000. Overdue sundry debt also includes two annual high value invoices in the 42 to 90 day category. These invoices were paid before year end in 2009/10, but were paid immediately after year end in 2010/11. After taking these timing differences into account, the underlying debt position for 2010/11 is is broadly similar to the debt position in 2009/10.

Age	2009/10 Total £'000	**2010/11 Total £'000**
0-28 Days	244	**196**
29-42 Days	68	**158**
43-90 Days	13	**186**
91-180 Days	40	**27**
Over 180 Days	170	**176**
Grand Total	**535**	**743**

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 2011 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 2011 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 2009/10 and 2010/11.

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 2010/11 were 1% higher than forecast, the financial effect would have been an increase in interest returns of £130,000.

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.

40. Events after the Balance Sheet Date

The draft Statement of Accounts was approved by the Responsible Finance Officer on 30th June 2011, 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 2010/11.

41. Authorisation of the Statement of Accounts

The draft Statement of Accounts were authorised by the Responsible Finance Officer on 28th June 2011. the audited accounts were authorised by the Responsible Finance Officer on 8th September 2011.

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.

2009/10 £'000	Collection Fund Income and Expenditure Account	2010/11 £'000
	Income	
24,707	Income from Business Ratepayers	**24,854**
62,118	Council Tax	**63,877**
4,851	Council Tax Benefits	**5,071**
91,676	**Total Income**	**93,802**
	Expenditure	
66,617	Precepts paid	**68,800**
24,553	Contribution to National Non Domestic Rates Pool	**24,701**
154	Cost of National Non Domestic Rates Collection	**153**
28	Provision for Uncollectible Council Tax	**213**
138	Bad Debts in Respect of Council Tax	**98**
91,490	**Total Expenditure**	**93,965**
(186)	**Surplus (-) / Deficit for the year**	**163**
(62)	Contribution to EHDC re previous years deficit	**(28)**
(348)	Contribution to Hampshire County Council re previous years deficit	**(199)**
(47)	Contribution to Hampshire and Isle of Wight Police Authority re previous years deficit	**(28)**
(20)	Contribution to Hampshire Fire and Rescue Authority re previous years deficit	**(12)**
(663)	**Net Income and Expenditure Account Surplus (-) / Deficit**	**(104)**

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

NOTES TO THE COLLECTION FUND

1. Council Tax base for 2010/11

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	2,695	1,369.42	6/9
B	Over £40,000 & up to £52,000	5,217	3,350.14	7/9
C	Over £52,000 & up to £68,000	11,689	9,230.54	8/9
D	Over £68,000 & up to £88,000	9,916	9089.30	1
E	Over £88,000 & up to £120,000	8,331	9386.47	11/9
F	Over £120,000 & up to £160,000	5,711	7694.68	13/9
G	Over £160,000 & up to £320,000	4,343	6,817.33	15/9
H	Over £320,000	619	1,119.42	18/9
		48,521	**48,057.30**	

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 2010/11 was: **£1,431.62**

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 31/03/11 was: **£75,644,501**

The standard multiplier for the year was: **41.4**

The Small Business Rate Relief Multiplier for the year was: **40.7**

3. Precepting Authorities

Precepts for the year were paid to the following Authorities:

Authority	2009/10 £'000	2010/11 £'000
Hampshire County Council	**48,378**	**49,879**
Hampshire and Isle of Wight Police Authority	**6,752**	**7,028**
Hampshire Fire & Rescue Authority	**2,865**	**2,949**
East Hampshire District Council	**8,621**	**8,944**
Total Precepts Paid	**66,616**	**68,800**

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	2009/10 £'000	2010/11 £'000
Hampshire County Council	65	**14**
Hampshire Fire & Rescue Authority	9	**1**
Hampshire & Isle of Wight Police Authority	4	**2**
East Hampshire District Council	13	**(4)**
Total	**91**	**13**

SERVICE EXPENDITURE

2009/10 Net Expenditure £'000		2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000
	Central Services to the Public			
458	Local tax Collection	5,853	5,433	**420**
4	Elections	312	215	**97**
33	Emergency Planning	84	17	**67**
10	Land Charges	224	276	**(52)**
509	**Total Central Services to the Public**	**6,473**	**5,941**	**532**
	Cultural, Environment, Planning and Regulatory Services			
	Cultural Services			
355	Culture & Heritage	534	11	**523**
1,674	Recreation & Sport	1,722	129	**1,593**
374	Open Spaces	524	103	**421**
123	Tourism	135	8	**127**
	Environmental Services			
137	Cemeteries, Cremation & Mortuary Services	283	128	**155**
1,935	Environmental Health	1,642	351	**1,291**
193	Community Safety	260	83	**177**
744	Street Cleaning	1,087	174	**913**
2,285	Waste Collection	3,025	657	**2,368**
(9)	Service Management & Support Services	348	355	**(7)**
	Planning & Development Services			
247	Building Control	731	554	**177**
1,304	Development Control	2,694	1,710	**984**
482	Planning Policy	459	9	**450**
104	Environmental Initiatives	181	71	**110**
1,435	Economic Development	823	242	**581**
11,383	**Total Cultural, Environment Planning and Regulatory Services**	**14,448**	**4,585**	**9,863**
	Highways, Roads & Transport Services			
93	Highways & Roads (Routine)	78	25	**53**
61	Street Lighting	84	0	**84**
(516)	Parking Services	1,149	1,399	**(250)**
571	Public Transport	1,022	242	**780**
209	**Total Highways, Roads & Transport**	**2,333**	**1,666**	**667**
	General Fund Housing Services			
626	Housing Strategy & Advice	444	57	**387**
589	Private Sector Housing Renewal	1,452	719	**733**
117	Homelessness	176	103	**73**
(524)	Housing Benefits Payments	21,540	21,693	**(153)**
691	Housing Benefits Admin	1,377	738	**639**
(51)	Service Management & Support Services	430	466	**(36)**
1,448	**Total General Fund Housing Services**	**25,419**	**23,776**	**1,643**
	Corporate & Democratic Core			
1,779	Democratic Representation & Management	2,250	624	**1,626**
119	Corporate Management	856	146	**710**
376	Other	2,112	366	**1,746**
2,274	**Total Corporate & Democratic Core**	**5,218**	**1,136**	**4,082**
	Non Distributed Costs			
110	Pension Past Service costs	(9,860)	0	(9,860)
110	**Total Non Distributed Costs**	**(9,860)**	**0**	**(9,860)**
15,933	**Net Cost of Services**	**44,031**	**37,104**	**6,927**
0	**Memorandum - Central & Support Services**	6,446	6,446	**0**
0	**Total Support Services**	**6,446**	**6,446**	**0**


Further information

If you would like to find out more about our accounts for the year 2010/2011 please contact:

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