East Hampshire District Council
STATEMENT OF ACCOUNTS

2017 - 2018

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This report and further details of the Council’s finances can also be viewed on the Council's website
(http://www.easthants.gov.uk)

NARRATIVE STATEMENT

Introduction to East Hampshire District Council

The Statutory Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance Accountancy (CIPFA). It aims to provide information to the public, including electors, residents and businesses of East Hampshire, Council Members, partners and other stakeholders of East Hampshire District Council.

The Statutory Accounts aim to provide:

An understanding of the overarching financial position of the Council

Confidence that the public funds entrusted to the Council have been accounted for appropriately

Assurance that the financial position of the Council is robust.

Structure of the Narrative Statement

The Narrative Statement is structured into:

Key facts about East Hampshire District Council
Chief Finance Officer / Section 151 Officer's Statement
Performance against Business Plans & Council Strategy
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Budget / MTFS 2017/18
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Key facts about East Hampshire District Council

East Hampshire District Council is responsible for services such as waste collection and recycling, council tax collection, leisure services, planning, housing, building control, environmental health, car parking and economic development. Policies and strategies are developed and determined by our 44 councillors. The Council employs 320 full time equivalent staff and serves a population of 119,900 residents and 5,000 businesses.

Our ambition continues to focus on improving people's lives by providing excellent public services that represent good value for money and meet our communities' needs whilst managing the significant financial pressures arising from the wider national economic context including the Government's austerity measures to address these this has resulted in grants to local authorities being reduced annually[1]. 2017/18 will be the last financial year that East Hampshire District Council will receive any funding by way of the Revenue Settlement Grant.

Our aim is to reduce over time the reliance on national funding grants by driving forward service transactions and sales of our services, transformation, innovation and an investment strategy. In 2018/19 59% of our funding will be achieved through these means.

[1] Since 2013 there has been 88% reduction in the Revenue Support Grant

Overall Financial Position

The revenue outturn position for the year was in surplus by £78.7K before carry forwards of £26.2K and £52.5K after carry forwards.

This is a real achievement against almost £1.5m of targets set as the "Budget challenge" that was set at the beginning of the year, the challenge being largely offset through income growth and operational efficiencies.

There are a number of variances which are reported in full at page 10. These can be split between those which are controllable by the organisation and those that are not such as variances arising from changes in legislation, accounting adjustments (such as depreciation), pension adjustments and service recharges.

The Council's overall financial position remains sustainable with adequate levels of reserves. There are robust processes in place for budget setting and forecasting, and the Council has in place a Medium Term Financial Strategy (MTFS) which demonstrates the Council's ambition to become less reliant on government grants and includes an ambitious property investment strategy of £200m over the period of the MTFS (£40m per annum) funded through borrowing. The MTFS also includes assumptions relating to the 5 Councils outsourcing contract with Capital. The combination of these two items and ongoing service transformation forecasted growing surpluses.

The MTFS agreed by Council in February 2017 shows ongoing surpluses with a cumulative surplus of £19.35m.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Annual Surplus	£2.25	£4.44	£6.23	£8.68
Cumulative Surplus		£6.69	£10.67	£19.35

The Council reviewed the framework for strategic investment in property in December 2017 due to the significant market competition and removed the annual £40m cap but retained the overall £200m cap. Due to the highly competitive market investment had lagged from original ambitions but recent purchases which completed at the end of the financial year have brought back the investment profile with some acceleration for 2018/19.

This year the Council entered into a partnership with five other authorities during year to transfer services to Capita[2]. This included HR services, Finance services and IT services, this has included the transfer to a new software system for finance. Work will continue within the next 12 months to move towards a full implementation of Target Operating Models and the transfer of Payroll services to Belfast.

The Council remains committed to a strategy of revenue growth and commercialisation and there has been real progress during the year financially and operationally in delivering against the strategy with new income streams against both the public and private sector.

[2] Known as the 'Five Councils Contract'/Six Councils Partnership

2018/19 Onwards

Since 2010 local government has borne the brunt of the Government's austerity measures which has resulted in significant public spending reductions and shows little sign of easing.

There remains continued uncertainty against future Central Government funding for local authorities along with known funding reductions which have been captured through the Medium Term Financial Strategy.

These future funding shortfalls have placed pressure upon the Council's finances which have been mitigated against with revenue growth through new business to both the public and private sector and increased income against Commercial property.

The inclusion of service income targets, new business sales, property investment income and savings achieved through service transformation have been captured in the budget and are both innovative and challenging. There is a risk that, should these targets not be achieved, the Council will need to draw on its reserves in future years, although currently this is not anticipated. The Council has sufficient reserves to mitigate this risk in but use of reserves would not be sustainable.

As in previous years it will be necessary to closely monitor the achievement of income challenges during 2018/19 and the potential impact on the General Fund Balance during future years.

Despite all the additional demand pressures, austerity measures and national funding cuts in public services East Hampshire District Council continues to deliver efficient and high-quality services to its residents.

In November 2017 the Bank of England increased Interest Rates and indicated that there would be further small increases if the economy continued growing, the first of these rises was expected in May 2018 but has been delayed due to the slow-down in economic growth forecasts.

Key Issues for 2018/19

Accounting Code and Prudential Code (2017/18)

CIPFA introduced a number of minor amendments to the 2017/18 Accounting Code and published a new version of the Prudential Code. The full impact of these changes will be reflected in the 2018/19 accounts.

General Data Protection Regulation (GDPR)

The Council has taken a project based approach to the implementation of GDPR and continues to make progress in ensuring measures are in place line with the Information Commissioners Office (ICO) guidance. An independent review of the implementation thus far has highlighted where the Council will focus activity as part of Stage 3 of the project, which will be progressed through 2018. An audit by the Southern Internal Audit Partnership has also confirmed that the Council's implementation is sound, and the 12 steps as advised by the ICO are appropriately covered.

Lydia Morrison
Chief Finance Officer (s151)

Performance against Council Strategy 2017/18

EHDC's mission is to improve people's lives by providing public services that represent good value for money and meet our communities needs. The strategy to deliver this is focussed on product innovation and an entrepreneurial approach to ensuring the council is financially independent of all government funding.

Financial sustainability

In order to continue providing our services for our most vulnerable residents and improving the lives of all our residents we are committed to being financially sustainable. During 2017/18 we reduced our share Council Tax by 2.6% without any service reduction. We have also committed to keep Council Tax stable over the next few years. In 2017/18 the Council adopted a financial framework to support a property investment strategy, financed through borrowing. During the year the Council acquired additional properties valued at £47 million. The Council property portfolio was valued at £70.3m on 31 March 2018. All these investment properties generate a considerable financial return to the council to allow for reinvestment in public services. In addition to property income we have continued to receive income from our consultancy services. Council departments have been marketing their services to other authorities and local organisations to bring in extra income. Our Planning Service and regeneration team, RegenCo alone have brought in £455k of gross income during 2017/18. In addition, our litter enforcement company, East Hampshire Commercial Services Limited has been providing litter enforcement services to several local authorities and is continuing to grow its client base with new litter clients secured for 2018/19. The company currently employs nine staff and delivers services to six local authorities.

2017/18 saw the implementation of the ground-breaking partnership between six councils more than 85 miles apart and the delivery partner Capita. The Partnership is the first-time local authorities have looked beyond their immediate neighbours to share services to utilise their vision to deliver improved and more affordable services. Newly outsourced services at EHDC include the HR Service, which will implement new HR and payroll systems across the partnership, the IT service and the Finance service, with new finance software as part of the system upgrades. Following a review of the contract to ensure it reflects the requirements of the council, the contract has been renegotiated and the Procurement Service and Innovation Hub were simplified to ensure maximum benefit is achieved. As a result, the headline savings overall have reduced although the councils have greater security on their deliverability. The Council is confident that the best outcome in the circumstances has been achieved. Retaining the ability to work collaboratively with the other partners and contractors to undertake transformation work is likely to recover the reduced savings and provide greater opportunities for financial return in the long term.

Public Service Excellence

Our priority is to support our most vulnerable customers. We achieved our target set for homelessness prevention (total of 620 for 2017/18) and successfully implemented arrangements for the new Homelessness Reduction Act with staff training and new rotas in place to assist customers. Work has focussed on providing support to those families impacted by the Housing Benefit Cap and future possible impact of Universal Credit. Regarding the Supporting Families project, the target set by Hampshire County Council for 2017/18 was to engage with 68 families, which was achieved. We supported families on a range of issues such as employment, financial matters, domestic abuse, health and children in need.

The council continued to engage with our communities and deliver a number of supportive initiatives including community events. Community Forums were held across the district and we have worked to deliver public consultation on key projects in the district. We continued with a variety of other community activities, including the successful delivery of Rural Areas Play Project (RAPP), Get Activ8'd, Festiwell, Three Parishes, Walk for Peace, Butserfest at Victorious Music Festival, Skate Jam and a driving event for young people (AutoSolo). We also completed National Take Over week with over 300 school children visiting the council offices and meeting staff and councillors and took part in the National Public Service tweetathon #OurDay which was a big success.

Our RAPP and Get Activ8'd programme continues to be booked online through our new customer relationship management (CRM) tool. In addition, a significant number of grants were awarded during the year, £198k was awarded in Councillor grants and £170k in Cabinet grants, supporting a number of community facilities and groups across the district.

Creativity and Innovation

East Hampshire District Council is an exciting and vibrant organisation to work for. The Council provides community leadership and is at the cutting edge of innovation and practice. A change of culture remains central to a high performing Council. There are now four specific workstreams dedicated to an area of change and supported by staff volunteers in the areas of Wellbeing, Performance and Productivity, Good Governance and Communications and Engagement. Innovations taken forward during 2017/18 include the growth of our new trading company, East Hampshire Commercial Services Limited. Our EHDC website, designed to make priority services easy to find has continued to grow with a 32% increase in web traffic year on year recorded at the end of the financial year. The website usage continues to increase and is becoming the default place to access council services and information with more users visiting the site every year. As part of the website and our personalisation agenda our new CRM portal, My East Hampshire, continues to grow with over 4000 customers registered on the portal. The portal allows for customers and residents to book on RAPP and Get Activ8'd events and register FOIs or complaints, further services will be added in the future.

We are committed to developing and supporting all our colleagues. We continued to develop a modern and effective employment package for our staff. Heads of Service and Team Leaders have completed a comprehensive HR skills programme. This has included information on policies and procedures in addition to appropriate decision making in respect of people management matters. We have continued our quarterly You're a Star staff awards, and our annual staff awards took place in December 2017, recognising individual and team achievements. We also held a Leadership Conference for our current and future leaders and have developed our Fit for Future plan. Our Councillors have also been involved in a Councillor Development pilot and were successfully awarded National Councillor Charter status accreditation during the year. Work now continues to embed councillor development.

Our Place Shaping work

Economic growth

During 2017/18 we continued to work towards the goals set out in our business strategy with the aim of becoming the most business friendly council in the UK. Through the Invest for Growth initiative, grant funding from the Enterprise M3 Local Enterprise Partnership is being used to develop 20,000 sq. ft. new business premises with rental income to be re-invested in local economic development initiatives. Construction began in April 2017 with completion due in May 2019, the whole site is currently under offer from potential occupiers. Our apprenticeship scheme (Get East Hants working) was fully subscribed during the year (11 in 2017/18) bringing the total number of people supported to 54 since its inception. The council scheme boosts apprenticeship wages and contributes towards training and transport costs, making it a positive experience for employer and employee. In addition, our business development programme in Alton continues to identify and deliver short term town centre improvements and investigate the feasibility of town wide WIFI, promotion of Alton as a visitor destination and supporting high growth business to access funding. Businesses continue to be supported across the district and during the year a business forum incorporating a retail training seminar was held engaging with over 30 high street businesses.

Regeneration

Our involvement in the long-term regeneration programme in Whitehill & Bordon continued throughout 2017/18, transforming public sector land into thriving communities with new homes, jobs and facilities. During the year work continued on the relief road, with Skanska commissioned by Hampshire County Council to build the current stage of the relief road (following the collapse of Carillion). During the year a total of 230 new homes were completed across the town with construction also starting on the new secondary school and the planning application approved for a new leisure centre. The town centre planning application was submitted including a further residential planning application for an additional 138 dwellings. During the year the Future Skills Centre and Business Enterprise Centre opened and work continues to maximise employment and funding opportunities. In addition, EHDC and the Whitehill & Bordon Regeneration company joined forces with IBM to create a ‘smart’ technology town. The new collaboration will bring state of the art technology to the town and change the way people interact with their homes, with each other, their community and local services.

In total the project will deliver 3,350 new homes, 5,500 new jobs and create nearly 100,000 sqm of new commercial, retail and leisure floor space. The town has also been chosen by NHS England as a Healthy New Town, designing towns in this way will help prevent illness, encourage healthy lifestyle choices and enable residents to remain independent to a much later age than at present. The town will be the blueprint for how other communities across the country can become healthier and more vibrant.

Local Plan

Our Local Plan review commenced during 2017/18. Under new Government planning rules all Local Plans must be reviewed every five years, meaning EHDC’s current local plan will be out of date by the middle of 2019. As a result, work commenced to gather evidence on the future needs for homes, community facilities, employment sites and more. The council will engage with and consult local people as it draws the plan together.

Environmental sustainability

The Council’s Energy Strategy promotes a low carbon and economically vibrant future for the district with a focus on increasing the amount of renewable energy generation and reduce energy usage and heat requirement across the district. During the year we joined forces with ChargePoint Services to provide electric vehicle drivers with Rapid Charging Facilities at one of Hampshire’s major motoring service stations – Liphook (North) Services. We have developed a Statement of Intent to access ECO funding and continued to provide COSY loans to support retrofitting of residents’ homes. Within our major regeneration project at Whitehill & Bordon we have advised on sustainability, green measures and energy performance to ensure that development of new homes exceeds building regulations by 10% in terms of energy performance.

Financial performance and capital summary

2017/18 Revenue Outturn

For the 2017/18 financial year, the Council agreed its budget for net revenue spending on General Fund services at £12.16m.

Net revenue spending is financed in part by Government Grant and retained business rates, with the remainder being raised through council tax, use of reserves and interest on external investments. The Council Tax charge for Council services was reduced in 2017/18 from £134.55 for band D properties in 2016/17 to £131.11. The table below compares the final outturn with the original budget. The basis for these figures is the Council's internal management accounts.

SERVICE	Budget £000'S	Actual to date £'000s	Variance Fav(-) / Adv
Head of Neighbourhood Support	(154.3)	(48.5)	105.9
Head of Planning	240.9	1,179.6	938.7
Head of Housing	368.6	378.1	9.4
Head of Community Engagement	1,196.8	1,149.7	(47.1)
Whitehill & Bordon	773.5	654.4	(119.1)
Regenco	(480.0)	(15.8)	464.2
Head of Development	216.8	500.6	283.7
Estates	208.8	739.5	530.7
Investment Property	(2,779.5)	(2,266.5)	513.1
OPERATIONS AND PLACE SHAPING	**(408.4)**	**2,271.1**	**2,679.5**
Head of Finance	1,106.4	1,661.5	555.1
Head of Organisational Development	1,029.9	1,083.1	53.2
Head of Communications	283.6	290.4	6.8
Head of Legal	378.5	341.6	(36.8)
Head of Programmes Redesign & Quality	2,424.3	3,010.9	586.6
Head of Customer Services	1,531.0	1,205.6	(325.4)
Head of Exec	626.6	453.9	(172.7)
Corporate budget challenge 2017/18	895.4	-	(895.4)
GOVERNANCE	**8,275.7**	**8,047.1**	**(228.6)**
Head of Commercial Development	85.7	87.2	1.5
Head of Environmental Services	3,964.6	3,301.6	(663.0)
COMMERCIAL	**4,050.3**	**3,388.8**	**(661.5)**
CONTRIBUTION (favourable) or adverse	**11,917.6**	**13,707.0**	**1,789.4**
Other Operating Income & Expenditure	860.0	622.9	(237.1)
Movement in Reserves	(620.1)	(2,343.7)	(1,723.6)
CERA	-	103.2	103.2
TOTAL MOVEMENT IN RESERVES AND OTHER	**239.9**	**(1,617.6)**	**(1,857.5)**
TOTAL NET EXPENDITURE	**12,157.5**	**12,089.4**	**(68.1)**
Council Tax & BRRS	(8,305.3)	(9,746.5)	(1,441.2)
General Grants	(3,852.2)	(2,395.3)	1,456.9
FUNDING	**(12,157.5)**	**(12,141.8)**	**15.6**
(SURPLUS)/ DEFICIT	**-**	**(52.5)**	**(52.5)**

NARRATIVE STATEMENT

The table below summarises the main reasons for the surplus generated in 2017/18:

£000's Fav(-) / Adv	SERVICE HEAD	KEY VARIANCES
105.9	Head of Neighbourhood Support	Adverse variance due to income received being lower than forecast.
938.7	Head of Planning	Adverse variance due to lower than expected income from contracts and additional administrative fees incurred.
9.4	Head of Housing	In line
(47.1)	Head of Community Engagement	Favourable variance due to higher than expected income and S106 contributions received.
(119.1)	Whitehill & Bordon	Favourable variance due to consultancy and employee cost savings.
464.2	Regenco	Adverse variance due to a reduction in income.
283.7	Head of Development	Adverse variance due to lower rental income.
530.7	Estates	Adverse variance due to higher than expected cost and programme delays.
513.1	Investment Property	Adverse variance due to programmed investments being delayed, therefore, lower than forecast income received.
555.1	Head of Finance	Adverse variance due to interest accrued on long term borrowing for investment property purchase.
53.2	Head of Organisational Development	Adverse variance due to higher than expected employment and contract costs.
6.8	Head of Communications	In line
(36.8)	Head of Legal	Favourable variance due to employee cost savings.
586.6	Head of Programmes Redesign & Quality	Adverse variance due to increased IT costs as a result of contract extensions.
(325.4)	Head of Customer Services	Favourable variance due to employee savings and cost efficiencies.
(172.7)	Head of Exec	Favourable variance due to consultancy and employee cost savings.
1.5	Head of Commercial Development	In line
(663.0)	Head of Environmental Services	Favourable variance due to higher than expected income received

At the end of the year, the Council's General Fund Balance stood at £3.73m. This reserve is held to provide financial stability to the Council and enable it to meet unexpected demands.

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 main items of capital expenditure are detailed in the table below.

	Budget £'000	Actuals £'000
Housing		
Disabled Facilities Mandatory	1,691	713
Disabled Facilities (Discretionary)	63	-
PUSH4 Safer Homes	41	-
Home Safety Grant	31	-
Home Improvement Loan	146	-
Total	**1,972**	**713**
Operational Land & Buildings		
Leisure Centres - Landlord Works	30,603	458
Total	**30,603**	**458**
Investment Property		
Property Investments	20,000	47,820
Property Development (OSU Site)	3,364	2,591
Total	**23,364**	**50,411**
Vehicles and Equipment		
Vehicle Fleet Replacement	26	-
Play Park Refurbishment	6	-
Personalisation	148	12
Cemeteries Database	-	3
Finance System Development	72	-
Total	**252**	**15**
Other Capital Expenditure		
Merchistoun Hall Redevelopment	97	-
Southern Parishes Sports Centre	50	34
Green Lane Clanfield	-	49
Alton Station Forecourt	93	1
Developers Contributions	-	2,048
Total	**240**	**2,132**

The Capital programme for 2017/18 was funded as follows:

Financed by	Budget £'000	Actuals £'000
Increase in Capital Financing Requirement due to Investment Properties	20,000	47,820
Other increases in Investment Properties	29,563	541
Capital Receipts	3,710	2,606
Grants & Contributions	3,463	713
Release of Developers Contributions	393	2,048
Contribution from Earmarked Reserves	416	-
Total Capital Funding	**57,545**	**53,728**

Whitehill and Bordon Regeneration

The Council has been awarded significant funding towards the regeneration of Whitehill and Bordon, following the withdrawal of the Army from the town in 2015. The table below outlines the funding and expenditure since the original project plan was agreed by Council on 24th February 2010.

	Capital £000	Revenue £000	Total £000
Initial Grant award	(8,186)	(3,709)	(11,895)
Department of Environment and Climate Change Funding	(311)	-	(311)
Homes and Communities Agency	(960)	(60)	(1,020)
Louisburg Barracks Capacity Funding	-	(661)	(661)
Linking Environment and Farming Fund	-	(33)	(33)
Local Authority Business Growth Incentive Fund	-	(14)	(14)
Green Deal Funding	-	(12)	(12)
EHDC Funding 2010-2015/16	-	(3,241)	(3,241)
EHDC 2016/17	-	(667)	(667)
Green Deal Funding Grant	(2,945)	-	(2,945)
Large scale sites resource grant	(562)	-	(562)
Quebec Developer Contribution	(725)	-	(725)
DECC HEAT Networks Grant	(137)	-	(137)
NHS England	-	(250)	(250)
Total Funding	**(13,826)**	**(8,647)**	**(22,473)**
Capital Expenditure 2009-2015	8,561	-	8,561
Capital Expenditure 2015/16	2,121	-	2,121
Capital Expenditure 2016/17	1,075		1,075
Capital Expenditure 2017/18	276		276
Revenue Expenditure 2009-2015	-	5,609	5,609
Revenue Expenditure 2015/16	-	1,662	1,662
Revenue Expenditure 2016/17		767	767
Revenue Expenditure 2017/18		103	103
Remaining Funding	**(1,793)**	**(506)**	**(2,299)**

Business Rates Retention Scheme

The principle behind the scheme is that local authorities retain a share of Business Rates collected from their local businesses. Authorities retain a share of growth in the business base, giving councils incentive to invest in local infrastructure.

The government announced the continuation of a number of Business Rate reliefs throughout 2017/18. The impact of these reliefs was to reduce collectible business rates, and this has been offset by cash grants paid to the Council.

The surplus or deficit on business rates will be redistributed between the Government, East Hampshire District Council, Hampshire County Council, and Hampshire Fire and Rescue during 2017/18. The budget calculations for 2017/18 take into account this redistribution.

The table below demonstrates how the Council estimated its collectable business rates, how this is split between the participating authorities, the split of the 2017/18 deficit, and the impact on the General Fund in 2017/18, compared to actual performance in the year.

	Budget £'000	**Outturn £'000**
Business Rates Yield		
Base Yield	31,413	30,649
Provision for backdated appeals	-	(1,357)
Cost of Collection	(155)	(155)
Adjustment for provision for bad debt	-	(259)
Transitional protection payment	1,545	1,596
Business Rates Yield	**32,803**	**30,474**
Distribution		
Central Government (50%)	16,402	16,402
Hampshire County Council (9%)	2,952	2,952
Hampshire Fire (1%)	328	328
East Hampshire District Council baseline (40%)	13,121	13,121
Total Distribution	**32,803**	**32,803**
Collection Fund (Surplus)/Deficit B/Fwd	110	2,032
Reallocation of prior year balance – EHDC	(44)	(44)
Reallocation of prior year balance – Other	(66)	(66)
Collection Fund (Surplus)/Deficit in year	-	2,329
Collection Fund (Surplus)/Deficit C/fwd	**-**	**4,251**
Allocation of (Surplus)/Deficit in 2017/18		
Government Share (50%)	-	2,125
EHDC Share (40%)	-	1,700
Hampshire CC Share (9%)	-	383
Hampshire Fire (1%)	-	43
Total	**-**	**4,251**
East Hampshire District Council Retained Business Rates	**Budget £'000**	**Actual £'000**
Non-Domestic Rating income	13,122	12,802
S31 Grant Income	751	1,378
Tariff paid to Central Government	(10,275)	(10,355)
Levy/ safety net paid to/by Central Government	(914)	(692)
Payment of prior year's estimated surplus / (deficit)	(44)	(44)
Total 2017/18 business rates income	**2,640**	**3,089**

Medium Term Financial Strategy

The Council agreed its Medium Term Financial Strategy as part of its budget setting process for 2018/19. The summary projections demonstrate the Council's ambitions for maintaining council tax at current levels and generating income.

Appendix B					
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£M	**£M**	**£M**	**£M**	**£M**
Sales - fees and charges	(9.20)	(9.44)	(9.65)	(9.84)	(10.53)
Sales - commercial enterprises	(0.14)	(0.96)	(1.59)	(2.33)	(2.98)
Income - Specific Grants	(0.60)	(0.54)	(0.48)	(0.42)	(0.36)
Income - General Grants	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Investment Income	(6.76)	(7.44)	(8.67)	(9.89)	(10.03)
Total Service Income	**(16.77)**	**(18.45)**	**(20.46)**	**(22.55)**	**(23.97)**
Employees	13.70	14.25	14.83	15.32	15.73
Supplies and services	9.38	9.30	9.30	9.30	9.30
Contract costs	5.23	5.07	5.02	5.17	5.32
Agency/Third party costs (net)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)
Capital costs	0.99	0.99	0.99	0.99	0.99
Total Service Costs	**29.25**	**29.47**	**30.02**	**30.64**	**31.20**
Contribution/(surplus)/deficit	**12.48**	**11.02**	**9.56**	**8.09**	**7.23**
Other Operating Income & Expenditure	0.89	0.97	1.03	1.09	1.16
Movements in reserves - Grants & Contributions Unapplied	(1.16)	-	-	-	-
Movement in specific Reserves	0.41	-	-	-	-
Movement in Statutory Reserves	(0.99)	(0.99)	(0.99)	(0.99)	(0.99)
Total other costs & mvmt in reserves	**(0.85)**	**(0.02)**	**0.04**	**0.10**	**0.17**
Total Net Expenditure	**11.63**	**11.00**	**9.60**	**8.19**	**7.40**
Council Tax	(6.48)	(6.52)	(7.15)	(7.78)	(7.81)
Council Tax prior year Surplus	(0.02)	-	-	-	-
Retained business rates	(2.07)	(2.38)	(2.48)	(2.54)	(2.59)
Retained business rates prior yr (surplus)/ Deficit	0.75	-	-	-	-
Revenue Support Grant	-	-	-	-	-
New Homes Bonus	(2.42)	(1.88)	(1.90)	(1.11)	(0.71)
Section 31 Grants	(1.39)	(1.26)	(1.26)	(1.26)	(1.26)
Total Grant, Council Tax and Business Rates Funding	**(11.63)**	**(12.04)**	**(12.79)**	**(12.69)**	**(12.36)**
(Surplus)/Deficit	**-**	**(1.04)**	**(3.19)**	**(4.50)**	**(4.97)**

NARRATIVE STATEMENT

Explanation of Core Statements

The Statement of Accounts for 2017/18 has 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 2017/18, how services were paid for and the Council's assets and liabilities at the year-end date of 31 March 2018.

The following key statements are included:

The Movements in Reserves Statement

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

The Expenditure & Funding Analysis

The Expenditure & Funding Analysis is designed to show how annual expenditure is used and funded from resources, including Government Grants, Council Tax and Business Rates, by local authorities, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practises. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates and Service Heads. Income and expenditure, accounted for under generally accepted accounting practises is presented more fully in the Comprehensive Income and Expenditure Statement.

The 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.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities of the Council.

The Cash Flow Statement

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

Notes to the Core Financial Statements (including pensions disclosures)

The Collection Fund

This account records all transactions relating to Council Tax and Business Rates. The Council draws its share of Council Tax and Business Rates from the Fund. More information on Council Tax and Retained Business Rates can be found in the Review of the Year.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities:

The Council 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 this authority, that officer is the Chief Finance Officer (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:

The Chief Finance Officer (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice).

In preparing this Statement of Accounts, the S151 Officer has selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Section 151 Officer also*:*

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

I certify that the Statement of Accounts presents a true and fair view the financial position of the Authority and its income and expenditure for the year ended 31 March 2018.

Signed:

Date: 26 July 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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) 2015, 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 31 March 2018.

Signed:

Lydia Morrison
Section 151 Officer

Date: 26 July 2018

Certificate of approval by the Council:

I confirm that the Audited Statement of Accounts were approved at the Governance, Audit & Scrutiny Committee meeting of East Hants District Council on 26 July 2018.

Signed:

Cllr David Evans
Chairman, Governance, Audit & Scrutiny Committee

Date: 26 July 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST HAMPSHIRE DISTRICT COUNCIL

Opinion

We have audited the financial statements of East Hampshire District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes 1 to 40 to the Council Accounts, and the Expenditure and Funding Analysis,
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of East Hampshire District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, East Hampshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Strategic Director's Responsibilities set out on pages 16 and 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of East Hampshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

This report is made solely to the members of East Hampshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2018

The maintenance and integrity of the East Hampshire District Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £'000	Earmarked Reserves £'000	Usable Capital Receipts £'000	Capital Grants and Contributions Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31st March 2017	**(3,678)**	**(10,544)**	**(5,484)**	**(10,390)**	**(30,095)**	**6,733**	**(23,362)**
Surplus (-) / Deficit on Provision of Services	(703)	-	-	-	(703)		(703)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(4,180)	(4,180)
Total Comprehensive Income and Expenditure	**(703)**	**-**	**-**	**-**	**(703)**	**(4,180)**	**(4,883)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	1,090	-	2,563	(5,041)	(1,388)	1,388	-
Net Increase (-) / Decrease before Transfer to Earmarked Reserves	**387**	**-**	**2,563**	**(5,041)**	**(2,091)**	**(2,792)**	**(4,883)**
Contributions to / (-) from earmarked reserves (Note 7)	(441)	441	-	-	-	-	-
Increase (-) / Decrease in year	**(54)**	**441**	**2,563**	**(5,041)**	**(2,091)**	**(2,792)**	**(4,883)**
Balance as at 31st March 2018	**(3,732)**	**(10,103)**	**(2,921)**	**(15,431)**	**(32,186)**	**3,941**	**(28,245)**

MOVEMENT IN RESERVES STATEMENT

Comparative Movement in Reserves Statement for 2016/17:

	General Fund Balance £'000	Earmarked Reserves £'000	Usable Capital Receipts £'000	Capital Grants and Contributions Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2016	**(3,851)**	**(12,027)**	**(4,973)**	**(10,113)**	**(30,964)**	**2,593**	**(28,371)**
Surplus (-) / Deficit on Provision of Services	2,218	-	-	-	2,218	-	2,218
Other Comprehensive Income and Expenditure	-	-	-	-	-	2,790	2,790
Total Comprehensive Income and Expenditure	**2,218**	**-**	**-**	**-**	**2,218**	**2,790**	**5,008**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	(1,319)	-	(511)	(277)	(2,107)	2,107	-
Net Increase (-) / Decrease before Transfer to Earmarked Reserves	**899**	**-**	**(511)**	**(277)**	**111**	**4,897**	**5,008**
Contributions to / (-) from earmarked reserves (Note 7)	(726)	1,483	-	-	757	(757)	-
Increase (-) / Decrease in year	**173**	**1,483**	**(511)**	**(277)**	**868**	**4,140**	**5,008**
Balance as at 31 March 2017	**(3,678)**	**(10,544)**	**(5,484)**	**(10,390)**	**(30,096)**	**6,733**	**(23,363)**

EXPENDITURE & FUNDING ANALYSIS

The Expenditure and Funding Analysis is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the Narrative Statement to the Comprehensive Income and Expenditure Statement.

2016/17				2017/18		
Net Expenditure chargeable to the General Fund	**Adjustment between the Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**		**Net Expenditure chargeable to the General Fund**	**Adjustment between the Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**
£'000	**£'000**	**£'000**	**Operations Directorate**	**£'000**	**£'000**	**£'000**
145	166	311	Head of Neighbourhood Support	(122)	(400)	278
532	(1,073)	(541)	Head of Planning	435	(2,279)	2,714
1,168	140	1,308	Head of Customer Services	1,192	(215)	1,407
425	20	445	Head of Housing	352	(45)	397
2,270	**(747)**	**1,523**	**Total Operations Directorate**	**1,857**	**(2,939)**	**4,796**
			Strategy & Governance Directorate			
1,215	211	1,426	Head of Finance & Property	1,280	(121)	1,401
979	17	996	Head of Organisational Development	1,068	(31)	1,099
2,055	440	2,495	Head of Communications & Community Engagement	1,814	(425)	2,239
282	18	300	Head of Legal	342	(30)	372
2,544	68	2,612	Head of Programmes Redesign & Quality	2,886	(166)	3,052
758	39	797	Executive and 5 Councils	418	(53)	471
7,833	**793**	**8,626**	**Total Strategy & Governance Directorate**	**7,808**	**(826)**	**8,634**
			Commercial Directorate			
189	14	203	Head of Commercial Ventures	88	(20)	108
3,195	(168)	3,027	Head of Environmental Services	2,509	(138)	2,647
682	1,330	2,012	Project Director - Regenco (WHBM)	835	-	835
465	(439)	26	Head of Development	470	(19)	489
453	(69)	384	Building Maintenance/ Estates and Fac	798	(120)	918
(79)	-	(79)	Regenco	(94)	(78)	(16)
4,905	**668**	**5,573**	**Total Commercial Directorate**	**4,606**	**(375)**	**4,981**
15,008	**714**	**15,722**	**Total Service Manager Spend**	**14,271**	**(4,140)**	**18,411**
(12,558)	1,844	(10,714)	Other Operating Income & Expenditure	(13,884)	5,231	(19,114)
2,450	**2,558**	**5,008**	**Total net expenditure**	**387**	**1,091**	**(703)**

EXPENDITURE & FUNDING ANALYSIS

The Expenditure & Funding Analysis is designed to show how annual expenditure is used and funded from resources, including Government Grants, Council Tax and Business Rates, by local authorities, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practises. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates and Service Heads. Income and expenditure, accounted for under generally accepted accounting practises is presented more fully in the Comprehensive Income and Expenditure Statement.

The starting point for the production of the Expenditure and Funding Analysis is the internal Management reporting on outturn, as presented to the Council's management team and Cabinet. Fuller disclosure of this report, including explanations of variances to budget, is provided in the Narrative Statement at the start of this document. The table below reconciles the Net expenditure to the reported surplus and the balance on the General Fund. A reconciliation of adjustments between the internally reported outturn and the statutory net expenditure shown in the Comprehensive Income and Expenditure Statement is provided at Note 6

Reconciliation of Net expenditure chargeable to the General Fund to the reported surplus for 2017/18:

2016/17 £'000		**2017/18 £'000**
2,450	Net expenditure per EFA	387
(2,734)	Transfer to unusable and usable reserves	(441)
(284)	**Reported surplus (-) / deficit**	**(54)**

Reconciliation of the reported surplus (-) / deficit to the General Fund balance

2016/17 £'000		**2017/18 £'000**
3,851	Opening General Fund balance	3,678
284	Surplus reported to Management	54
(457)	Budgeted draw on the General Fund	-
-	Transfers to other reserves	-
3,678	**Closing General Fund balance**	**3,732**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	**Operations Directorate**	£'000	£'000	£'000
3,752	(3,441)	311	Head of Neighbourhood Support	4,294	(4,016)	**278**
4,520	(5,061)	(541)	Head of Planning	4,542	(1,828)	**2,714**
25,929	(24,621)	1,308	Head of Customer Services	25,038	(23,631)	**1,407**
574	(129)	445	Head of Housing	634	(237)	**397**
34,775	**(33,252)**	**1,523**	**Total Operations Directorate**	**34,508**	**(29,712)**	**4,796**
			Strategy & Governance Directorate			
1,432	(6)	1,426	Head of Finance & Property	1,405	(4)	**1,401**
997	(1)	996	Head of Organisational Development	1,122	(23)	**1,099**
2,652	(157)	2,495	Head of Communications & Community Engagement	2,424	(185)	**2,239**
358	(58)	300	Head of Legal	471	(99)	**372**
2,967	(355)	2,612	Head of Programmes Redesign & Quality	3,492	(440)	**3,052**
797	-	797	Executive and 5 Councils	577	(106)	**471**
9,203	**(577)**	**8,626**	**Total Strategy & Governance Directorate**	**9,491**	**(857)**	**8,634**
			Commercial Directorate			
212	(9)	203	Head of Commercial Ventures	191	(83)	**108**
4,164	(1,137)	3,027	Head of Environmental Services	3,851	(1,204)	**2,647**
2,655	(643)	2,012	Project Director - Regenco (WHBM)	1,240	(405)	**835**
522	(496)	26	Head of Development	560	(71)	**489**
926	(542)	384	Building Maintenance/ Estates and Fac	1,388	(470)	**918**
350	(429)	(79)	Regenco	439	(455)	**(16)**
8,829	**(3,256)**	**5,573**	**Total Commercial Directorate**	**7,669**	**(2,688)**	**4,981**
52,807	**(37,085)**	**15,722**	**Total Cost of Services**	**51,668**	**(33,257)**	**18,411**
3,372	(555)	2,817	Other Operating Income & Expenditure (Note 8)	3,625	(14)	**3,611**
2,257	(3,159)	(902)	Financing & Investment Income & Expenditure (Note 9)	2,674	(2,543)	**131**
-	(15,419)	(15,419)	Taxation and Non-Specific Grant Income (Note 10)	-	(22,856)	**(22,856)**
58,436	**(56,218)**	**2,218**	**Surplus (-) / Deficit for the Provision of Services**	**57,967**	**(58,670)**	**(703)**
		-	Surplus (-) / Deficit on revaluation of Property, Plant and Equipment Assets (Note 20)			**(6,540)**
		2,790	Remeasurement of the net defined benefit Liability/Asset (Note 36)			**2,360**
		2,790	**Other Comprehensive Income & Expenditure**			**(4,180)**
		5,008	**Total Comprehensive Income & Expenditure**			**(4,883)**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by East Hampshire District Council. 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 is 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 is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017 £'000		31 March 2018 £'000
22,141	Property, Plant and Equipment (Note 11)	28,929
-	Assets Under Construction (Note 11)	2,867
23,459	Investment Property (Note 12)	70,322
583	Intangible Fixed Assets (Note 13)	488
5,066	Long Term Investments (Notes 14 and 38)	-
860	Long-Term Debtors (Notes 14 and 16)	485
52,109	**Total Long-Term Assets**	**103,091**
5,044	Short Term Investments (Note 14)	15,000
5,626	Short Term Debtors (Note 16)	10,836
26,878	Cash & Cash Equivalents (Note 14 and 17)	34,832
37,548	**Total Current Assets**	**60,668**
(604)	Bank Overdraft (Note 17)	-
(247)	Short Term Provisions (Note 19)	(101)
(8,516)	Short Term Creditors (Note 18)	(12,425)
(9,367)	**Total Current Liabilities**	**(12,526)**
(254)	Long Term Creditors (Note 18)	(225)
(8,997)	Long Term Borrowing (Note 14)	(70,000)
(5,480)	Long Term Finance Lease (Note 18)	(5,232)
(1,196)	Provisions (Note 19)	(1,739)
(40,790)	Liability related to defined benefit pension scheme (Note 36)	(44,843)
(210)	Capital Grants and Contributions Received in Advance (Note 29)	(949)
(56,927)	**Total Long-Term Liabilities**	**(122,988)**
23,363	**NET ASSETS**	**28,245**
30,096	Usable Reserves (Note 20)	32,186
(6,733)	Unusable Financial Reserves (Note 21)	(3,941)
23,363	**TOTAL RESERVES**	**28,245**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Authority as at 31 March 2018 and its Comprehensive Income and Expenditure Statement for the year then ended.

Signed: Date: 26 July 2018

CASH FLOW 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 and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the 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 by providers of capital (i.e. borrowing) to the authority.

	Note	2016/17 £000's	2017/18 £000
Net surplus or (deficit) on the provision of services		(2,218)	**703**
Adjustments to net surplus or deficit on the provision of services for non-cash movements		5,321	**3,494**
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(555)	**(7,845)**
Net cash flows from Operating Activities	22	2,548	**(3,648)**
Investing Activities	23	7,976	**(48,546)**
Financing Activities	24	8,759	**60,752**
Net increase or (decrease) in cash and cash equivalents		19,283	**8,558**
Cash and cash equivalents at the beginning of the reporting period	17	6,992	**26,274**
Cash and cash equivalents at the end of the reporting period		26,274	**34,832**

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as amended in 2015, which require it 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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. Inventories below £10,000 are considered immaterial and are expensed.
- 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 is no accumulated gain 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 [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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 estimated 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 charged to Surplus or Deficit on the Provision of Services, but then reversed out 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 relevant service line in the Comprehensive Income and Expenditure Statement 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 can be members of 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 – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate 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 or decrease 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.

However, the Authority has made a number of loans to voluntary organisations at less than market rates, and offers employees an interest free loan to purchase a car (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 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 de-recognition of an 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-ring fenced 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-ring fenced 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.

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

x. Heritage Assets

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

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. 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 lines 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 lines 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 the Capital Receipts Reserve.

xii. Inventories

Stocks and stores held in the Council's depot and Tourist Information Centre stock 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.

xiii. Investment Property

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

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

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

xiv. Interests in Companies and Other Entities

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

- the authority has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the authority.
- if the authority does not have control, whether its interest involves it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.

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

Consideration has been given to the relationship with all potential entities and the following disclosures have been made:

- interests in other entities as shown in Note 31 to the Core Financial Statements

The relationship with the body disclosed is not material and therefore there is no entity where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

This position will be reviewed and updated on an annual basis.

xv. Leases

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

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

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

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 benefitting 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 (e.g. 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 also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), 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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi. 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 (i.e. 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 expenditure below a de minimis of £15,000, or 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 (i.e. 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.

Donated assets are 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 by:

- 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 by:

- 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 (i.e. freehold land) and assets that are not yet available for use (i.e. 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
- vehicles, plant, furniture and equipment – straight line allocation over the assessed useful life of the asset concerned (life between 3 and 20 years) as advised by a suitably qualified officer

- infrastructure – straight-line allocation over assessed useful life of the type of asset (life between 10 and 50 years) as advised by a suitably qualified officer

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 also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). 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 (e.g. 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 Note 21.

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.

xxi. Exceptional Items

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

xxii. Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals

2. Accounting Standards that have been issued but have not yet been adopted

Paragraph 3.3.2.13 of the 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*
- amendments to IAS 12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrealised Losses
- amendments to IAS 7 *Statement of Cash Flows*: Disclosure Initiative.

If any of the above amendments are expected to have a material impact on information in the financial statements, authorities should refer to Appendix C in the 2018/19 Code in relation to their own disclosures regarding the amendments to the above mentioned standards.

The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated. Appendix C in the Code confirms that there is no requirement to provide financial information relating to the impact of IFRS 9 for the 2017/18 year in the 2017/18 financial statements. Note, however, paragraph D53 of Module 3 of the Code Guidance Notes provides guidance on reporting requirements for the application of paragraph C2.2 e) i) of the 2018/19 Code and 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ie the need to report known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the authority's financial statements in the period of initial application.

CIPFA would also note that there are substantial transitional arrangements for IFRS 9 and IFRS 15 and these have been included in Chapter 7 (Financial Instruments) and Section 2.7 (Revenue from Contracts with Service Recipients) in the 2018/19 Code.

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

There is current uncertainty on the impact of IFRS9 and the resulting accounting transactions, this is likely to be informed by a potential statutory override. We plan to classify the councils financial instruments as fair value through profit or loss, or as amortised cost. This is to maintain consistency of previous treatment of financial instruments but cannot currently assess the impact on the authority's financial statements.

IFRS 15 Revenue from Contracts with Customers sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. The Council does not have any material revenue streams within the scope of the new standard.

The other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code listed below:

- IAS 40 *Investment Property*: Transfers of Investment Property
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*, and
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

were not adopted by the EU in time for inclusion in the 2018/19 Code and therefore they have been rolled forward into the development programme for the 2019/20 Code.
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3. Critical Judgements in applying accounting policies

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

Future funding for local government – Consultation is underway on changes to the Business Rates Retention Scheme, which will ultimately replace existing government grants, creating uncertainty over future levels of funding. There is a high degree of uncertainty about future levels of funding for local government.

However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Asset reclassifications – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

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

Contractual arrangements – the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets). The procurement and control of waste, streetcare and grounds maintenance vehicles have been identified as embedded leases.

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

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

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

The items in the authority’s balance sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming year are as follows.

Item	Uncertainties	Effect if results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on several complex judgements, including the discount rate used, the rate of salary increase, changes in retirement ages, mortality rates and expected returns from pension fund assets. A firm of actuaries is engaged by the pension fund administrator to provide expert advice.	Further information on the impact of changes to assumptions can be found at Note 36.
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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.
Doubtful Debts Allowance	The authority has sundry debts of £3.37m (£1.66m 2016/17), and Housing Benefits of £1.84m (£1.83m in 2016/17). The Authority has made allowance for doubtful debt on a sliding scale dependent on the age of debt.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the bad debt provision of £79,000 (£74,000 2016/17)
Business Rates appeal provision	The Authority is liable for 40% of all refunds to business ratepayers who successfully appeal against the rateable value of their properties. The estimate is based on the latest list of outstanding rating list proposals provided by the Valuation Office.	The Council has provided £3,812,000 for appeals within the Collection Fund, of which the Authority's share is £1,524,000. A 5% change in provision would require an adjustment of £190,600.

5. Notes to the Expenditure and funding analysis

The Expenditure & Funding analysis provides financial information on each of the Council's reporting segments. However, adjustments are made to the reported position to comply with statutory accounting requirements. A reconciliation of adjustments is provided below.

2016/17		2017/18			
Total Adjustments		**Adjustments for Capital Purposes**	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
£'000		**£'000**	**£'000**	**£'000**	**£'000**
	Operations Directorate				
166	Head of Neighbourhood Support	(130)	(270)	-	**(400)**
(1,073)	Head of Planning	(2,048)	(230)	-	**(2,279)**
140	Head of Customer Services	-	(203)	(13)	**(216)**
20	Head of Housing	-	(45)	-	**(45)**
(747)	**Total Operations Directorate**	**(2,178)**	**(748)**	**(13)**	**(2,939)**
	Strategy & Governance Directorate				
211	Head of Finance & Property	(66)	(55)	-	**(121)**
17	Head of Organisational Development	-	(31)	-	**(31)**
440	Head of Communications & Community Engagement	(331)	(94)	-	**(425)**
18	Head of Legal	-	(30)	-	**(30)**
68	Head of Programmes Redesign & Quality	(70)	(95)	-	**(165)**
39	Executive and 5 Councils	-	(53)	-	**(53)**
793	**Total Strategy & Governance Directorate**	**(467)**	**(359)**	**-**	**(826)**
	Commercial Directorate				
14	Head of Commercial Ventures	-	(20)	-	**(20)**
(168)	Head of Environmental Services	(70)	(68)	-	**(138)**
1,330	Project Director - Regenco (WHBM)	-	-	-	**-**
(439)	Head of Development	-	(19)	-	**(19)**
(69)	Building Maintenance/ Estates and Fac	(52)	(68)	-	**(120)**
-	Regenco	-	(78)	-	**(78)**
668	**Total Commercial Directorate**	**(122)**	**(253)**	**-**	**(375)**
714	**Total Service Manager Spend**	**(2,768)**	**(1,360)**	**(13)**	**(4,140)**
1,450	Other Operating Income & Expenditure	6,390	(239)	(920)	**5,231**
2,164	**Total net expenditure**	**3,622**	**(1,599)**	**(933)**	**1,090**

Adjustments for Capital Purposes

- For Services this column adds in depreciation, impairment and revaluations gains and losses.
- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year

Net change for the Pensions Adjustments

- Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure –the net interest on the defined benefit liability is charged to the CIES.

Other Differences

- Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
- For services this represents the change in the accumulated absences reserve attributable to each service.
- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

The Council's income and expenditure can be analysed as follows:

Expenditure / Income type	2016/17 £'000	2017/18 £'000
Employee benefits and other staff costs	15,847	15,456
Direct Expenditure	35,563	37,385
Depreciation, Amortisation and Impairment	993	636
Interest payments	16	866
Precepts & Levies	3,193	3,625
Total Expenditure	**55,612**	**57,968**
Fees, Charges and Other service income	(37,085)	(33,751)
Interest & Investment income	(335)	(454)
Income from Council Tax and Business Rates	(10,610)	(12,756)
Gain (-) / loss on disposal of assets	(555)	(14)
Government Grants & Contributions	(4,809)	(11,695)
Total Income	**(53,394)**	**(58,670)**
Surplus / Deficit on the Provision of Services	**2,218**	**(703)**

Material Items of Income and Expense

The council incurs significant expenditure through its delivery of services to the council tax payer and receives significant income from a number of sources to fund this. For example, the council incurs a significant proportion of it's spend on benefit payments, which is funded predominantly by government grants. This income and expenditure is reported in the Comprehensive Income and Expenditure Statement and is supported by notes within this section.

The council does consider that there were material items of expense that were incurred received in the normal day to day provision of the services. This was:
Costs relating to the transfer of Information and computer services to the provider £600k.

6. Adjustments between the accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2017/18	**General Fund £'000**	**Capital Grants Unapplied £'000**	**Usable Capital Receipts £'000**
Adjustments to the Revenue Resources			
Pensions Costs	(1,599)		
Council Tax and NDR	(920)		
Holiday Pay	(13)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	3,337	(7,802)	
Total Adjustments to Revenue Resources	**805**	**(7,802)**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	43		(43)
Statutory provision for the repayment of debt	243		
Total Adjustments between Revenue and Capital Resources	**285**	**-**	**(43)**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure			2,606
Application of capital grants to finance capital expenditure		2,761	
Total Adjustments to Capital Resources	**-**	**2,761**	**2,606**
Total Adjustments	**1,090**	**(5,041)**	**2,563**

2016/17	General Fund £'000	Capital Grants Unapplied £'000	Usable Capital Receipts £'000
Adjustments to the Revenue Resources			
Pensions Costs	(1,220)		
Council Tax and NDR	(429)		
Holiday Pay	-		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(463)	(3,991)	
Total Adjustments to Revenue Resources	**(2,112)**	**(3,991)**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	555		(555)
Statutory provision for the repayment of debt	238		
Total Adjustments between Revenue and Capital Resources	**793**	**-**	**(555)**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		-	44
Application of capital grants to finance capital expenditure		3,714	
Total Adjustments to Capital Resources	**-**	**3,714**	**44**
Total Adjustments	**(1,319)**	**(277)**	**(511)**

7. Transfers to/from earmarked reserves

The Authority holds a number of specific reserves for the purpose of supporting investment in services and Capital expenditure. This note sets out the total contributions to and from specific reserves during the year. More information on the use of reserves can be found in the Explanatory Foreword, and a summary of total usable reserves can be found at Note 20.

	Opening Balance 1 April 2017 £'000	Transfers from Earmarked Reserves £'000	Contributions to Earmarked Reserves £'000	Closing Balance 31 March 2018 £'000
Right to Buy Reserve	715			715
Priorities & Initiatives Reserve	291			291
Transformation Reserve	4,635	(499)		4,136
Repairs & Maintenance Reserve	794	(32)		762
Income & Cost Risk Reserve	2,350			2,350
Revenue Grants & Contributions Reserve	591		21	612
Service Project Support	733	(135)	204	802
Financial Sustainability Reserve	435			435
Total Earmarked Reserves	**10,544**	**(666)**	**225**	**10,103**

8. Other Operating Expenditure

Other Operating Income and Expenditure, as shown in the Comprehensive Income & Expenditure Account, is made up of the following items.

	2016/17 £'000	2017/18 £'000
Parish Council Precepts	3,193	3,625
Parish Council Support Grants	179	-
Total Other Operating Expenditure	**3,372**	**3,625**
Gains (-) / Losses on disposal of assets	(555)	(14)
Total Other Operating Income	**(555)**	**(14)**
Total Other Operating Expenditure	**2,817**	**3,611**

9. Financing and Investment Income and Expenditure

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

	2016/17 £'000	2017/18 £'000
Interest payable and similar charges	53	866
Expenditure relating to investment properties (Note 12)	984	779
Pensions Interest Cost and expected return on pensions assets	1,220	1,030
Total Financing and Investment Expenditure	**2,257**	**2,674**
Interest receivable and similar income	(335)	(454)
Income in relation to investment properties (Note 12)	(2,686)	(3,046)
Change in the fair value of investment properties (Note 12)	(138)	957
Total Financing and Investment Income	**(3,159)**	**(2,543)**
Total Financing and Investment Income and Expenditure	**(902)**	**131**

10. Taxation and non-specific grant income

Taxation and Non-Specific Grant Income, as shown in the Comprehensive Income & Expenditure Account, is detailed in the table below. Specific revenue grants received have been credited to the relevant service line in the Net Cost of Services. Specific grants are disclosed at Note 29, and Council Tax and Business Rates income are disclosed at Note 3 to the Collection Fund.

	2016/17 £'000	2017/18 £'000
Revenue Support Grant	(731)	(162)
New Homes Bonus	(3,344)	(2,848)
Other Non-Specific general grants	-	(7,089)
Developers Contributions	(734)	-
Council Tax Income	(9,736)	(10,036)
Collection Fund Surplus (-) / Deficit - Council Tax	36	30
Business Rates retention income	(1,826)	(3,578)
Collection Fund Surplus (-) / Deficit - Business Rates retention	916	827
Total Taxation & Non-Specific Grant Income	**(15,419)**	**(22,856)**

11. Property, plant and equipment

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

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation:				
At 1 April 2017	21,006	5,756	-	26,762
Additions	801	-	2,867	3,668
Reclassifications	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,758	-	-	5,758
Impairments	-	-	-	-
Derecognition - disposals	(25)	-	-	(25)
Other movements	(541)	(163)	-	(704)
At 31 March 2018	**26,999**	**5,593**	**2,867**	**35,459**
Accumulated Depreciation and Impairment:				
At 1 April 2017	(1,537)	(3,084)	-	(4,621)
Depreciation Charge	(361)	(165)	-	(526)
Depreciation written out to the Revaluation Reserve	781	-	-	781
Depreciation on consolidation	-	-	-	-
Derecognition - disposals	-	-	-	-
Other movements	541	162	-	703
At 31 March 2018	**(576)**	**(3,087)**	**-**	**(3,663)**
Net Book Value:				
as at 31 March 2018	**26,423**	**2,506**	**2,867**	**31,796**
as at 31 March 2017	**19,469**	**2,672**	**-**	**22,141**

Movements in 2016/17:

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Held for Sale £'000	Total Property, Plant & Equipment £'000
Gross Cost / Valuation				
As at 1 April 2016	20,732	5,536	**-**	**26,268**
Additions	274	220	-	**494**
Gross Cost / Valuation as at 31 March 2017	**21,006**	**5,756**	**-**	**26,762**
Accumulated Depreciation & Impairment				
As at 1 April 2016	(1,178)	(2,552)	-	**(3,730)**
Depreciation Charge	(359)	(532)	-	**(891)**
Accumulated Depreciation & Impairments at 31 March 2017	**(1,537)**	**(3,084)**	**-**	**(4,621)**
Net Book Value 31 March 2017	**19,469**	**2,672**	**-**	**22,141**
Net Book Value 31 March 2016	**19,554**	**2,984**	**-**	**22,538**

There was no PFI asset included in Property, Plant and Equipment in 2016/17 or 2017/18.

Depreciation:

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings - 30 to 50 years
- Vehicles, Plant, Furniture and Equipment - 1 to 10 years

Capital Commitments:

At 31 March 2018, the authority has entered into a contract for the construction of leisure centres at Petersfield Taro centre, Whitehill and Bordon and Alton in 31/03/2018 and future years budgeted to cost £28m. Similarly, at 31 March 2017 there was no capital commitments outstanding.

Effects of changes in estimates:

The Authority's Accounting Policy requires the componentisation of properties valued at over £5,000,000. The purpose of componentisation is to identify the value of plant, equipment and engineering services within a building and depreciate these separately. Reconsideration of the useful lives and fair value of each component is required when an asset is subject to enhancement expenditure.

Revaluations:

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured to fair value is revalued at least every five years. All valuations are carried out externally by the independent valuers, Vail Williams LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and the accounting policies set out in Note 1 (xvii). Valuation of vehicles, plant and equipment are based on current prices, where there is an active market, historic cost or list prices adjusted for the condition of the asset.

The following assumptions are made when undertaking valuations:

- 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 current law
- That all details of leases, rental income and other factual matters provided to the valuer are assumed to be correct.

	Other Land and Buildings £000	Vehicles, plant, furniture and equipment £000	Assets Under Construction £000	Total £000
Carried at historical cost:		5,593	2,867	**8,460**
Valued at fair value as at:				
31-Mar-18	18,709	-	-	18,709
31-Mar-17	-	-	-	-
31-Mar-16	4,913	-	-	4,913
31-Mar-15	2,529	-	-	2,529
31-Mar-14	184	-	-	184
Total cost or valuation	**26,335**	**5,593**	**2,867**	**34,795**

Heritage Assets

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

12. Investment Properties

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

	2016/17 £'000	2017/18 £'000
Rental Income from Investment property	(2,686)	(3,046)
Direct Operating Expenditure arising from investment property	984	779
Total direct income and expenditure	**(1,702)**	**(2,267)**
Net Revaluation gains (-) / losses on investment property	(138)	957
Total gain (-) / loss on investment properties	**(1,840)**	**(1,311)**

There is no restriction 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 obligation to purchase, construct, develop or enhance investment property. The following table summarises the movement in the fair value of investment properties over the year:

	Investment Properties 2016/17 £'000	Investment Properties 2017/18 £'000
Balance at 1 April	21,610	23,459
Additions:		
Purchase of investment property	1,711	47,820
Transfer to (-) / from Property, Plant and Equipment	-	
Net Gain/(loss) on fair value adjustments	138	(957)
Balance at 31 March	**23,459**	**70,322**

13. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences but not 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 lives assigned to the major software suites used by the Authority will be up to 10 years.

The carrying value of intangible assets is cost less any accumulated amortisation and any accumulated impairment loss. The cost is amortised on a straight-line basis and was absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

	2016/17 £'000	2017/18 £'000
Net Carrying Amount at 1st April	**263**	**583**
Purchases	423	15
Amortisation for the period	(103)	(111)
Impairment	-	-
Net carrying amount at 31st March	**583**	**487**

There are two items of capitalised software that are individually material to the financial statements. These are the Council's Financial Information System (Civica), with a net book value of £108,000, and the Customer Relationships Management system, with a Net Book Value of £356,000.

14. Financial Instruments

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

	Current 2016/17 £'000	Long Term 2016/17 £'000	Current 2017/18 £'000	Long Term 2017/18 £'000
Investments				
Cash Equivalents	26,274	**-**	34,832	**-**
Loans and Receivables	5,044	5,066	15,000	-
Total Investments	**31,318**	**5,066**	**49,832**	**-**
Debtors				
Loans and Receivables	2,183	-	3,196	-
Financial Assets carried at contracted amounts	-	860	1,853	485
Total Debtors	2,183	860	5,049	485
Total Financial Assets	**33,501**	**5,926**	**54,881**	**485**
Other Long-Term Liabilities				
Long Term Borrowing	-	(8,997)	-	(70,000)
Finance Lease Liabilities	(243)	(5,480)	(247)	(5,232)
Total Other Long-Term Liabilities	(243)	(14,477)	(247)	(75,232)
Trade Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities at contracted amounts	(6,373)	(254)	(8,794)	(225)
Total Trade Creditors	(6,373)	(254)	(8,794)	(225)
Total Financial Liabilities	**(6,616)**	**(14,731)**	**(9,041)**	**(75,457)**

Material soft loans

The authority makes loans for car purchases, cycle purchases and rail season tickets. The Council has also issued eco fit loans for retrofitting insulation to homes. None of these loans are considered material for the purposes of this note.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows.

	2016/17 Financial Assets - Loans and Receivables £'000	2017/18 Financial Assets - Loans and Receivables £'000
Interest expenditure	16	841
Fee Expenditure	37	25
Total Expense	**53**	**866**
Interest income (Cash)	(259)	(302)
Interest income (Accrued)	(76)	(152)
Total Income	**(335)**	**(454)**
Net Gain / Loss (-) for the year	**(282)**	**412**

Financial assets and liabilities, represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost which is not materially different from their fair value.

	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Cash Equivalents	23,726	23,726	34,832	34,832
Deposits exceeding 1 year	5,066	5,066	-	-
Deposits under 1 year	7,591	7,591	15,000	15,000
Total value	**36,383**	**36,383**	**49,832**	**49,832**

15. Inventories

The Council did not hold stock of a material value at 31 March 2018.

16. Debtors

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

	Balance 31 March 2017 £'000	Balance 31 March 2018 £'000
Amounts falling due within one year		
Prepayments and accrued income	1,805	1,224
Government departments	-	-
HM Revenue and Customs (Value Added Tax)	432	610
Other Local Authorities	16	-
Collection Fund - EHDC	782	518
Collection Fund balance due from precepting authorities	169	3,874
Debtors for services	2,327	4,601
Housing Benefit Debtors	1,831	1,838
Debtors due within one year	**7,362**	**12,665**
Doubtful debts allowance		
General Fund	(1,476)	(1,582)
Collection Fund	(260)	(247)
Total Debtors due within 1 year	**5,626**	**10,836**
Community Infrastructure Levy Debtor	594	159
Amounts owed to East Hampshire Commercial Services	32	59
Employee Car Loans	79	96
Other long term debtors	155	171
Total Long Term Debtors	**860**	**485**

17. Cash and cash equivalents

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

	Balance 1 April 2017 £'000	Movement in year £'000	Balance 31 March 2018 £'000
Cash in Hand and Bank Balance	(1)	235	234
Investments repayable within three months	26,879	7,719	34,598
Total Cash Equivalents	**26,878**	**7,954**	**34,832**
Bank Overdraft	(604)	604	-
Total Cash and Cash Equivalents	**26,274**	**8,558**	**34,832**

18. Creditors

Creditors are amounts owed by the Authority.

	Balance 31 March 2017 £'000	Balance 31 March 2018 £'000
Amounts falling due within one year		
Accruals and income in advance	2,511	3,540
Government departments	1,804	3,639
Her Majesty's Revenues and Customs (Income Tax)	280	212
Other Local Authorities	1,205	1,275
Collection Fund - EHDC	961	262
Council Tax balance due from precepting authorities	-	-
Business rates balance due from Govt and precepting authorities	939	2,640
Creditors for goods and services	573	610
Short Term Finance Lease Capital Liability	243	247
Total Creditors payable within 1 Year	**8,516**	**12,425**
Amounts falling due over one year		
Deferred liabilities	254	225
Finance Lease - Long Term Liabilities (Note 34)	5,480	5,232
Total Creditors payable after 1 year	**5,734**	**5,457**

19. Provisions

Provisions at 31 March 2018 represent amounts set aside for the purpose of providing for liabilities, which are likely or certain to be incurred but are uncertain as to the amount or the date on which they will arise.

	Developer contribution inflation £'000	Insurance Provisions £'000	Damage Deposits £'000	Business Rates Appeals Provision £'000	Total £'000
Balance as at 1st April 2017	237	121	104	981	1,443
Additional Provisions	-	-	-	544	544
Amounts used	(143)	(3)	(1)	-	(147)
Unused amounts reversed	-	-	-	-	-
Balance as at 31 March 2018	**94**	**118**	**103**	**1,525**	**1,840**

Under one year	94	7	-	-	101
One year and over	-	111	103	1,525	1,739
Balance as at 31 March 2018	**94**	**118**	**103**	**1,525**	**1,840**

Business Rates Appeals Provision

Businesses in the East Hampshire District Council area are entitled to appeal against the rating valuation of their property. The Council bears 40% of the cost of business rates appeals. The provision is created on the basis of known appeals that have yet to be settled.

Municipal Mutual Insurance

Municipal Mutual Insurance (MMI) was a local authority owned mutual providing insurance to the Council which ceased business in 1992. However, MMI is still liable for certain insurance claims which, if not covered by MMI's remaining assets, will be apportioned between the member authorities. A Supreme Court ruling in March 2012 gave certainty that MMI will incur full liability for Mesothelioma claims, significantly increasing the likelihood that costs will be incurred by the Council. The latest estimate of potential liability is £130,000 and a provision has been created to ensure the council can meet this liability.

Damage Deposits

In order to meet statutory obligations for reducing homelessness, the Council will guarantee damage deposits on behalf of tenants moving into privately rented accommodation where certain criteria are met. The Council holds provision against damage deposits in order to undertake that guarantee.

Developer Contributions

The Council holds developer contributions which, as part of the original agreements, the Council applies inflationary increases to ensure that the value of the contribution does not diminish over time. This provision has been created to provide for inflation costs.

20. Usable reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement, Note 7 for specific reserves and Note 29 for capital grants & contributions.

Reserve	Description	Balance 1 April 2017 £'000	Net Movement £'000	Balance 31 March 2018 £'000
Usable Capital Receipts	Capital Receipts from fixed asset sales, available for future capital expenditure.	5,484	(2,563)	2,921
General Fund	Resources available to meet future service costs.	3,678	54	3,732
Earmarked Reserves	Specific reserves created to meet future liabilities.	10,544	(441)	10,103
Capital Grants and Contributions unapplied	Grants and contributions received but not yet spent, where no restrictions exist or where restrictions have been met.	10,390	5,041	15,431
Total Usable Reserves		**30,095**	**2,091**	**32,186**

21. Unusable reserves

Unusable reserves represent reserves that hold unrealised gains and losses, (for example, where amounts would only become available to provide services if 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.

	2016/17 £'000	2017/18 £'000
Revaluation Reserve	10,444	16,770
Capital Adjustment Account	24,518	25,875
Pension Reserve	(40,790)	(44,749)
Collection Fund Adjustment Account	(821)	(1,741)
Accumulated Absences Account	(84)	(96)
Total Unusable Reserves	**(6,733)**	**(3,941)**

Revaluation reserve:

The 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:

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

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

	31 March 2017		31 March 2018	
	£000	**£000**	**£000**	**£000**
Balance outstanding at start of year		10,646		10,444
Upward revaluation of assets	-		6,540	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-		-	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-		6,540
Accumulated gains on assets sold or scrapped		-		(20)
Difference between fair value depreciation and historical cost depreciation		(202)		(194)
Balance outstanding at end of year		**10,444**		**16,770**

Capital adjustment account:

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2016/17 £'000	2017/18 £'000
Balance as at 1st April	**24,016**	**24,518**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of non-current assets	(890)	(526)
Charges for impairment of non-current assets	-	-
Revaluation losses on Property, Plant and Equipment	-	(2)
Amortisation of intangible assets	(103)	(111)
Revenue Expenditure funded from Capital under Statute	(2,614)	(2,845)
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	-	(6)
Adjusting amounts written out of the Revaluation Reserve	202	194
Net written out amount of the cost of non-current assets consumed in the year.	**(3,405)**	**(3,296)**
Capital Financing applied in the year		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	44	2,606
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,730	2,761
Application of revenue and reserve funding to capital financing	995	-
Statutory provision for the financing of capital investment charged against the General Fund	-	243
Total Capital Financing applied	**3,769**	**5,610**
Movements in the market value of Investment Properties credited or debited to the Comprehensive Income and Expenditure Statement	138	(957)
Balance as at 31st March	**24,518**	**25,875**

Pensions reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further information on the Council's pension scheme can be found at Note 36.

	2016/17 £'000	**2017/18 £'000**
Balance as at 1 April	(36,780)	(40,790)
Actuarial gains or losses on the pension assets or liabilities	(2,790)	(2,360)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,050)	(3,610)
Employers' pension contributions and direct payments to pensioners payable in the year	1,830	2,011
Balance as at 31 March	**(40,790)**	**(44,749)**

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 arrangements for paying across amounts to the General Fund from the Collection Fund. The balance on the account represents East Hampshire District Council's share of the Collection Fund deficit carried forward.

	2016/17 £'000	**2017/18 £'000**
Balance as at 1 April	(392)	(821)
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	(150)	(8)
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business rates income calculated for the year in accordance with statutory requirements	(279)	(912)
Balance as at 31 March	**(821)**	**(1,741)**

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 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

	2016/17 £'000	**2017/18 £'000**
Balance as at 1 April	(83)	(84)
Settlement or cancellation of accrual made at the end of the preceding year	83	84
Amounts accrued at the end of the current year	(84)	(96)
Balance as at 31 March	**(84)**	**(96)**

22. Net cash flow from operating activities

The cash flows for operating activities, shown in the cashflow statement, include the following items:

	2016/17 £000	2017/18 £000
Depreciation and Amortisation	993	**637**
Impairment and downward valuations	-	**2**
Net book value of disposed assets		**25**
(Increase) / Decrease in Capital Grants in Advance		**739**
(Increase) / Decrease in Debtors	1,641	**(4,835)**
Increase / (Decrease) in Creditors	1,382	**3,880**
Increase / (Decrease) in Provisions	202	**397**
Increase / (Decrease) in Stock	-	**-**
Movement in Pension Liability	1,220	**1,693**
Changes in fair value of investment properties	138	**957**
Movement in Fair Values of Financial instruments	-	**-**
Donated Assets	-	**-**
Other non-cash items charged to the net surplus or deficit on the provision of services	(255)	**(1)**
	5,321	**3,494**

Adjustments to net surplus or deficit on the provision of services for non -cash movement

	2016/17 £000	2017/18 £000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(555)	**(43)**
Any other items for which the cash effects are investing or financing cash flows	-	**(7,802)**
	(555)	**(7,845)**

23. Net cash flow from investing activities

The cashflows for investing activities, shown in the Cash Flow Statement, include the following items:

	2016/17 £000	2017/18 £000
Purchase of property, plant & equipment, investment property and intangible assets	(2,631)	**(51,501)**
Purchases of short & long term investments	-	**(4,890)**
Other payments for investing activities	-	**-**
Proceeds from sale of property, plant & equipment, investment property and intangible assets	555	**43**
Proceeds from short & long term investments	10,052	**-**
Other receipts for investing activities	-	**7,802**
	7,976	**(48,546)**

24. Net cash flow from financing activities

The cashflows for financing activities, shown in the Cashflow Statement, include the following items:

	2016/17 £000	2017/18 £000
Cash receipts of short & long term borrowing	8,997	**61,000**
Other receipts from financing activities		
- Capital Receipts		**-**
- Council Tax Preceptor Cash		**-**
- NNDR Cash Receipts		**-**
Cash payments for finance leases	(238)	**(248)**
Repayment of short & long term borrowing		**-**
Other payments from financing activities		
- Council Tax Preceptor Cash		**-**
- NNDR Cash Payments		**-**
	8,759	**60,752**

25. 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 Council Tax and Business Rates as an agent for major precepting bodies and Central Government. Income and Expenditure relating to these arrangements are disclosed within the Collection Fund outturn. The Authority acts as an agent for the South Downs National Park for certain planning services. The Authority also acts as an agent on behalf of Central Government for the payment of Housing Benefit. The cost of providing Housing Benefit is met from subsidy paid by Government.

26. Members' Allowances

Members Allowances consist of a Basic Allowance for all Councillors of £5,200 and a Special Responsibility allowance, dependent on the Councillor's role in the authority. The Authority paid the following amounts to members of the council during the year.

	2016/17 £'000	2017/18 £'000
Basic Allowances	227	226
Special Responsibility Allowances	111	106
Expenses	12	14
Total	**350**	**346**

27. Officers' Remuneration

The remuneration paid to the Authority's senior employees* is as follows:

Post Holder information	Year	Salary, fees and allowances £	Payments for loss of employment £	Employers' pension contributions £	**Net cost to Havant Borough Council £**	Net cost to East Hampshire District Council £
Chief Executive	2017/18	132,066	-	18,622	**75,344**	75,344
	2016/17	*130,066*	-	*17,018*	***73,542***	*73,542*
Executive Director - Operations (Agency fee June to October 2017, employed from November 2017)	2017/18	110,000		2,586	***56,293***	*56,293*
	2016/17	*149,318*	-	*6,004*	***77,661***	*77,661*
Executive Director - Governance (left 19/03/18)	2017/18	104,421		13,743	***59,082***	*59,082*
	2016/17	*103,722*	-	*13,258*	***58,490***	*58,490*
Executive Director - Commercial	2017/18	103,109	-	13,133	***58,121***	*58,121*
	2016/17	*101,609*	-	*13,311*	***57,460***	*57,460*
Chief Finance Officer S151 (employed from December 2017)	2017/18	50,859	-	3,871	***27,365***	*27,365*
	2016/17	*0*	-	-	**-**	-
Total cost of senior officers - 2017/18					**276,205**	**276,205**
Total cost of senior officers - 2016/17					***267,153***	***267,153***

*A senior employee is defined as an officer who earns a salary of more than £150,000 per annum, or is the designated head of the paid service, or is a statutory chief officer, or is any person having responsibility for the strategic management of the council, to the extent that the officer has power to direct or control the major activities of the council, in particular, activities involving the expenditure of money, whether solely or collectively with other officers. The Council shares its management team with Havant Borough Council. The remuneration disclosed excludes any payments for secondary employment in respect of election duties.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts, based on pro rata salary as opposed to actual payments:

Bands	Number of Employees			
	2017/18 exc termination benefits	**2017/18 inc termination benefits**	**2016/17 exc termination benefits**	**2016/17 inc termination benefits**
£50,000 - £54,999	4	3	7	7
£55,000 - £59,999	7	7	6	7
£60,000 - £64,999	-	-	3	3
£65,000 - £69,999	3	3	2	2
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	2	2	1	1
£80,000 - £84,999	1	1	2	2
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	1	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £110,000	-	-	1	1
	17	**17**	**22**	**23**

The numbers of exit packages with total cost per band are set out in the table below. Further information on exit packages is given at Note 35.

Cost band	Number of compulsory redundancies		Number of other departures agreed		Total cost of exit packages £	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**
£0 - £20,000	-	-	-	-	-	-
£20,001 - £40,000	-	1	-	-	-	20,895
£40,001 - £60,000	1	-	-	-	50,532	-
£60,001 - £80,000	-	-	-	-	-	-
Total	**1**	**1**	**-**	**-**	**50,532**	**20,895**

28. External audit costs

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

	2016/17 £'000	2017/18 £'000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed Auditor	45	45
Fees payable to Ernst & Young for the certification of grant claims and returns	12	9
Fees payable in respect of other services provided by the appointed Auditor	5	-
Total	**62**	**54**

29. Grant Income

The Authority credited the following grants, subsidies and contributions to the Comprehensive Income and Expenditure Statement in 2017/18.

	2016/17 £'000	2017/18 £'000
Credited to Services		
Council Tax Support Scheme Subsidy	80	78
Department for Environment and Climate Change HEAT Network	67	-
European Election Settlement grant	136	-
Enterprise M3 OSU site contribution	450	-
Housing Benefits Subsidy	23,354	22,133
Housing Benefits Subsidy New Burdens	9	-
Housing Benefits Subsidy - Discretionary Housing payments	96	156
Housing Benefit Administration Grant	261	241
Housing Benefit Rent Rebate Subsidy	24	27
Implementing Electronic Electroal Registration funding	22	-
Local Authority Data Sharing and Real Time Information grant	13	-
Neighbourhood Planning Grants	(20)	-
Non Domestic Rates Cost of Collection Subsidy	152	
Homlessness Prevention	-	62
Single Fraud Investigation Service	2	-
Universal Credit	18	2
Welfare Reform Grant	34	17
Disabled Facilities Grant	-	713
Total	**24,698**	**23,429**

The Authority also credited the following general grants and contributions to the Comprehensive Income and Expenditure Statement, as outlined in Note 10:

Credited to taxation and non specific grant income	2016/17 £'000	2017/18 £'000
General Grants		
Additional Burdens Grants	634	-
New Homes Bonus Grant	3,341	2,848
New Homes Bonus redistribution Grant	4	-
Revenue Support Grant	734	162
Revenue Support Transition Grant	96	-
Total General Grants	**4,809**	**3,010**
Capital Grants & Contributions		
Disabled Facilities Grant	90	-
Department for Environment and Climate Change	92	-
Low Carbon Challenge Retrofitting recycled fund	168	-
Whitehill and Bordon Eco Town Grant	435	-
Homes and Communities Association Contribution to Quebec Barracks Refurbishment	128	-
Developers' Contributions with no restrictions outstanding	7,873	5,770
CIL Contributions	656	1,319
Partnership for Urban South East Hampshire housing loans contribution	(2)	-
IER Funding	93	-
Green Deal Funding Grant	317	-
OSU Contribution	297	-
NHS England	243	-
Total Capital Grants & Contributions	**10,390**	**7,089**

The Authority has received a number of contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the contributors. These are referred to as Capital Grants and Contributions in Advance. The Authority also holds grants, contributions and donations that have been recognised as income but have not yet been applied to expenditure. These are known as capital grants & contributions unapplied. The table below outlines the movements in such grants.

Capital Grants and Contributions in advance	2016/17 £'000	2017/18 £'000
Developers' Contributions with restrictions outstanding	105	844
Low Carbon Challenge Retrofitting contributions	105	105
Total Capital Grants and Contributions in advance	**210**	**949**

30. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are detailed in Note 29.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 26. During 2017/18, no works or services were commissioned from companies in which Members had an interest. No grants were awarded to organisations in which Members were on the governing body. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members Interests are available for public inspection.

Officers

There was no known material related party transaction with officers for 2017/18 or for 2016/17.

A Joint Management structure is established with Havant Borough Council. Details of the transactions with Havant Borough Council can be found in Note 27 Officers' remuneration.

Entities controlled or Significantly influenced by the Authority

The Council has direct control over its trading companies, East Hampshire Trading Services Ltd (EHTS) and East Hampshire Commercial Services Ltd (EHCS). Gill Kneller (Commercial Director) is named as a director on both companies, and James Hassett (Head of Operations) is named as a director for EHCS, due to their representation of Council interests through the Management Boards of the companies. Abe Ezekiel (Service Head for Legal) resigned as a Director for EHCS in December 2017

31. Interests in other entities

The Council must consider all of its interests in entities and prepare a full set of group accounts where the have material interests in subsidiaries, associates or joint ventures. The following actions are carried out:

- Determine whether the Council has any form of interest in an entity
- Assess the nature of the relationship with the Council
- Determine the grounds of materiality whether group accounts should be prepared.

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have not been prepared.

East Hampshire Trading Services LTD and East Hampshire Commercial Services Ltd

The Council has a controlling interest in the two Local Authority Trading Companies, which provide enforcement and consultancy services. Group Accounts have not been prepared on the grounds of materiality. However, the following information is disclosed to aid understanding of the nature of the relationship of the arrangement.

a) The registered names of the companies are EH Trading Services Ltd (EHTS) and EH Commercial Services Ltd (EHCS)
b) The principal activities of the two companies are primarily enforcement work (EHCS) and consultancy work (EHTS).
c) The immediate and ultimate parent undertaking is East Hampshire District Council
d) The Council holds 100% ownership of the companies
e) Payments made to EHCS and EHTS relate to the provision of loans and for services received. Payments from the companies are for services received, recharges for goods & services purchased on the companies behalf & interest on loans.
f) Details of financial performance are set out below.

EHCS Ltd Income & Expenditure	**EHCS Ltd £**
Gross revenue	294,599
Cost of Sales	(205,537)
Gross Profit	**89,062**
Administration Expenses	(84,461)
Operating Profit	**4,601**
Financing Costs	(3,612)
Profit for the Financial Year	**989**

EHCS Ltd Balance Sheet

	EHCS Ltd £
Non Current Assets	8,802
Inventories	-
Trade Receivables	38,671
Cash	25,360
Prepayments	10,125
Total Current Assets	**74,156**
Total Assets	**82,958**
Current Liabilities	(48,676)
Long Term Liabilities	(58,767)
Total Liabilities	**(107,443)**
Net Assets	**(24,485)**
Retained Earnings	**(24,485)**

NOTES TO THE CORE FINANCIAL STATEMENTS

EHTS has not traded in 2017/18 so there is no Income and Expenditure

EHTS Ltd Balance Sheet

	EHTS Ltd **£**
Non Current Assets	-
Trade Receivables	3,638
Cash	2,897
Total Current Assets	**6,535**
Total Assets	**6,535**
Current Liabilities	(6,535)
Total Liabilities	(6,535)
Net Assets	**-**
Retained Earnings	**-**

32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Prudential Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement	**7,492**	**1,475**
Total Capital Expenditure		
Property, Plant and Equipment	493	3,668
Investment Properties	1,713	47,820
Intangible Assets	425	15
Revenue Expenditure funded from Capital under Statute	2,614	2,845
Total to finance from capital resources	**5,245**	**54,348**
Method of Finance		
Usable Capital Receipts	(44)	(2,606)
Specific Capital Grants	(740)	(713)
Capital Contributions	(1,991)	(2,048)
Sums set aside from Revenue	(995)	(243)
	(3,770)	**(5,610)**
Closing Capital Financing Requirement	**8,967**	**50,213**
Explanation of Movements in Year		
Increase in Capital Financing Requirement	1,475	48,981
Finance Lease capital repayment	-	(243)
Increase in Capital Financing Requirement	**1,475**	**48,738**

33. Leases

Authority as Lessee

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

Lease Classifications

Leases are classified either as 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 risk and rewards are classified as operating leases. Where an arrangement includes both land and buildings, the land and buildings element 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 with Liverpool Victoria in the late 1970s. Under the 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. The lease has subsequently transferred to the current lessor, K. S Hampshire. The buildings element of this lease is considered to be a Finance Lease under International Financial Reporting Standards adopted in 2010/11.

The Authority has jointly procured the provision of Environmental Services with Winchester City Council. The contract arrangements include an embedded lease within the contract for the provision of vehicles, specifically refuse freighters for the collection of refuse and recycling, and vehicles used in the provision of grass cutting and street maintenance. The embedded leases have been classified as finance leases.

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

	2016/17 £'000	**2017/18 £'000**
Investment Property	5,240	5,240
Vehicles, Plant & Equipment	246	197
Total	**5,486**	**5,437**

**2016/17 has been restated to correctly account for Woolmer Estate property lease

The Authority is committed to making minimum payments under this lease 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:

	31st March 2017 £'000	31st March 2018 £'000
Current Liability	550	254
Long Term Liability	5,479	5,231
Finance Costs payable in future years	2,844	13,478
Total Minimum Lease payments	**8,873**	**18,963**

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31/03/17	**31/03/18**	**31/03/17**	**31/03/18**
	£'000	**£'000**	**£'000**	**£'000**
Up to 1 year	376	550	243	248
1 year to 5 years	1,023	1,342	399	161
Over 5 years	7,474	17,071	5,082	5,070
Total	**8,873**	**18,963**	**5,724**	**5,479**

The Authority sub-lets individual units held under the investment property Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £1.35m at 31st March 2018 (£1.86m at 31st March 2017).

Authority as Lessee: Operating Leases

The authority has also acquired a number of assets under operating lease arrangements. Examples include buildings and equipment. Future minimum lease payments of £17,000 are due under non cancellable leases. No assets were subleased.

Minimum Lease Payments under non cancellable leases:

	31st March 2017 £'000	31st March 2018 £'000
Up to 1 year	11	11
1 year to 5 years	15	5
Over 5 years	2	1
Total	**28**	**17**

Authority as Lessor: Finance Leases

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

Authority as Lessor: Operating Leases

The Authority leases land and property under operating leases for the following purposes:

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

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

	31st March 2017 £'000	31st March 2018 £'000
Up to 1 year	648	648
1 year to 5 years	2,968	2,694
Over 5 years	7,536	6,984
Total	**11,152**	**10,326**

34. Impairment losses

No impairment losses were identified in 2017/18.

35. Termination Benefits

The Authority terminated the contract of one employee in 2017/18, incurring liabilities of £20,895 (one employee totalling £50,532 in 2016/17), in the form of compensation for loss of office.

36. Defined benefit pension schemes

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 LGPS is a funded defined benefit plan, with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014. 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 pension liabilities with investment assets. Information on the framework for calculating contributions is set out in LGPS regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. The Fund Administering Authority, Hampshire County Council, is responsible for governance of the Fund.

The assets allocated to East Hampshire District Council in the Fund are notional and assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the Accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the fund as a whole is shown in the disclosures. The administering Authority may invest a small proportion of the Fund's assets in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy

Financial Assumptions	**31 March 2015**	**31 March 2016**	**31 March 2017**	**31 March 2018**
Discount rate	3.2% pa	3.4% pa	2.6% pa	2.6% pa
RPI Inflation	2.9% pa	2.9% pa	3.1% pa	3.2% pa
CPI Inflation	1.8% pa	1.8% pa	2.0% pa	2.1% pa
Pension Increases	1.8% pa	1.8% pa	2.0% pa	2.1% pa
Pension Accounts revaluation rate	1.8% pa	1.8% pa	2.0% pa	2.1% pa
Rate of general increase of salaries	3.3% pa	3.3% pa	3.5% pa	3.6% 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	31 March 2017	31 March 2018
Male		
Member aged 65 at accounting date	24.0	24.1
Member aged 45 at accounting date	26.0	26.2
Female		
Member aged 65 at accounting date	27.0	27.2
Member aged 45 at accounting date	29.3	29.4

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.

	Asset split as at 31/3/2017	Asset split as at 31/3/2018		
		Quoted	Unquoted	Total
	(%)	(%)	(%)	(%)
Equities	60.3	58.5	4.1	62.6
Property	6.5	0.7	6.3	7.0
Government Bonds	25.2	23.5	0.2	23.7
Corporate Bonds	1.4	1.0	-	1.0
Cash	3.4	2.6	-	2.6
Other**	3.2	0.2	2.9	3.1
Total	**100.0**	**86.5**	**13.5**	**100.0**

Reconciliation of funded status to the Balance Sheet

	Value as at 31 March 2017		Value as at 31 March 2018	
	Funded	Unfunded	Funded	Unfunded
	£m	£m	£m	£m
Fair value of assets	77.75	-	78.92	-
Present value of defined benefit obligation	(115.48)	(3.06)	(120.65)	(3.01)
Funded status	**(37.73)**	**(3.06)**	**(41.73)**	**(3.01)**
Impact of minimum funding requirement / asset ceiling	-	-	-	-
Asset / (liability) recognised on the balance sheet	**(37.73)**	**(3.06)**	**(41.73)**	**(3.01)**

Breakdown of amounts recognised in the Surplus or Deficit on the Provision of Services and Other Comprehensive Income:

	Period Ending 31 March 2017 £m		Period Ending 31 March 2018 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Operating Costs				
Current Service Cost (including allowance for cost of collection of £0.02m)	1.83	-	2.58	-
Past Service Costs (including curtailments)	-	-	-	-
Financing Costs				
Interest on net defined benefit liability / (asset)	1.12	0.10	0.95	0.08
Pension expense recognised in Income & Expenditure	**2.95**	**0.10**	**3.53**	**0.08**
Remeasurements in Other Comprehensive Income				
Return on plan assets (in excess of) / below that recognised in net interest	(13.22)	-	(0.36)	-
Actuarial (gains) / losses due to changes in financial assumptions	19.35	0.25	1.95	0.03
Actuarial (gains) / losses due to changes in demographic assumptions	(1.34)	(0.07)	-	-
Actuarial (gains) / losses due to liability experience	(2.08)	(0.10)	0.71	0.03
Total amount recognised in Other Comprehensive Income	**2.71**	**0.08**	**2.30**	**0.06**
Total amount recognised	**5.66**	**0.18**	**5.83**	**0.14**

Changes to the Present Value of defined benefit obligation during the accounting period

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

	Period Ending 31 March 2017 £m		Period Ending 31 March 2018 £m	
	Funded	Unfunded	Funded	Unfunded
Opening defined benefit obligation	97.62	3.07	115.48	3.06
Current service cost	1.83	-	2.58	-
Interest expense on defined benefit obligation	3.27	0.10	2.96	0.08
Contributions by Participants	0.61	-	0.63	-
Actuarial Gains (-) / Losses - financial assumptions	19.35	0.25	1.95	0.03
Actuarial Gains (-) / Losses - demographic assumptions	(1.34)	(0.07)	-	-
Actuarial Gains (-) / Losses - experience	(2.08)	(0.10)	0.71	0.03
Net Benefits Paid out	(3.78)	(0.19)	(3.66)	(0.19)
Closing defined benefit obligations	**115.48**	**3.06**	**120.65**	**3.01**

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 31 March 2017 £m		Period Ending 31 March 2018 £m	
	Funded	**Unfunded**	**Funded**	**Unfunded**
Opening Fair Value of Assets	63.91	-	77.75	-
Expected return on Assets	2.15	-	2.01	-
Actuarial Gains / (-) Losses on assets	13.22	-	0.36	-
Contributions by the Employer	1.64	0.19	1.83	0.19
Contributions by Participants	0.61	-	0.63	-
Net Benefits Paid out*	(3.78)	(0.19)	(3.66)	(0.19)
Closing Present Value of Liabilities	**77.75**	**-**	**78.92**	**-**

* 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 31 March 2017 £m	Period Ending 31 March 2018 £m
Interest income on Assets	2.15	2.01
Actuarial Gains / (-) Losses	13.22	0.36
Actual Return on Assets	15.37	2.37

Sensitivity Analysis

The results shown in the Accounts are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 and the projected service cost for the year ending 31 March 2019 is set out below. In each case, the only assumption mentioned is altered; all other assumptions remain the same. Sensitivity on unfunded benefits are excluded on grounds of materiality.

Funded LGPS Benefits	+0.1% pa	Base Figure	-0.1% pa
Discount rate assumptions			
Present value of total obligation (£m)	118.48	120.65	122.86
% change in present value of total obligation	(1.8%)		(1.8%)
Projected service costs (£m)	2.67	2.76	2.85
Approximate % change in service cost	**(3.1%)**		**3.2%**
Rate of general increases in salaries			
Present value of total obligation (£m)	121.03	120.65	120.27
% change in present value of total obligation	0.3%		(0.3%)
Projected service costs (£m)	2.76	2.76	2.76
Approximate % change in service cost	**-%**		**-%**
Rate of general increases in pensions in payment			
Present value of total obligation (£m)	122.48	120.65	118.85
% change in present value of total obligation	1.5%		(1.5%)
Projected service costs (£m)	2.85	2.76	2.67
Approximate % change in service cost	**3.2%**		**(3.1%)**
Post retirement mortality assumptions	**+1 Year**	**Base Figure**	**-1 Year**
Present value of total obligation (£m)	124.2	120.65	117.12
% change in present value of total obligation	2.9%		(2.9%)
Projected service costs (£m)	2.86	2.76	2.66
Approximate % change in service cost	**3.7%**		**(3.6%)**

Estimated Surplus or Deficit on the Provision of Services in 2018/19

Estimates of charges to the Comprehensive Income and Expenditure Account in future periods are based on assumptions in place as at 31 March 2018.

	2018/19	
	Funded £m	**Unfunded £m**
Projected Service Cost	2.76	-
Past Service Costs	-	-
Net interest on the net defined liability / (asset)	1.06	0.08
Total	**3.82**	**0.08**

Pension costs in future periods

The pension costs shown in the next accounting period's accounts will be different to that shown above. Although it is not possible to give a reliable indication of the impact, the figures shown are subject to change. Reasons why the pension cost may change include:

1. Actual increase in payroll being different to that used in the calculations. The projected payroll figure of £8.99m (£8.26m in 2017/18) has been estimated from the implied payroll over the accounting period. A difference in payroll will particularly affect current service costs.
2. Past service costs may not be zero. (These costs result from benefit augmentations or early retirements before age 60 or on the grounds of efficiency).
3. Curtailment / settlement events may occur (for example, outsourcing, redundancy exercises, or bulk transfers)
4. Actual cash flows over the next accounting period may differ from those assumed.

37. Contingent liabilities and contingent assets

At 31 March 2018 the authority has the following material contingent liabilities:

At the end of March it was announced there would be a restructure of the finance team following on from the outsourcing of the service to Capita. The consultation process may lead to redundancies which may incur a cost to the council. If there is a cost this will be known in 2018/19 and should be covered by a financial reserve which has already been set aside in previous years.

There were no contingent assets.

38. Nature and extent of risks arising from financial instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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 a central finance team, under policies approved by the council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies 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 financial institutions unless they meet identified minimum credit criteria, as laid down within the Strategy. The Strategy also imposes a maximum sum to be invested with any given financial institution for periods in excess of 12 months.

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Risks relating to recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise. The Council has experienced no loss arising from defaults on its investments during the last five years.

The Council does not generally allow credit for customers; if it does so the customers are assessed, taking into account their financial position, past experience and other factors wherever possible.

No credit limit was exceeded during the reporting period. The Council's debt profile was as follows:

Aged Debt Age	2016/17 Total £'000	2017/18 Total £'000
0-30 Days	803	2,445
31-60 Days	60	16
61-90 Days	2	35
91-180 Days	103	158
Over 180 Days	688	701
Grand Total	**1,656**	**3,355**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when 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 has taken out long term borrowing during 2017/18. However, the risk associated with this borrowing is that the Authority is bound to repay at potentially unfavourable interest rates, and this risk is minimised through careful cash flow management. The Authority sets limits on the proportion of borrowing and the maturity profile of that borrowing.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Consequently there is minimal liquidity risk exposure for the Council. The Council's loan profile was as follows:

Loans Maturity	2016/17 Total £'000	2017/18 Total £'000
< 1 year	-	-
1-2 years	3,600	3,600
2-5 years	-	-
5-10 years	-	-
10-20 years	5,400	5,400
> 20 years	-	61,000
Grand Total	**9,000**	**70,000**

Market Risk

Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

The Council has long term loans and therefore nominal gains and losses on fixed rate borrowings would impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings, if applicable, and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 65% of its investments in variable rate deposits. Due to the nature of the investments held at 31 March 2018, the authority was not exposed to significant interest rate risk.

Equity Price Risk

The Authority does not invest in equity shares, and thus has no exposure to equity price risk.

Foreign Exchange Risk

The Authority has no financial asset or liability denominated in a foreign currency and thus has no exposure to loss arising from movements in exchange rates.

39. Events after the Balance Sheet Date

The Statement of Accounts was approved by the Responsible Finance Officer on 31 May 2018, and this is the date up to which events after the balance sheet date have been considered for inclusion in the Accounts.

No post balance sheet events have been identified.

40. Authorisation of the statement of accounts

The Statement of Accounts was authorised by the Responsible Finance Officer on 26 July 2017, and replaces the unaudited Draft Statement of Accounts issued by the Responsible Finance Officer on 31 May 2018.

COLLECTION FUND STATEMENT

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

2016/17 Total £000		2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000
	Income			
(72,938)	Income from Council Tax	-	(76,451)	(76,451)
(29,038)	Income collectable from Business Ratepayers	(30,649)	-	(30,649)
(101,976)		**(30,649)**	**(76,451)**	**(107,100)**
	Expenditure			
73,066	Precepts paid to Police and Crime Commissioner, Fire Authority, County and District Councils	-	76,482	76,482
(769)	Distribution of previous year's estimated surplus	(110)	(115)	(225)
29,620	Business rates payable to central govt and Major Preceptors	32,803	-	32,803
550	Provision for Business rates appeals	1,357	-	1,356
-	Interest due on refunds	-	-	-
704	Transitional Relief due to/from (-) Central Government	(1,596)	-	(1,596)
153	Costs of collection	155	-	155
479	Net contribution to Bad Debt Provision	259	144	403
103,803		**32,868**	**76,511**	**109,378**
	Movement on Fund Balance			
261	Surplus (-) / Deficit brought forward	2,032	56	2,088
1,827	Surplus (-) / Deficit for the year	2,219	59	2,277
2,088	Surplus (-) / Deficit carried forward	**4,251**	**115**	**4,365**

NOTES TO THE COLLECTION FUND

1. Calculation of the council tax base

Council Tax is calculated by reference to the valuation band appropriate to each chargeable dwelling; the total yield being determined by what is known as the band D equivalent. The average band D charge in 2017/18 was £1,493.51. The Council Tax base was as follows:-

Property Value	Tax Band	Dwellings	Band D Equivalents	Weighting
Disabled Relief	AR		3.50	5/9
Up to £40,000	A	2,916	1,046.20	6/9
Over £40,000 & up to £52,000	B	5,621	2,933.10	7/9
Over £52,000 & up to £68,000	C	12,244	8,711.20	8/9
Over £68,000 & up to £88,000	D	10,525	9,658.69	9/9
Over £88,000 & up to £120,000	E	8,609	9,669.60	11/9
Over £120,000 & up to £160,000	F	6,126	8,292.00	13/9
Over £160,000 & up to £320,000	G	4,698	7,408.00	15/9
Over £320,000	H	641	1,178.50	18/9
		51,380	**48,900.79**	

2. Non-Domestic Rateable Value and Rate Multiplier

The total non-domestic rateable value at the 31 March 2018 was £87,002,940 (£74,678,059 at 31 March 2017). The national non-domestic rate multiplier for the year was 47.9p (49.7p at 31 March 2017) and 46.6p for small businesses (48.4p at 31 March 2017).

3. Precepts and Demands on the Collection Fund

Hampshire County Council, Hampshire Police Authority, Hampshire Fire & Rescue Service and East Hampshire District Council precept upon the collection fund. The amounts of these precepts, together with the distribution of surpluses or recovery of deficits as at the end of the financial year, were:-

2016/17		**---------------2017/18---------------**		
Total £'000	Council tax	**Precept / Demand £'000**	**Share of Deficit/ Surplus £'000**	**Total £'000**
53,069	Hampshire County Council	55,410	(83)	55,327
7,892	Hampshire Police Authority	8,091	(12)	8,079
3,079	Hampshire Fire & Rescue Service	3,122	(5)	3,117
9,850	East Hampshire District Council	9,859	(15)	9,844
73,890		**76,482**	**(115)**	**76,367**

NOTES TO THE COLLECTION FUND

2016/17		---------------2017/18---------------		
Total	Business Rates	**Precept / Demand**	**Share of Deficit/ surplus**	**Total**
£'000		**£'000**	**£'000**	**£'000**
14,013	Central Government	16,402	(55)	16,347
2,523	Hampshire County Council	2,952	(10)	2,942
280	Hampshire Fire & Rescue Service	328	(1)	327
11,211	East Hampshire District Council	13,121	(44)	13,077
28,027		**32,803**	**(110)**	**32,693**

GLOSSARY OF TERMS

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

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

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

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

Business Rates Retention Scheme
A government funding scheme launched in 2013/14 which allows the Council to retain a share of the Business Rates collected in the Borough.

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

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

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

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

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

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

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

CIPFA
The Chartered Institute of Public Finance and Accountancy.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

IFRS
International Financial Reporting Standards

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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