

STATEMENT OF ACCOUNTS

for year ended 31 March 2019



Further information:

A simplified and summarised version of the main statements called the “Summary of Accounts” is available from the Head of Financial Services or by visiting the council’s website www.basingstoke.gov.uk



Basingstoke
and Deane

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Introduction to Statement of Accounts – Cllr Hannah Golding, Cabinet Member Finance and Service Improvement



Welcome to Basingstoke and Deane Borough Council's Statement of Accounts for 2018/19.

We have completed the third year of our four year council plan. Through the careful management of finances in previous years and despite rising costs and demand for services and lowering government funding, we have been able to keep the borough council tax as one of the lowest of all districts in Hampshire and one of the lowest in the country.

Following a £5 increase in the council's part of residents' council tax bills during 2018/19, an average band D property paid £116.42 per year. Supporting this, our property portfolio generates rental income in excess of £16M per annum – more than the main government grant, business rates and council tax combined.

More funding was also given to housing regeneration and homelessness initiatives of £0.4M in 2018/19 alongside a focus on supporting the most vulnerable people in our communities, working with our partners. This included the council's innovative approach with partners to make the best use of resource to tackle homelessness, £0.25M to support Buckskin flooding alleviation initiatives and £1.5M for disabled facility grants.

To allow residents in Basingstoke and Deane to live safe and healthy lives, £0.2M was allocated in the budget for community safety initiatives, including Community Safety Patrol Officers and communities benefited from £1.3M as part of the Local Infrastructure Fund to help pay for improvements to facilities identified by local communities. Since 2014, the Local Infrastructure Fund has committed over £6.3M to 101 local projects.

Residents in the borough have benefited from improvements to their bin collection service with the start of a new £44M waste contract with Serco. The new contract will run for the next eight years with an option of extending for a further eight years and will maintain weekly waste and fortnightly recycling collections. Residents have also benefited from improved customer service and communication on the status of collections, an improved garden waste service and collections of clinical waste, bulky waste and bring sites. Further improvements to bin rounds are planned in 2019/20.

As well as ensuring we deliver excellent services that meet people's needs, we have invested in the future to set strong foundations that will shape the way the borough will grow over the next 30 years to deliver opportunities for new and existing communities. Following hundreds of hours of discussion with the wider community since March 2017, the Horizon 2050 vision – a roadmap for the future which will help to attract investment and plan for the right infrastructure to allow for prosperous growth – has been adopted by the council.

PREFACE

Plans for new communities at Manydown, which is jointly owned by the borough council and Hampshire County Council, were submitted for approval. The two councils are set to work alongside Urban&Civic, backed by the Welcome Trust, in a partnership to create the Manydown development, embracing Garden Town principles. Proposals include up to 3,520 new homes, plus businesses, community facilities, schools and a new 250-acre country park on the northern part of Manydown.

To double the leisure activities on offer for the future, a development agreement was signed with NewRiver REIT for a proposed £300M transformation of Basingstoke Leisure Park, at no cost to the taxpayer. Over 1,500 people shared their feedback on the proposals at a number of engagement events held in October with suggestions including sports-led activities and innovative entertainment and adventure pursuits.

As well as ensuring there are high quality homes and leisure facilities on offer for residents, over the last year we have continued work to bring new jobs to the borough by encouraging more businesses to make Basingstoke their home. Alongside development partner Muse Developments, a £500M regeneration of Basingstoke's town centre business district, Basing View, is now underway.

With the help of the council's Invest to Grow Fund and funding from the Enterprise M3 Local Enterprise Partnership, work has started on a new 45,000 square foot headquarters at Basing View for international pharmaceutical company, Eli Lilly and Company. Planning permission has also been secured for a new 40,000 square foot building next to the new Lilly headquarters and the council purchased Norden House, a two-storey office building, with plans to redevelop the site to ensure businesses have access to office accommodation they require now and in the future.

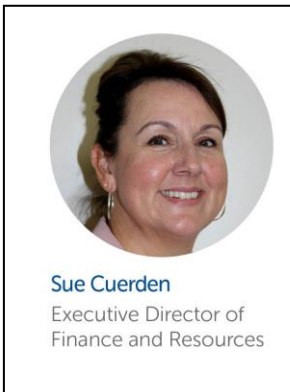
Savings of £12.5 million have been found by the council over the last 10 years without impacting residents' front line services. In 2019/20, we will be looking at innovative ways to reduce costs and bring in more money, including setting aside £2 million to invest in new technology to streamline services.

Alongside the front line services that matter most to our residents, we will be providing additional support for vulnerable people including an extra £850,000 for disabled facilities grants to help residents stay in their homes and a new scheme to give council tax reductions for 18 to 25-year-old care leavers.

We will also continue our work to plan ahead for the future, investing £6.5 million in local facilities such as community buildings and play areas alongside our ongoing investment in major projects such as Basing View and Manydown.

NARRATIVE STATEMENT

Message from Sue Cuerden, Executive Director of Finance and Resources (S151 Officer)



This narrative statement provides an overview of Basingstoke and Deane Borough Council and comments on its performance, both financial and non-financial. It also provides an easily understandable guide to the most significant matters reported in the accounts and assists in their interpretation.

The Statement of Accounts has been produced by Financial Services who work across the council to ensure robust processes for budget setting and management that achieve savings targets and ensure that the council is able to maintain a strong and sustainable financial position both now and into the future.

The council's financial arrangements are overseen by the Audit and Accounts Committee and are subject to regular review by Internal Audit who reported a high level of assurance with all the core financial systems during 2018/19. Regular budget monitoring is carried out throughout the year and reported to both Cabinet and the Performance Panel, with the revenue outturn for the year showing that both income and expenditure were within 1% of the latest approved budget.

The council continues to manage its finances in the context of local government facing severe funding pressures. Over the past 5 years, this council has suffered a 70% reduction in the level of revenue support grant and New Homes Bonus grant received from the government and the level of this grant income was £5M lower in 2018/19 compared to 2014/15. There also remains continued pressure on the council's expenditure due to inflationary cost increases, increased demand for services, the impact of partner organisations responses to austerity measures and very low interest rates reducing interest income.

At the current time, there has not been any indication of future local government funding levels with a Spending Review due in the Autumn of 2019. Further, changes in Business Rate Retention and a fair funding review in progress, add to the uncertainty to central government funding in the future.

Despite this, the council has managed its finances without having to reduce service levels or rely on reserves to fund on-going expenditure. Through good financial management the council has achieved savings of £12.5M over the last ten years (2009/10 to 2018/19) and has established suitable reserves to help over the coming four years to enable a longer term approach to finding additional income and savings to try to ensure sustainable service delivery into the next decade.

The council continues to work in partnership with the M3 LEP (Local Enterprise Partnership) to regenerate Basing View. This has secured additional grant funding and a number of new office and hotel developments which will generate additional business rates income for the council in the future. Additional income has also been secured through the commitment of a £30M investment in new commercial property through the council's Property Investment Strategy which is on course to increase annual income by £1.2M from 2019/20.

NARRATIVE STATEMENT

Looking forward to 2019/20, Financial Services is preparing for the implementation of a new financial management system which will provides a flexible and powerful tool to embrace change and provide better services. Alongside this, the council will be developing Finance Business Partnering which will work alongside the council's Transformation and Digital programmes in identifying opportunities for improving services and efficiency.

The council reviews annually any interest in companies and in 2018/19, the council entered into a joint venture with Hampshire County Council named the Manydown Garden Communities (MGC) LLP to deliver the Manydown development scheme. The joint venture is 50% share each between Basingstoke and Deane Borough Council and Hampshire County Council. The council had no other related party transactions during the year.

It should also be noted that Chartered Institute of Public Finance and Accountancy (CIPFA) introduced their financial resilience index for local authorities in 2018/19 and this will be implemented alongside its proposed Financial Management Code in 2019/20. There is an expectation that this will help to inform the 2020/21 budget setting process.

The following narrative statement is structured to help enable readers to understand the council, its operating environment, and to assist in understanding the Statement of Accounts. The sections contained within the Narrative Statement are:

1. Key facts about the Borough of Basingstoke and Deane;
2. Key facts about Basingstoke and Deane Borough Council;
3. Council objectives and performance;
4. Summary of risks and uncertainty
5. Financial strategy and performance
6. An explanation of the financial statements
7. A review of the financial statements
8. Significant movements and events.

It should be noted that all local authorities are also required to publish an Annual Governance Statement including highlighting any significant changes. This is included on page 64.

NARRATIVE STATEMENT

1. KEY FACTS ABOUT THE BOROUGH OF BASINGSTOKE AND DEANE



2. KEY FACTS ABOUT BASINGSTOKE AND DEANE BOROUGH COUNCIL

Basingstoke and Deane Borough Council is responsible for the majority of day to day services and activities that residents come into contact with. This includes household waste and recycling, street cleaning, local planning and development control, administering council tax and housing benefits, enabling social housing and generally promoting good quality housing provision, environmental health and safety, licensing, car parking and enforcement, promoting economic development and tourism in the area and providing parks and leisure facilities.

There are 42 town and parish councils and 60 elected members of the Council representing 29 wards.

Council and Cabinet

The Council is made up of all councillors from across the borough who meet to decide the council's overall policies and set the budget. The Cabinet (also known as the Executive) is the council's main day-to-day decision making body. Each Cabinet member is responsible for a particular area of council services - known as their portfolio.

Scrutiny, Overview and Policy Committees

The Scrutiny committee is responsible for reviewing and scrutinising decisions made, or actions taken, in connection with any of the council's functions.

NARRATIVE STATEMENT

The Manydown Overview Committee is responsible for examining all strategic landowner matters related to the Manydown development, and holding relevant decision makers to account.

The Community, Environment and Partnerships Committee is responsible for holding decision makers to account for improving outcomes and services relating to the environment, the community and the councils partners. This committee is also the Council's Crime and Disorder Committee, in accordance with the Police and Justice Act 2006, with responsibility for scrutinising crime and disorder and community safety matters.

The Economic, Planning and Housing Committee is responsible for holding decision makers to account for improving outcomes and services relating to the local economy, planning and housing in the borough.

Audit and Accounts Committee

This committee is responsible for providing independent assurance to the council regarding the adequacy of the risk management framework and the internal control environment. It independently reviews governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. More generally, it oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place. The draft Annual Governance Statement is published elsewhere in this document.

The council also has a Human Resources Committee and there are three regulatory committees – Development Control, Licensing, and Standards.

Management Team and Officer Support

The Chief Executive, Melbourne Barrett, leads the Senior Leadership Team which includes three Executive Directors, the Head of Law and Governance and the Head of Human Resources and Organisational Development. The Senior Leadership Team, along with the Heads of Service carry out the council's day-to-day management and oversee the delivery of council services. The council employs 565 staff (full time equivalent) to give advice, implement its decisions and to deliver services to the local community. The staff are mostly based at the council's main Civic Offices and at Wade Road Depot.

In Partnership

The Council Plan has a focus on working with partners to secure best outcomes for the benefit of local communities and investigating opportunities for joint work with other agencies and local authorities. Examples include working in partnership with housing associations to enable good quality housing provision, the Police Service through the Community Safety Partnership and a number of joint working arrangements with Hart District Council which include household waste collection, street cleansing, legal, licensing and customer services.

3. COUNCIL OBJECTIVES AND PERFORMANCE

The council is committed to reviewing its performance and strives to achieve high standards to make sure the needs of the local community are being met in the most effective way.

In order to achieve quality services whilst offering value for money, the council closely monitors progress throughout the year to ensure the organisation delivers what it has said it will. Senior Officers and Cabinet members regularly monitor key performance indicators and progress on major projects. The council has a Performance Panel, appointed by Scrutiny Committee, which reviews performance and financial monitoring information that supports delivery of the Council Plan and budget strategy.

NARRATIVE STATEMENT

The Council Plan is a high level document which outlines the council's ambition for the borough, identifying key themes and priorities. The projects to achieve these are set out in detailed Service Plans. Both the Council Plan and the Service Plans are reviewed annually. The Council Plan is available at www.basingstoke.gov.uk and sits alongside the Medium Term Financial Plan (Budget Strategy). Together they set out how the council will establish the basis for successful future growth and deliver the key priorities which are intended to maintain Basingstoke and Deane as an exceptional borough providing opportunities for all that live and work here.

The council's focus over the period of the plan is to lay strong foundations that will shape the way the borough grows over the next 25-30 years and deliver opportunities for all communities. The council aims to ensure residents and future generations continue to enjoy an excellent quality of life and environment, which well planned growth can secure.

The key priorities of the Council Plan and summary of performance in these areas is shown below:

Preparing for controlled and sustainable growth	2017/18	2018/19 TARGET	Expected Direction of Travel	2018/19	Target achieved/ on track	Direction of Travel	Comments
Total number of young people who took part in employability activities via the Basingstoke Consortium (excl. work experience and careers guidance)	1818	1630	↑	2,042	Yes	↑	Due to programme format changes, this measurement was amended for 2018/19. Previous measurement was "Total number of young people engaged in Employability Programme via the Basingstoke Consortium"
Total number of new housing units delivered through council land or initiatives (excluding Manydown)	21	86	↑	98	Yes	↑	These 98 new homes were delivered through the release of council owned land across 6 sites; 49 were new affordable homes
Total number of new affordable homes (build completed)	271	300	↑	338	Yes	↑	Build started on an additional 403 new affordable homes which are expected to complete in 2019/20
Major planning applications determined (%) within the statutory timelines, excluding any separate Planning Performance Agreements (full year)	67%	72%	↑	81%	Yes	↑	1530 planning applications were determined in total of which 1309 (91%) were granted and 96% were determined within their statutory turnaround times
Minor planning applications determined (%) within the statutory timelines, excluding any separate Planning Performance Agreements (full year)	72%	75%	↑	75%	Yes	↑	342 "minor" applications were determined in the year
Other planning applications determined (%) within the statutory timelines, excluding any separate Planning Performance Agreements (full year)	95%	90%	↑	92%	Yes	↓	1141 "other" planning applications, which typically relate to home improvements, were determined; 92% within their statutory timeframe
Number of planning appeals allowed (lost) as % of overall planning appeals decided (full year)	24%	33%	↓	23%	Yes	↓	44 planning appeals were decided in the year, of which only 10 were allowed
Improving residents quality of life	2017/18	2018/19 TARGET	Expected Direction of Travel	2018/19	Target achieved/ on track	Direction of Travel	Comments
Customer satisfaction with the major council-owned sports facilities	89%	89.5%	↑	90%	Yes	↑	Construction of additional facilities at Tadley pool and the Basingstoke Golf Centre completed
Increase in the number of visits to the major council-owned sports facilities	1,470,024	1,484,724	↑	1,405,582	No	↓	Visits to swimming pool dropped due to record-breaking hot summer; this reflects the national trend. Latest results from the Sport England Active Life Survey report that 69% of people in the borough are "active" compared to 62.4% nationally. Only 19.4% are reported as "inactive", compared to 25.2% nationally
Maintain the number of people attending cultural organisation experiences and events	358,197	358,197	↔	347,983	No	↓	347,983 people attended cultural organisation experiences offered within the borough and 72,608 people attended council funded events during the year
Maintain number of people attending focused outreach programmes e.g. targeted at priority needs such as dementia, autism, older people, young offenders, low incomes, special needs etc.	2,589	2,589	↔	2,949	Yes	↑	The number attending focused outreach programmes in the year, increased by 14%
Increase in attendance at informal / extra curricular activities targeted at young people	4,683	>4,683	↑	6,455	Yes	↑	Attendance at informal/extra curricula activities for young people increased by 38% compared to 2017/18
Increase (%) in visits to council owned community facilities?	4%	5%	↑	5%	Yes	↑	10,933 volunteer hours were spent managing (council owned) open spaces and 24 open spaces, were partially or wholly, managed by a local group

NARRATIVE STATEMENT

Improving residents quality of life	2017/18	2018/19 TARGET	Expected Direction of Travel	2018/19	Target achieved/ on track	Direction of Travel	Comments
Maintain/reduce level of dropped litter, as percentage of overall litter collected by mobile cleaning operatives	Not previously reported	20%	↓	21.63%	No	↑	145,332 bags of litter (both binned and dropped) were collected by the council's street sweeping team, an increase of 6% compared to 2017/18. Of which, 22% was dropped litter
Open spaces managed for biodiversity	38.34ha	38.72ha	↑	39.95ha	Yes	↑	40 Hectares of council open spaces are now managed for biodiversity interest, an increase of over 4% on 2017/18
Increase (%) in recycled household waste	28.60%	27%	↑	28.54%	Yes	↓	The garden waste service has now been increased from 22 to 25 collections a year. The recycling contamination rate has increased in the borough, a trend reflected across Hampshire
Kg of waste per household	49.16Kg	<49.16Kg	↓	49.43Kg	No	↑	Kg of waste per head of population has also increased slightly, from 20.9% to 21.02%
Reduction in anti-social behaviour	1.84%	-3%	↓	-10.45%	Yes	↓	The number of incidents dealt with by CSPOs increased by 10.4% in 2017/18 but the number of ASB warnings and fixed penalty notices reduced by 71.4%. 70% of respondents in key focus areas stated their quality of life improved or they felt safer as a result of community safety activity
Supporting those who need it	2017/18	2018/19 TARGET	Expected Direction of Travel	2018/19	Target achieved/ on track	Direction of Travel	Comments
Number of homeless households with dependent children, placed into B&B during the year (where unintentionally homeless &/or vulnerable)	15	<10	↓	1	Yes	↓	The council dealt with 578 official homeless prevention cases in the year and 308 households were placed in temporary accommodation
Number of households with children in B&B over 6 weeks	0	0	↔	0	Yes	↔	The introduction of the Homelessness Reduction Act has altered the way in which we carry out our statutory duties. There are two new duties; to prevent homelessness for households threatened with homelessness and a relief duty owed to households who have become homeless
Use of B&B for vulnerable homeless 16/17 year olds	0	0	↔	0	Yes	↔	
New placements into private rented sector (using rent bonds and / or other assistance)	65	>64	↑	110	Yes	↑	The number for placements within the private sector for the borough is particularly positive given that the majority of rents exceed Local Housing Allowance levels and that, nationally, private sector landlords do not tend to work with local authorities
Cost to BD&B of council funded / subsidised bus services; remain within agreed budget	£ 246,448	£ 433,705	↓	£ 300,774	Yes	↑	The council funded or subsidised bus services were used 275,565 times during the year, while the council funded or subsidised taxi share services was used 1503 times
Cost to BD&B of council funded / subsidised shared taxi services; remain within agreed budget	£ 9,186	£ 17,000	↓	£ 9,290	Yes	↑	
Create an organisation capable of delivering change	2017/18	2018/19 TARGET	Expected Direction of Travel	2018/19	Target achieved/ on track	Direction of Travel	Comments
Customer satisfaction with the service provided by the council (feedback on visits to council offices)	94.02%	90%	↑	98.77%	Yes	↑	244 exit surveys were completed by people of visited the council offices during the year.
Customer satisfaction with the waiting times (feedback on visits to council offices)	87.06%	90%	↑	97.22%	Yes	↑	
Number of complaints responded to within 10 working days	100%	100%	↔	99.57%	No	↓	646 complaints were closed in the year, of which 641 were successfully managed within the councils target timeframe.
Debt collection rates	98.75%	Sundry - 90%	↑	99.56%	Yes	↑	The council handled over 41,000 mail items, 18,770 emails and 55,000 phone calls, related to invoices/bills, during 2018/19. There were an additional 1046 properties to collect council tax from this year.
	98.14%	Property - 95%	↑	95.33%	Yes	↓	
	98.61%	Council Tax - 98.6%	↑	98.61%	Yes	↔	
	99.47%	Business Tax - 99.2%	↑	98.90%	No	↓	

NARRATIVE STATEMENT

4. SUMMARY OF RISKS AND UNCERTAINTY

Risk management is an essential part of the council's overall governance arrangements in that it provides the framework and process to enable the organisation to manage risk in a systematic, consistent and efficient way. The council has in place a corporate risk register which captures, in one place, those significant risks that need to be managed in order to enable and support delivery of the council plan priorities. The corporate risk register is subject to regular review by the Senior Leadership Team and is intended to ensure that key risks are not only identified and understood but that appropriate actions and controls are in place in order that risks are managed to an acceptable level. Each risk is assessed in terms of likelihood of occurrence and potential impact.

The identified strategic risks are subject to change as new risks may emerge whilst others may become less significant as mitigating actions are implemented or external factors change the nature of the risk.

There are a number of key strategic risks that the council faces. The current economic and legislative environment and continued funding reductions to local government continue to make budget setting and forecasting challenging. There is also increased uncertainty around partner funding as organisations also respond to the need to make savings.

The table below shows the corporate risks, likelihood and impact.

Risk Register	Strategic Risk - Description	Overall Risk Assessment	Likelihood	Impact
RR1	Staffing, Skills and Capacity - due to the changing nature of the expertise required within the public sector, there is a risk that the council will not be able to recruit and retain a skilled and talented work force commensurate with their corporate ambitions	Medium	Possible	Marginal
RR2	Priority and Skill - Given the prospect of further public sector funding cuts, and the council's desire to support residents that are vulnerable, BDBC may take on additional non core responsibility service/activities	Medium	Possible	Critical
RR3	Information Management - There is a risk that personal and commercially sensitive information required to be held by the council is inappropriately processed	Medium	Possible	Critical
RR4	Partnerships, Projects and Relationships - There is a risk that number of high profile projects planned/ in place working to support growth, economic development and regeneration of areas within the borough may not be delivered as planned	Medium	Possible	Critical
RR5	Finance and Budgets - There is a risk over the MTFS (Medium Term Financial Strategy) that budgets are not balanced and savings are not delivered	Medium	Possible	Critical
RR6	Treasury Management - There is a risk that the significant funds invested by the council could fail to provide the anticipated returns	Medium	Possible	Marginal
RR7	Regulatory Change - Lack of clarity/ awareness of the impact of new legislation leaves the council unable to adapt and mitigate the impact on services	Medium	Possible	Marginal
RR8	Cyber Risk - The computer systems are subject to daily cyber-attacks	High	Possible	Catastrophic
RR9	Business Continuity - Whilst business continuity arrangements have been developed to support the council respond to an incident, a major incident may directly or indirectly affect the council's ability to deliver services	Medium	Possible	Critical
RR10	Fraud - The council is vulnerable to fraudulent activities, particularly due to the finances it manages and its role in awarding contracts and partnerships	Medium	Possible	Marginal
RR11	Political groups impacting governance - A lack of capacity, depth and resilience of relationships across parties may result in reduced dialogue, inappropriate behaviours, slowing down of decision making and increased formal complaints	Medium	Possible	Critical

NARRATIVE STATEMENT

5. FINANCIAL STRATEGY AND PERFORMANCE

The council has a Medium Term Financial Strategy (MTFS) which sets out the broad issues and risks that will impact on the council's financial position for 2019/20 and for the next four years. The latest strategy was approved in November 2018 and is published on the council's website.

The MTFS sets out the five key strands that seek to address the financial challenges to balance the revenue budget. This includes: efficiency and transformation savings; generating income from new alternative investment such as property; council tax increases; and use of new homes bonus grant or reserves.

Looking beyond will require longer term financial planning and the council will need to seek new ways of generating new revenue income streams through investment and new approaches and innovative ways to deliver services.

The budget for 2018/19 was set by Council on 22 February 2018. The council incurs both revenue and capital expenditure. The revenue account (known as the General Fund) bears the net cost of providing day to day services. The capital account shows the net cost of transactions made to buy or sell land, property or other assets, build new property, make improvements and provide grants or loans to other bodies to undertake this type of activity.

Revenue Budget Outturn 2018/19

The table below shows the council's revenue outturn position and variances from the latest approved budget.

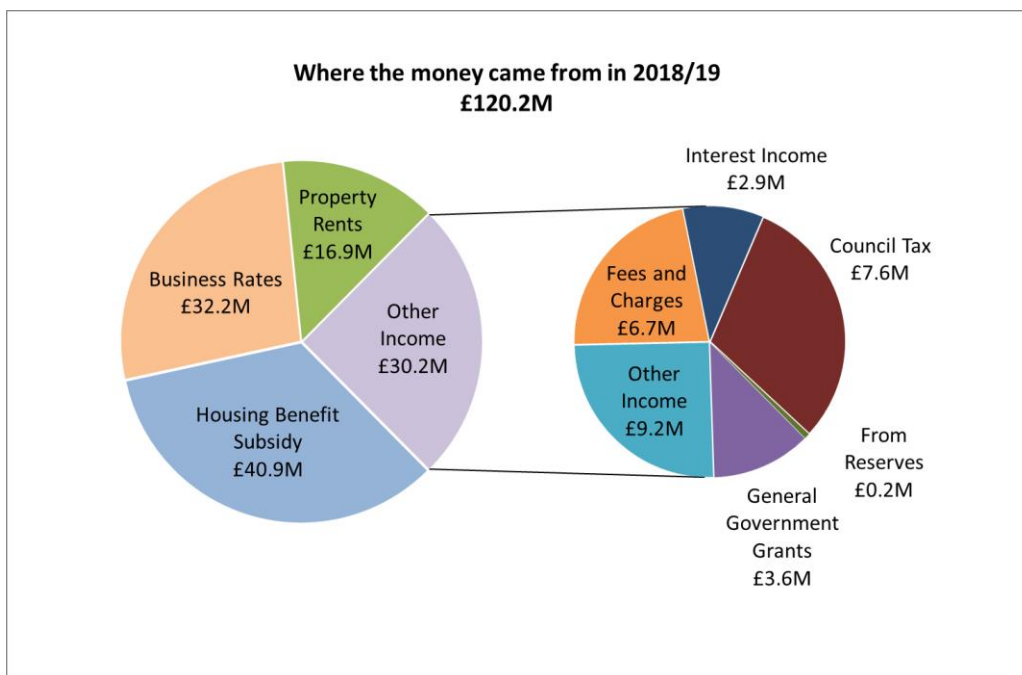
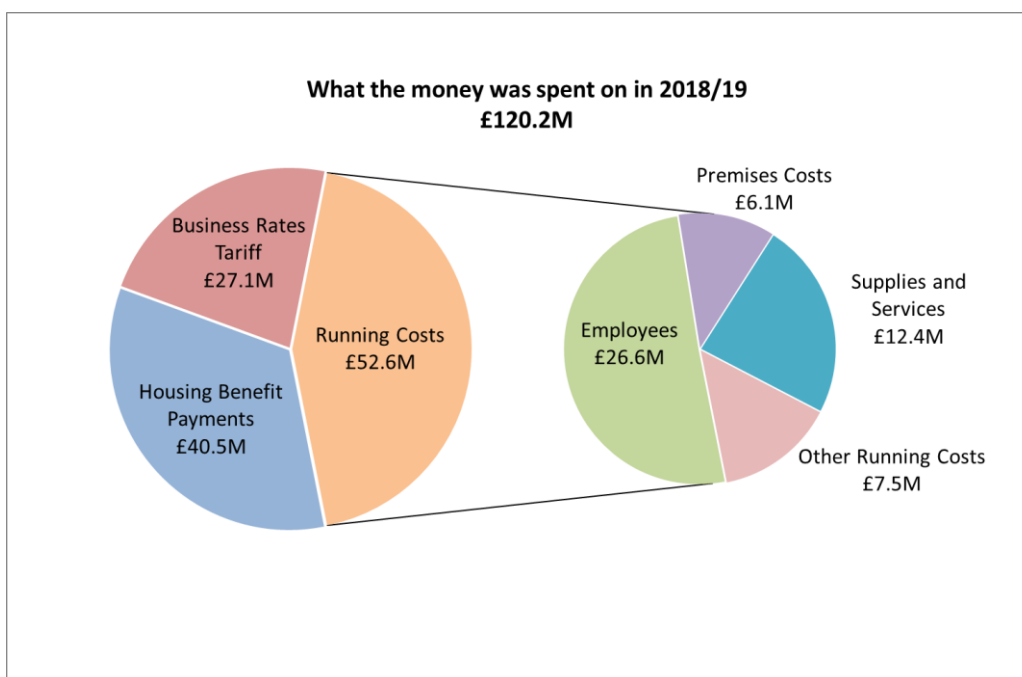
Revenue Budget Outturn Report 2018/19 Summary by Portfolio	Original Budget £M	Latest Budget 2018/19 £M	Budget Movement £M	Outturn 2018/19 £M	Outturn Variation 2018/19 £M
Portfolio Services:					
Leader	0.3	0.2	(0.1)	0.2	0.0
Housing, Regeneration, Arts and Heritage	1.8	1.8	0.0	1.6	(0.2)
Regulatory Services and The Environment	4.2	4.2	0.0	4.0	(0.2)
Planning and Infrastructure	(0.2)	(0.1)	0.1	0.4	0.5
Communities and Community Safety	0.2	0.2	0.0	0.1	(0.1)
Finance, Service Delivery and Improvement	1.7	1.8	0.1	1.9	0.1
Property and Development	(0.1)	(0.1)	0.0	0.0	0.1
Digital Innovation and Inclusion	0.0	0.3	0.3	(0.2)	(0.5)
Holding and Agency Accounts	0.2	0.3	0.1	0.3	0.0
Strategic budgets to be released	0.6	0.1	(0.5)	0.0	(0.1)
Business Units	24.3	25.1	0.8	25.5	0.4
Net cost of Services	33.0	33.8	0.8	33.8	(0.0)
Investment Property Trading Accounts	(15.5)	(15.7)	(0.2)	(15.9)	(0.2)
Interest and Investment Income	(2.7)	(2.8)	(0.1)	(2.9)	(0.1)
Disposal of non current assets	0.0	0.0	0.0	0.0	0.0
Council Tax Income	(7.6)	(7.6)	0.0	(7.6)	0.0
Retained Business Rates	(3.2)	(5.0)	(1.8)	(5.1)	(0.1)
Government Grants	(2.8)	(3.6)	(0.8)	(3.6)	0.0
Corporate Income	(31.8)	(34.7)	(2.9)	(35.1)	(0.4)
Total net cost of services before reserve movements	1.2	(0.9)	(2.1)	(1.3)	(0.4)
Contribution to / (from) earmarked reserves:					
Previously Approved Contributions	(1.2)	0.9	2.1	0.9	0.0
2018/19 Outturn Contributions:					
To Interest Risk Reserve				0.1	0.1
To Rent Risk Reserve				0.2	0.2
To Stability and Resilience Reserve				0.1	0.1
Net movement in general fund balance	0.0	0.0	0.0	0.0	(0.0)

NARRATIVE STATEMENT

The net revenue outturn variance for 2018/19 was a surplus of £0.4M. In accordance with financial policies additional interest income of £0.1M has been transferred to the Interest Risk Reserve; additional rental income of £0.2M has been transferred to the rent risk reserve; and the remaining surplus of £0.1M has been allocated to the Stability and Resilience Reserve.

The net revenue expenditure variance of £0.4M is due to increased income of £0.4M (0.28% of income budgets).

The charts below show an analysis of the different types of expenditure and income and the proportions that these represent of the total. Housing benefits and business rates are significant sums. However, they are matched by payments to or from the government with a largely neutral impact for housing benefits and a £5.1M net income for business rates.



NARRATIVE STATEMENT

Capital Programme Outturn 2018/19

The capital outturn position, as at 31st March 2019, was £15.9M which was £1.5M lower than the latest budget of £17.4M. Capital expenditure during the year was financed from capital receipts (£10.0M), capital grants and contributions (£2.1M) and from revenue reserves and contributions (£3.8M).

Capital Programme Outturn Report 2018/19 Summary by Portfolio	Latest Budget 2018/19 £M	Outturn 2018/19 £M	Outturn Variance £M
Portfolio:			
Communities and Community Safety	1.5	1.3	(0.2)
Finance, Service Delivery and Improvement	1.6	1.8	0.2
Housing, Regeneration, Arts and Heritage Leader	0.2 0.6	0.2 0.6	0.0 0.0
Planning and Infrastructure	0.3	0.2	(0.1)
Property and Development	6.2	5.1	(1.1)
Digital Innovation and Inclusion	1.3	1.4	0.1
Regulatory Services and The Environment	5.7	5.3	(0.4)
TOTAL	17.4	15.9	(1.5)

The council has a substantial capital programme of £132.9M for the next four years from 2019/20 to 2022/23 to support the Council Plan. This includes the delivery of a wide range of improvement works to community facilities; providing grants to enable disabled persons to live independently in their own homes; and investment in major projects such as Basing View Regeneration and Manydown.

6. THE STATEMENT OF ACCOUNTS

Purpose and Format

The purpose of the published Statement of Accounts is to give local taxpayers, councillors and other interested parties clear information about the council's finances. The statements inform readers about the cost of services provided by the council, how these services were paid for, significant changes during the year and the financial position at the year end.

The format of the presentation of the statement is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) which the council is legally required to follow.

The council's financial statements consist of the following:

- **Comprehensive Income and Expenditure Statement (CIES)** – This includes all of the council's income and expenditure and gains and losses on assets (including revaluations) and movements in liabilities during the year. It also shows the total movement in the net assets of the council during the year.
- **Balance Sheet** – This incorporates all of the council's assets, liabilities and reserves at the end of the financial year.

NARRATIVE STATEMENT

- **Movement in Reserves Statement (MiRS)** – This statement shows the movement in the year on the different reserves held by the council, analysed by usable and unusable. It also reconciles the surplus or deficit on the Comprehensive Income and Expenditure Statement to the movement on the General Fund (the statutory account used to set the council tax).
- **Cash Flow Statement** – This incorporates all of the council's activities during the year and shows all cash movements between the council and other parties.
- **Expenditure and Funding Analysis (EFA)** – The analysis reconciles the amounts reported internally in line with the council's General Fund and the amounts reported in the Comprehensive Income and Expenditure Statement.
- **Notes to the Financial Statements** – These provide, where material, additional information and analysis and include the accounting policies which explain the methods, assumptions and judgements made in preparing the figures for the accounts.

In addition the council is required to publish a number of other statements, along with the financial statements, which include:

- **Collection Fund** - A separate account used for the collection and distribution of council tax and business rate income collected on behalf of the Borough, County, Police and Fire Authorities, Parishes and Central Government.
- **Statement of Responsibilities** – This sets out the council's and the Chief Finance Officer's (Executive Director of Finance and Resources) responsibilities for the Statement of Accounts.
- **Independent Auditors' Report** – The external auditors' report on the financial statements
- **Annual Governance Statement** - This statement summarises the systems and processes by which the council is directed and controlled and through which it accounts to, engages with and leads the community. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. The statement details material weaknesses identified in the system of internal control and any corrective action being taken.

A glossary of key terms is provided at the end of the Statement of Accounts to assist the reader.

Accounting Code Changes

There were two accounting standards adopted in the revised accounting code for 2018/19 as follows:

- IFRS9 for financial instruments – the new standard requires the council to reclassify all of its financial instruments into new categories and provide additional transitional disclosure notes to explain how balances have moved from the previous to new classifications. The changes do not have a bottom line financial impact on the General Fund due to a statutory override adjustment issued by the Government.
- IFRS15 Revenue from Contracts with Customers – an impact assessment concluded that no changes to accounting processes or reporting is required.

7. REVIEW OF FINANCIAL STATEMENTS

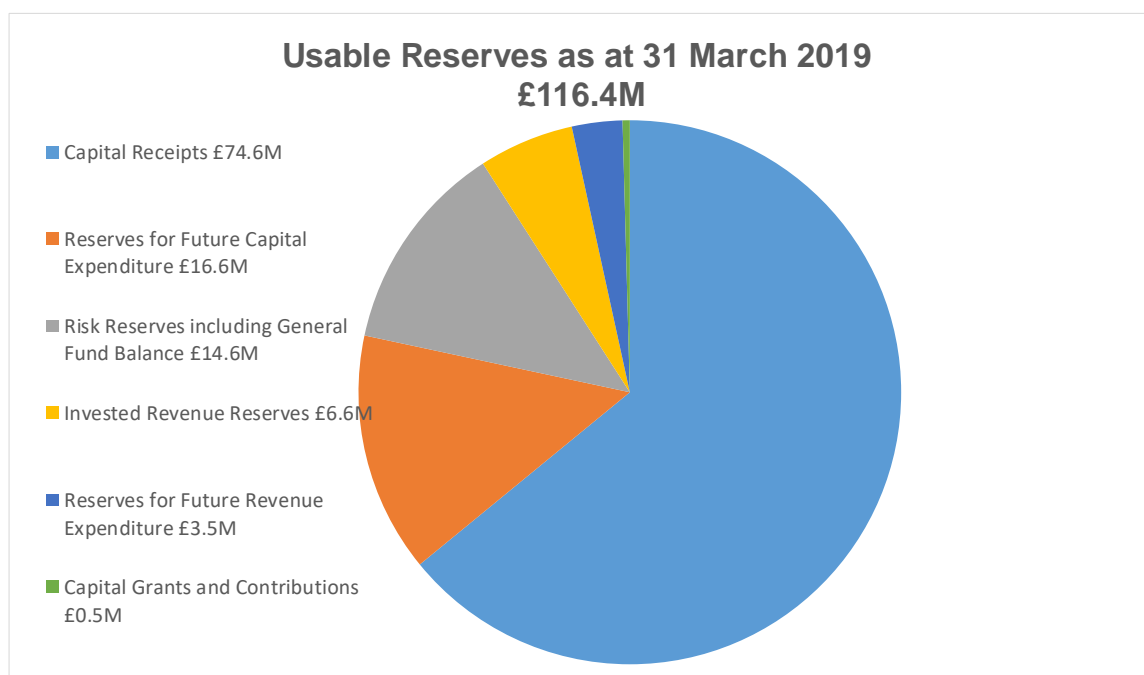
Overall Financial Position of the Council

The council's balance sheet shows that the council has a net worth (net assets) of £419.0M consisting of: an investment property asset portfolio of £285.7M; cash and investment assets of £138.7M; other assets (mainly operational land and buildings) of £94.2M; a potential future liability of £85.3M in its employees' pension fund; developers' contributions of £9.4M that could potentially require repayment (if the terms of the contributions are not met) and other net liabilities of £4.9M.

Reserves and Available Resources

The council's Balance Sheet also shows usable reserves of £116.4M and usable developers' contributions of £9.4M (shown as a long term liability). However of this £125.8M of usable resource, £57.7M is available (based on current policies) to fund current and future spending plans and programmes. The remaining £68.1M is invested in order to earn income to help support the future running costs of the council, or is being held in the form of risk reserves to provide protection against the main risks to the council's finances (for example a fall in interest rates affecting the amount of income from cash investments or a fall in rental income from the investment property portfolio).

The usable reserves of £116.4M consist of capital receipts, revenue reserves including the general fund balance and capital grants and contributions. A chart of the useable reserve balances is shown below and further details of reserves are shown in notes 15 and 16 to the accounts:



Borrowing

The council has no long term debt in the form of borrowing and therefore has no requirement to set aside amounts to cover future debt repayments (referred to as the Minimum Revenue Provision). The council has a future budgeted borrowing requirement of £2.2M and is involved in several large important housing and regeneration schemes, which carry a large degree of uncertainty of scale, timing and funding requirements.

NARRATIVE STATEMENT

Financial Performance (year on year)

The Comprehensive Income and Expenditure Statement shows a deficit of £13.7M on the provision of services for 2018/19 (£20.8M surplus in 2017/18).

However, the reported deficits/surpluses in the financial statements include a number of statutory adjustments relating to notional pension costs and capital accounting adjustments (revaluations, depreciation etc.) which are not allowed to be included in the General Fund. Details of these statutory adjustments are set out in the Expenditure and Funding Analysis (Note 1 to the accounts). The adjustments which tend to create large variances between years, have no impact on the General Fund as they are reversed out to reserves. For these reasons, when looking at performance, it is advisable to exclude them and focus on the controllable General Fund items. In 2018/19 the £13.7M deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement was adjusted by £13.5M of statutory adjustments to arrive at a movement from General Fund Reserves of £0.2M (in 2017/18 the £20.8M surplus was adjusted by £24.2M to arrive at a movement from General Fund reserves of £3.4M).

The table below includes the main General Fund items and shows how the General Fund (Surplus)/Deficit (transfer (to)/from General Fund Reserves) has changed between years.

	Net Charge to General Fund 2017/18 £M	Net Charge to General Fund 2018/19 £M	Year on Year Variance £M
Net Cost of Services	33.7	33.8	0.1
Investment Property Net Income	(14.7)	(15.9)	(1.2)
Interest and Investment Income	(2.8)	(2.9)	(0.1)
Council Tax Income	(7.2)	(7.6)	(0.4)
Net Business Rate Income	(2.4)	(5.1)	(2.7)
General Government Grant Income	(4.9)	(3.6)	1.3
Other Corporate Items	1.7	1.5	(0.2)
General Fund (Surplus)/Deficit transferred (to)/from Reserves	3.4	0.2	(3.2)

The table shows that of the £3.2M variance between years £2.7M relates to the statutory timing adjustments required to account for business rates income in specific accounting periods.

8. SIGNIFICANT MOVEMENTS AND EVENTS

There were a number of material differences (greater than £2.0M) between the financial statements for 2017/18 and 2018/19 as follows:

Comprehensive Income and Expenditure Statement Movements

Surplus on Provision of Services – The reported surplus on the provision of services has reduced by £34.5M from a £20.8M surplus in 2017/18 to a £13.7M deficit in 2018/19. The main reason for this is as follows:

Net Gain on Investment Property - The net gain on investment property reduced by £30.7M from £38.4M to £7.7M mainly due to property revaluation changes. The 2017/18 accounts included £27.2M of revaluation gains on investment property whilst there were revaluation losses of £11.7M in 2018/19. Net additional capital income of £7.8M was received in respect of property disposals and lease restructuring.

Cost of Services - The cost of services has increased by £3.1M from £36.4M to £39.5M mainly due to increase of £2.3M in pension past service costs (see notes 14 and 27 to the financial statements).

NARRATIVE STATEMENT

Balance Sheet Movements

Increase in Net Asset/Net Worth – Overall the total net assets reported in the Balance Sheet have reduced by £1.9M, taking the total net assets to £419.0M. There are some significant movements on the balance sheet which are explained below:

Asset Revaluations – All Investment Property and almost all Property, Plant and Equipment assets were subject to revaluation during 2018/19. This exercise has led to an overall decrease of £10.6M in the net book value of investment property and an increase of £4.8M in the net book value of Property, Plant and Equipment. (Details of the revaluations can be seen in notes 2 and 3 to the financial statements).

Changes to Investments - Total cash and investment assets have reduced by £14.3M, mainly due to the disposal of an investment which, under the normal terms of the transaction, was awaiting settlement of the £9.9M proceeds at 31 March 2019. The council's cash investment strategy of reinvesting in shorter term investments has resulted in a decrease in long term investments of £31.3M and increases in short term investments and cash and cash equivalents of £17.0M.

Other Long Term Assets – There is a net increase of £3.8M largely due to the council providing a capital loan to enable vehicles to be purchased by Serco Limited, the contractor appointed to provide the contracted household waste collection service.

Increase in Debtors – Increase of £10.7M mainly relating to the disposal of an investment which, under the normal terms of the transaction, was awaiting settlement of the proceeds at 31 March 2019.

Reduction in Creditors – There has been a decrease in year-end Creditors of £3.5M, mainly due to the funding arrangements for business rates which can lead to significant movements in the amounts owing to or from the government between financial years.

Reduction in Pension Scheme Liability - The estimated future potential liability for the council has reduced by £2.1M. This is mainly due to an increase of £13.3M in the value of the council's share of pension scheme assets which is partly offset by an increase of £11.2M in the future pension obligation as a result of changes in the actuary's assumptions which are particularly sensitive to change.

Other Significant Events

There were no further events in 2018/19 that have had a significant impact on the accounts. However, looking to the future, work has already started on a number of major capital projects that will lead to significant increases in revenue and capital expenditure and income in future years. The decision to exit the European Union and the impact this will have is uncertain but might have significant impacts on some of the council's key income and expenditure items in future years.

9. FURTHER INFORMATION

A simplified and summarised version of the main statements called the "Summary of Accounts" is available from the Head of Financial Services at the Civic Offices, London Road, Basingstoke RG21 4AH, or by visiting the council's website www.basingstoke.gov.uk

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

2017/18 Expenditure £M	2017/18 Income £M	2017/18 NET £M		2018/19 Expenditure £M	2018/19 Income £M	2018/19 NET £M
			Service Costs by Portfolio			
2.2	0.0	2.2	Leader	2.1	0.0	2.1
7.7	(1.0)	6.7	Housing, Regeneration, Arts and Heritage	7.8	(1.6)	6.2
46.1	(45.3)	0.8	Digital Innovation and Inclusion	42.0	(40.9)	1.1
8.9	(3.2)	5.7	Communities and Community Safety	9.0	(3.8)	5.2
2.3	(0.3)	2.0	Finance, Service Delivery and Improvement	4.8	(0.4)	4.4
0.5	(0.2)	0.3	Property and Development	0.2	(0.2)	0.0
11.4	(2.8)	8.6	Planning and Infrastructure	11.7	(2.3)	9.4
11.9	(1.8)	10.1	Regulatory Services and the Environment	13.1	(2.0)	11.1
91.0	(54.6)	36.4	COST OF SERVICES	90.7	(51.2)	39.5
			Other Operating Income and Expenditure			
		1.2	Payment of Precepts (collected on behalf of Parish Councils)			1.3
		0.0	Other Operating Income and Expenditure			(0.1)
			Financing and Investment Income and Expenditure			
		(38.4)	Net Gain on Investment Property (Note 3)			(7.7)
		(2.8)	Interest and Investment Income (Note 7)			(1.9)
		2.0	Net Interest on the Pension Liability (Note 14)			2.2
			Taxation and Non-Specific Grant Income and Expenditure			
		(8.4)	Council Tax Income (including parish precepts)			(8.9)
		(3.5)	Net Business Rates Income and Expenditure (Note 12)			(3.4)
		(4.9)	Other Non-Ring-fenced Government Grants Income (Note 13)			(3.6)
		(2.4)	Capital Grants and Contributions Income (Note 13)			(3.7)
		(20.8)	DEFICIT/(SURPLUS) ON PROVISION OF SERVICES			13.7
			Other Comprehensive Income and Expenditure			
		(3.8)	(Gain)/Loss on Revaluation of Long Term Assets			(5.7)
		4.7	Re-measurement of Pension Liability (Note 14)			(7.6)
		1.9	Loss on Revaluation of Investments (Note 7)			0.0
		(18.0)	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			0.4

This statement shows the accounting cost to the council in the year on the provision of services and other operating activities in accordance with International Financial Reporting Standards (IFRS) adapted by the Local Authority Accounting Code of Practice (the Code).

It includes everything that affects the council's net asset position and therefore includes all of the council's operating activities, along with any gains or losses on the council's investing and financing activities and movements in the value (i.e. revaluations and impairments) of long term assets and liabilities. The total comprehensive income and expenditure represents the total movement on net assets within the Balance Sheet.

The statement includes some incomes and costs that are not allowed to be charged as income and expenditure to the General Fund (the account used to set the level of council tax). This means that in order to give a comparable presentation of the performance of the council during the year, it is necessary to adjust the surplus or deficit on the Comprehensive Income and Expenditure Statement to obtain the movement on the General Fund. These adjustments are called "Adjustments between the accounting basis and the funding basis under regulations" and are shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis (EFA) (Note 1).

BALANCE SHEET

AS AT 31 MARCH 2019

Restated 31-Mar-18 £M		31-Mar-19 £M	Notes
81.8	Property, Plant and Equipment	86.6	2
296.3	Investment Property	285.7	3
97.8	Long Term Investments	66.5	7
3.8	Other Long Term Assets	7.6	4
479.7	LONG TERM ASSETS	446.4	
37.5	Short Term Investments	52.6	7
7.2	Short Term Debtors	17.9	8
17.7	Cash and Cash Equivalents	19.6	9
62.4	CURRENT ASSETS	90.1	
(22.1)	Short Term Creditors	(18.6)	10
(3.5)	Provisions	(4.2)	11
(25.6)	CURRENT LIABILITIES	(22.8)	
(8.2)	Grants and Contributions Receipts In Advance	(9.4)	13
(87.4)	Pension Scheme Liability	(85.3)	14
(95.6)	LONG TERM LIABILITIES	(94.7)	
420.9	NET ASSETS	419.0	
(111.4)	Usable Reserves	(116.4)	15
(309.5)	Unusable Reserves	(302.6)	16
(420.9)	TOTAL RESERVES	(419.0)	

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by reserves held by the council.

There are two types of reserve shown in the Balance Sheet. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the council is not able to use to provide services. This category includes reserves that contain unrealised gains and losses (for example the Asset Revaluation Reserve), where amounts would only become available to provide services if the assets were to be realised. They also include reserves that hold timing differences and any adjustments made between the accounting basis and funding basis under regulations within the Movement in Reserves Statement.

Prior Period Adjustment to Balance Sheet

The Long Term Investments as at 31 March 2018 were previously misstated as £117.8M. This is because they included £20.0M of investments that were due to mature within 12 months of the balance sheet date that should have been shown as Short Term Investments. As a consequence, Short Term Investments were also misstated as £17.5M and the totals for Long Term Assets and Current Assets have also been restated.

MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

	Movements				
	Balance as at 31/03/17	Total Comprehen- sive Income and Expenditure Statement	Adjustment between accounting basis and funding basis under regulations	Total Movement in 2017/18	
	£M	£M	£M	£M	£M
2017/18					
Usable Reserves					
General Fund Balance (incl. earmarked reserves)	(44.9)	(20.8)	24.2	3.4	(41.5)
Capital Receipts Reserve	(86.4)	0.0	16.8	16.8	(69.6)
Capital Grants and Contributions	(0.7)	0.0	0.4	0.4	(0.3)
Total Usable Reserves	(132.0)	(20.8)	41.4	20.6	(111.4)
Unusable Reserves					
Pension Scheme Reserve	79.8	4.7	2.9	7.6	87.4
Asset Revaluation Reserve	(25.1)	(3.8)	1.1	(2.7)	(27.8)
Financial Instruments Revaluations Reserve	(3.8)	1.9	0.0	1.9	(1.9)
Capital Adjustment Account	(323.2)	0.0	(44.3)	(44.3)	(367.5)
Other Statutory Adjustment Accounts	1.4	0.0	(1.1)	(1.1)	0.3
Total Unusable Reserves	(270.9)	2.8	(41.4)	(38.6)	(309.5)
Total Reserves	(402.9)	(18.0)	0.0	(18.0)	(420.9)

	Movements					
	Balance as at 31/03/18	IFRS9 Adjustment 01/04/18	Total Comprehen- sive Income and Expenditure Statement	Adjustment between accounting basis and funding basis under regulations		Total Movement in 2018/19
	£M	£M	£M	£M	£M	£M
2018/19						
Usable Reserves						
General Fund Balance (incl. earmarked reserves)	(41.5)	0.0	13.7	(13.5)	0.2	(41.3)
Capital Receipts Reserve	(69.6)	0.0	0.0	(5.0)	(5.0)	(74.6)
Capital Grants and Contributions	(0.3)	0.0	0.0	(0.2)	(0.2)	(0.5)
Total Usable Reserves	(111.4)	0.0	13.7	(18.7)	(5.0)	(116.4)
Unusable Reserves						
Pension Scheme Reserve	87.4	0.0	(7.6)	5.5	(2.1)	85.3
Asset Revaluation Reserve	(27.8)	0.0	(5.7)	0.8	(4.9)	(32.7)
Financial Instruments Revaluations Reserve	(1.9)	1.9	0.0	0.0	1.9	0.0
Capital Adjustment Account	(367.5)	(0.2)	0.0	9.8	9.6	(357.9)
Other Statutory Adjustment Accounts	0.3	(0.2)	0.0	2.6	2.4	2.7
Total Unusable Reserves	(309.5)	1.5	(13.3)	18.7	6.9	(302.6)
Total Reserves	(420.9)	1.5	0.4	0.0	1.9	(419.0)

This statement shows the movement in the year on the different reserves held by the council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves" (see Notes 15 and 16 for more details).

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

2017/18 £M		2018/19 £M
(20.8)	OPERATING ACTIVITIES (Surplus)/Deficit on the Provision of Services	13.7
	Adjustments for Non-Cash Movements:	
(2.9)	Pension Fund adjustments	(5.5)
(3.1)	Depreciation and amortisation of long term assets	(3.2)
1.1	Revaluation of property, plant and equipment	0.3
27.2	Revaluation of investment property	(11.7)
(0.8)	Write out of long term assets on disposal	(3.0)
0.6	Other Non-Cash Movements	(1.2)
	Adjustments for Items included in Investing Activities:	
1.0	Proceeds from disposal of long term assets	10.9
	Adjustments for Items on an Accruals Basis:	
0.3	Increase/(decrease) in operating activity debtors	1.0
(0.5)	(Increase)/decrease in operating activity creditors	2.8
(0.7)	(Increase)/decrease in provisions	(0.7)
1.4	Net Cash Out Flow/(In Flow) from Operating Activities	3.4
	INVESTING ACTIVITIES	
18.7	Payments for additions and subsequent expenditure on long term assets	6.9
357.6	Payments for purchase of investments	117.7
(1.0)	Proceeds from disposal of long term assets	(10.9)
(365.7)	Proceeds from disposal of investments	(121.3)
9.6	Net Cash Out Flow/(In Flow) from Investing Activities	(7.6)
	FINANCING ACTIVITIES	
(2.9)	Net (inflow)/outflow for business rates payable to government and preceptors	2.3
(0.1)	Net (inflow)/outflow for council tax payable to preceptors	0.0
(3.0)	Net Cash (In Flow)/Out Flow from Financing Activities	2.3
8.0	NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS	(1.9)

The purpose of the Cash Flow Statement is to show how the Cash and Cash Equivalents shown in the Balance Sheet has changed. It therefore includes all cash amounts received and paid out irrespective of the type of transaction. A reconciliation of the net movement in cash and cash equivalents to the Balance Sheet can be seen in Note 9.

Cash and Cash Equivalents includes cash in hand, the council's main bank account, deposit accounts with other banks and money market funds with financial institutions that are held for meeting short term cash commitments rather than for investment purposes. They are repayable, without penalty, on notice of not more than 30 days and are convertible to known amounts of cash with insignificant risk of change in value.

The Cash Flow Statement is different to the other statements because it is on a cash basis and some of the figures may not agree with other figures in the financial statements which are all on an accruals basis (i.e. based on amounts payable and receivable rather than actually paid or received).

NOTES TO THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS (EFA)

The purpose of this analysis is to reconcile the amounts reported internally in line with the council's General Fund and the amounts reported in the Comprehensive Income and Expenditure Statement (CIES). This is required because the internal reporting does not include charges relating to capital expenditure (e.g. depreciation etc.) or notional pension costs (current service cost etc.) and expenditure on support services is budgeted for centrally within business units and is only charged to services at the end of the year. These items form part of the reconciliation between the internally reported net charge to the general fund and the actual net charge to the CIES.

The reconciliation for 2018/19 is as follows:

	Adjustments between funding and accounting basis					Net charge to CIES 2018/19 £M
	Net charge to General Fund 2018/19 £M	Pension Adjust- ments 2018/19 £M	Capital Account- ing 2018/19 £M	Support Service Recharges 2018/19 £M	Other Statutory Adjust- ments 2018/19 £M	
Service Costs by Portfolio						
Leader	0.2	0.0	0.0	1.9	0.0	2.1
Housing, Regeneration, Arts and Heritage	1.6	0.0	2.1	2.5	0.0	6.2
Digital Innovation and Inclusion	(0.2)	0.0	0.0	1.3	0.0	1.1
Communities and Community Safety	0.1	0.0	2.3	2.8	0.0	5.2
Finance, Service Delivery and Improvement	1.9	0.7	0.0	1.8	0.0	4.4
Property and Development	0.0	0.0	0.0	0.0	0.0	0.0
Planning and Infrastructure	0.4	0.0	1.1	7.9	0.0	9.4
Regulatory Services and the Environment	4.0	0.0	0.1	7.0	0.0	11.1
Portfolio Total	8.0	0.7	5.6	25.2	0.0	39.5
Business Units	25.5	2.6	0.0	(28.0)	(0.1)	0.0
Agency and Holding Accounts	0.3	0.0	1.1	(1.4)	0.0	0.0
Cost of Services	33.8	3.3	6.7	(4.2)	(0.1)	39.5
Corporate Items						
Payments to Parishes	0.0	0.0	0.0	0.0	1.3	1.3
Investment Property	(15.9)	0.0	4.0	4.2	0.0	(7.7)
Interest and Investment Income	(2.9)	0.0	0.0	0.0	1.0	(1.9)
Pension Interest Costs	0.0	2.2	0.0	0.0	0.0	2.2
Council Tax Income	(7.6)	0.0	0.0	0.0	(1.3)	(8.9)
Net Business Rates Income	(5.1)	0.0	0.0	0.0	1.7	(3.4)
Non-Specific Grants	(3.6)	0.0	0.0	0.0	0.0	(3.6)
Other Corporate Items	1.5	0.0	(5.3)	0.0	0.0	(3.8)
(Surplus)/Deficit on Provision of Services	0.2	5.5	5.4	0.0	2.6	13.7
Opening General Fund Balance	(41.5)					
(Surplus)/Deficit on Provision of Services	0.2					
Closing General Fund Balance	(41.3)					

In the table above the Net Charge to General Fund column are those costs and income shown in the council's Revenue Outturn Report and the Net Charge to CIES are those shown in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS (EFA) (continued)

The comparable figures for 2017/18 were:

	Adjustments between funding and accounting basis					Net charge to CIES 2017/18 £M
	Net charge to General Fund 2017/18 £M	Pension Adjust- ments 2017/18 £M	Capital Account- ing 2017/18 £M	Restated Support Service Recharges 2017/18 £M	Other Statutory Adjust- ments 2017/18 £M	
Service Costs by Portfolio						
Leader	0.4	0.0	0.1	1.7	0.0	2.2
Housing and Regeneration	2.1	0.0	2.3	2.3	0.0	6.7
Digital Innovation and Inclusion	(0.4)	0.0	0.0	1.2	0.0	0.8
Communities and Community Safety	0.3	0.0	3.0	2.4	0.0	5.7
Finance, Service Delivery and Improvement	1.9	(1.5)	0.0	1.6	0.0	2.0
Property and Development	0.2	0.0	0.0	0.1	0.0	0.3
Planning and Infrastructure	0.4	0.0	0.9	7.3	0.0	8.6
Regulatory Services and the Environment	3.9	0.0	0.0	6.2	0.0	10.1
Portfolio Total	8.8	(1.5)	6.3	22.8	0.0	36.4
Business Units	24.9	2.4	0.0	(27.3)	0.0	(0.0)
Agency and Holding Accounts	0.0	0.0	(0.9)	0.9	0.0	0.0
Cost of Services	33.7	0.9	5.4	(3.6)	0.0	36.4
Corporate Items						
Payments to Parishes	0.0	0.0	0.0	0.0	1.2	1.2
Investment Property	(14.7)	0.0	(27.3)	3.6	0.0	(38.4)
Interest and Investment Income	(2.8)	0.0	0.0	0.0	0.0	(2.8)
Pension Interest Costs	0.0	2.0	0.0	0.0	0.0	2.0
Council Tax Income	(7.2)	0.0	0.0	0.0	(1.2)	(8.4)
Net Business Rates Income	(2.4)	0.0	0.0	0.0	(1.1)	(3.5)
Non-Specific Grants	(4.9)	0.0	0.0	0.0	0.0	(4.9)
Other Corporate Items	1.7	0.0	(4.1)	0.0	0.0	(2.4)
(Surplus)/Deficit on Provision of Services	3.4	2.9	(26.0)	(0.0)	(1.1)	(20.8)
Opening General Fund Balance	(44.9)					
(Surplus)/Deficit on Provision of Services	3.4					
Closing General Fund Balance	(41.5)					

Explanation of adjustments between funding and accounting basis

Pension Adjustments:

For services this represents the removal of employer pension contribution payments and replacing them with a notional Current Service Cost based on a calculation of how much the pension liability has increased in the current year for the current employees required by IAS19 Employee Benefits.

For Pension Interest Costs this represents the net interest which includes the interest payable on the pension liability and the interest income on the assets in accordance with IAS19.

Capital Accounting Adjustments:

For services this represents the addition of depreciation, impairments and revaluation gains and losses on assets used in the provision of services.

For Investment Property this represents the addition of impairments and revaluation gains and losses on investment property.

NOTES TO THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS (continued)

Support Service Recharges Adjustments:

Most of the council's employee costs and support service costs (including IT equipment, Council Offices and Vehicles) are held within Business Units, Agency and Holding Accounts and are apportioned to the portfolio services using various recharge methods to identify the total cost of portfolio services. As the CIES shows the total cost of services by portfolio, support service recharges are a reconciling item between the analysis reported internally and the CIES.

Other Statutory Adjustments:

This represents; the separation of Council Tax between amounts collected on behalf of Parishes from the Council's own requirement; the timing differences between the way that Council Tax and Business Rates are accounted for under statute and proper accounting practice under IFRS; and the adjustments made for the statutory reversal of valuation changes to pooled investments funds under IFRS9.

Analysis of the nature of expenditure and income within the Expenditure and Funding Analysis

The Code requires a note to the EFA that analyses certain items of income and expense on a segmental (portfolio) basis if they are reported internally (i.e. within General Fund reporting). The only item that needs further analysis is revenues from external customers (service income) and this is already shown by portfolio segments on the face of the CIES.

The Code also requires an analysis of the nature of material expenses included within the segmental reporting. The Council's total revenue expenditure and income can be analysed as follows:

General Fund 2017/18 £M	Statutory Adjust. 2017/18 £M	CIES 2017/18 £M		General Fund 2018/19 £M	Statutory Adjust. 2018/19 £M	CIES 2018/19 £M
			<u>Expenditure</u>			
45.5	0.0	45.5	Housing Benefit Payments	40.5	0.0	40.5
26.0	0.0	26.0	Business Rates Expenditure	27.1	1.7	28.8
25.6	0.9	26.5	Employees	26.6	3.2	29.8
5.7	0.0	5.7	Premises	6.1	0.0	6.1
13.7	0.0	13.7	Supplies and Services	12.4	0.0	12.4
0.0	5.4	5.4	Capital Charges	0.0	7.7	7.7
0.0	0.0	0.0	Property Revaluation Losses	0.0	4.0	4.0
5.7	3.2	8.9	Other Running Costs	7.5	2.0	9.5
122.2	9.5	131.7		120.2	18.6	138.8
			<u>Income</u>			
(45.7)	0.0	(45.7)	Housing Benefit Subsidy	(40.9)	0.0	(40.9)
(28.4)	(1.1)	(29.5)	Income from Business Rates	(32.2)	0.0	(32.2)
(16.0)	0.0	(16.0)	Property Rents	(16.9)	0.0	(16.9)
0.0	(27.3)	(27.3)	Property Revaluation Gains	0.0	0.0	0.0
(4.9)	0.0	(4.9)	General Government Grants	(3.6)	0.0	(3.6)
(7.2)	(1.2)	(8.4)	Income from Council Tax	(7.6)	(1.3)	(8.9)
(6.6)	0.0	(6.6)	Fees and Charges	(6.7)	0.0	(6.7)
(2.8)	0.0	(2.8)	Interest Income	(2.9)	1.0	(1.9)
(7.2)	(4.1)	(11.3)	Other Income	(9.2)	(4.8)	(14.0)
(118.8)	(33.7)	(152.5)		(120.0)	(5.1)	(125.1)
3.4	(24.2)	(20.8)	(Surplus)/Deficit on Services	0.2	13.5	13.7

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT (PPE)

The net book value and movements for the different categories of Property, Plant and Equipment assets are shown below:

	Land and Buildings £M	Vehicles Plant and Equipment £M	Community Assets £M	Total PPE Assets £M
Net Book Value at 31 March 2017	67.6	2.5	8.5	78.6
<u>Cost or Valuation</u>				
As at 31 March 2017	68.8	6.2	8.5	83.5
<u>Movements in 2017/18</u>				
Additions	1.1	0.8	0.0	1.9
Disposals/Derecognitions	0.0	(0.8)	0.0	(0.8)
Reclassifications	(0.5)	0.0	0.0	(0.5)
Revaluations (charged to services)	1.1	0.0	0.0	1.1
Revaluations (to revaluation reserve)	1.9	0.0	0.0	1.9
As at 31 March 2018	72.4	6.2	8.5	87.1
<u>Accumulated Depreciation</u>				
As at 31 March 2017	(1.2)	(3.7)	0.0	(4.9)
<u>Movements in 2017/18</u>				
Depreciation	(2.4)	(0.7)	0.0	(3.1)
Disposals/Derecognitions	0.0	0.8	0.0	0.8
Depreciation written out (to revaluation reserve)	1.9	0.0	0.0	1.9
As at 31 March 2018	(1.7)	(3.6)	0.0	(5.3)
Net Book Value at 31 March 2018	70.7	2.6	8.5	81.8
<u>Cost or Valuation</u>				
As at 31 March 2018	72.4	6.2	8.5	87.1
<u>Movements in 2018/19</u>				
Additions	1.5	0.3	0.2	2.0
Disposals/Derecognitions	(0.0)	(0.6)	0.0	(0.6)
Reclassifications	0.0	0.0	0.0	0.0
Revaluations (charged to services)	0.3	0.0	0.0	0.3
Revaluations (to revaluation reserve)	1.9	0.0	0.0	1.9
As at 31 March 2019	76.1	5.9	8.7	90.7
<u>Accumulated Depreciation</u>				
As at 31 March 2018	(1.7)	(3.6)	0.0	(5.3)
<u>Movements in 2018/19</u>				
Depreciation	(2.5)	(0.7)	0.0	(3.2)
Disposals/Derecognitions	0.0	0.6	0.0	0.6
Depreciation written out (to revaluation reserve)	3.8	0.0	0.0	3.8
As at 31 March 2019	(0.4)	(3.7)	0.0	(4.1)
Net Book Value at 31 March 2019	75.7	2.2	8.7	86.6

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

Depreciation and Estimated Useful Lives

The following useful lives have been used in the calculation of depreciation which is based on a straight-line allocation over the expected life of the asset.

Buildings	from 10 to 100 years
Vehicles, Plant and Equipment	from 3 to 10 years

Revaluations and Impairments

Most of the council's land and building assets have been revalued during 2018/19. Assets have been revalued where there is evidence of a significant change in value or impairment, but as a minimum every 5 years. Where the assets are not depreciated (e.g. community assets) they are reviewed for impairments at the end of the year.

The basis for the valuations is in accordance with the council's Accounting Policies (see note 25).

The significant specialised properties were valued externally by Colliers International Property Consultants Limited using a depreciated replacement cost (DRC) methodology together with the two council offices Deanes and Parklands, which were valued on a current value - existing use basis.

All other properties were valued internally by officers who are members of the Royal Institute of Chartered Surveyors (RICS).

The following table shows for each category of Property, Plant and Equipment, those assets that are carried at cost, those that are carried at depreciated cost and for those assets that are revalued, the year in which the revaluations were completed:

Assets	Carried at Cost £M	Carried at Depreciated Cost £M	Revalued During 2015/16 £M	Revalued During 2016/17 £M	Revalued During 2017/18 £M	Revalued During 2018/19 £M	Total PPE Assets £M
Land and Buildings	0.0	0.0	0.2	0.8	0.1	74.6	75.7
Vehicles, Plant and Equipment	0.0	2.2	0.0	0.0	0.0	0.0	2.2
Community Assets	8.7	0.0	0.0	0.0	0.0	0.0	8.7
Total Property, Plant and Equipment Assets	8.7	2.2	0.2	0.8	0.1	74.6	86.6

Revaluations of Significant Land and Buildings Assets

During 2018/19 there were some significant revaluations on operational land and buildings as follows:

31-Mar-18 Carrying Value £M	Asset	2018/19 Additions / Reclassifications / Disposals £M	2018/19 Depreciation Adjustment £M	2018/19 Revaluation Change - Revaluation Reserve £M	2018/19 Revaluation Change - To Services £M	31-Mar-19 Carrying Value £M
18.3	The Anvil*	0.0	0.0	0.7	0.0	19.0
17.2	The Aquadrome*	0.0	0.0	0.6	0.0	17.8
4.0	Tadley Swimming Pool*	0.4	0.0	(0.5)	0.0	3.9
2.3	Haymarket Theatre*	0.0	0.0	0.0	0.1	2.4
5.6	Civic Offices**	0.2	0.0	(0.8)	(0.4)	4.6
7.6	Public Car Parks	0.0	0.0	(0.6)	0.0	7.0
15.7	Other PPE Land and Buildings	0.9	(2.5)	6.3	0.6	21.0
70.7	Total Land and Buildings	1.5	(2.5)	5.7	0.3	75.7

* Specialist properties valued by Colliers International Property Consultants Limited

** Civic Offices valued by Colliers International Property Consultants Limited

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY

The movement in the fair value (estimated market value) of Investment Property Assets is shown below:

2017/18 £M		2018/19 £M
253.2	Balance at the Start of the Year	296.3
	<u>Movements in Year</u>	
15.2	Additions	1.0
1.0	Subsequent Expenditure	3.1
(0.8)	Disposals - Carrying Value Written Out	(3.0)
0.5	Reclassifications - (to)/from Property, Plant and Equipment	0.0
27.2	Net Gain/(Loss) on Revaluations	(11.7)
296.3	Balance at the End of the Year	285.7

Investment Property Revaluations - Fair Value

All Investment Property valuations have been updated in 2018/19 in accordance with the requirements of the Code on a fair value basis. The fair values have been based on the market approach using significant observable inputs, namely current market conditions for rents, yields, recent sales prices and other relevant information for similar assets in the local area.

The valuation for the Land at Manydown was carried out by District Valuer Services, Valuation Office Agency. The valuations for certain Investment Properties including Basing View, Industrial Estates, Viables, West Ham Leisure Park, the Malls and Festival Place Shopping Centres and various multi-let properties were carried out by Colliers International Property Consultants Limited. All other Investment Property valuations were carried out by officers who are members of the Royal Institute of Chartered Surveyors (RICS).

Revaluations of Significant Investment Property Assets

During 2018/19 there were some significant revaluations on investment property as follows:

31-Mar-18 Carrying Value £M	Asset	2018/19 Reclassificat ions £M	2018/19 Additions / Disposals £M	2018/19 Revaluation Change £M	31-Mar-19 Carrying Value £M
52.0	Houndmills Industrial Estate	0.0	0.0	(2.3)	49.7
49.8	Daneshill Industrial Estate	(1.1)	0.0	(2.0)	46.7
37.2	Viables	1.1	0.0	(0.3)	38.0
30.1	Basing View	0.0	0.8	(3.0)	27.9
24.5	The Malls	0.0	0.0	(5.4)	19.1
24.0	Property Investment Strategy Acquisitions	1.1	0.5	0.0	25.6
20.3	Land at Manydown*	0.0	0.0	1.4	21.7
13.6	Festival Place	0.0	0.0	(1.1)	12.5
5.2	West Ham Leisure Park	0.0	0.0	0.1	5.3
4.3	St Andrews Medical Centre	0.0	0.0	0.1	4.4
1.3	Investment Property - Surplus Land	(1.3)	0.0	0.0	(0.0)
34.0	Other Investment Property	0.2	(0.2)	0.8	34.8
296.3	Total	0.0	1.1	(11.7)	285.7

* This represents a 50% interest in Land at Manydown jointly leased with Hampshire County Council.

The council's 50% share of the Land at Manydown has increased by £1.4M due to more certainty over the future development of the site. Overall decrease in the value of the Malls and Festival Place which reflects the significant fall in the retail sector in the past 12 months. Reduction in Basing View, which comprises the individual investment properties and development sites across the business park largely due to in year capital expenditure being written out. Reduction in Daneshill is largely due to the valuers using different assumptions.

Investment Property held under leases

The council leases land at Manydown that is currently classified as an Investment Property.

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY (continued)

Investment Property Income and Expenditure Account

The Investment Property Income and Expenditure Account is used to record the operating activity relating to investment properties. It does not include expenditure on the acquisition or enhancement of Investment Property as these are shown as investing activities and form part of the cost/value of the assets. The net gain of £7.7M in 2018/19 (net gain of £38.4M in 2017/18) is shown in the Comprehensive Income and Expenditure Statement.

A breakdown of the expenditure and income is shown below:

2017/18 £M		2018/19 £M
(27.2)	Net (Gain)/Loss on Revaluation of Investment Property	11.7
(0.1)	Net (Gain)/Loss on Disposals of Investment Property	(7.8)
(18.6)	Income from Investment Property (rents and service charges)	(19.8)
7.5	Maintenance and Running Costs of Investment Property	8.2
(38.4)	Net (Gain)/Loss on Investment Property	(7.7)

4. OTHER LONG TERM ASSETS

Other long term assets consist of:

2017/18 £M		2018/19 £M
2.3	Loans to Housing Associations (part of Existing Satisfactory Purchases Scheme)	2.3
0.0	Loan to SERCO Ltd. (waste collection contract)	3.9
1.5	Other Loans, Intangible and Heritage Assets	1.4
3.8	Other Long Term Debtors	7.6

5. STATUTORY CAPITAL EXPENDITURE AND FINANCING

Total capital expenditure for 2018/19 amounted to £15.9M (£23.1M in 2017/18). Movements in the Capital Financing Requirement (the council's need to borrow to finance capital expenditure) are shown below:

2017/18 £M		2018/19 £M
0.0	Opening Capital Financing Requirement	0.0
	Statutory Capital Expenditure	
1.9	Property Plant and Equipment Assets	2.0
16.2	Investment Property Assets	4.1
0.7	Other Long Term Assets	5.1
4.3	Revenue Expenditure Funded from Capital Under Statute	4.7
23.1	Total Capital Expenditure	15.9
	Source of Finance	
(17.8)	Capital Receipts Reserve	(10.0)
(1.5)	Capital Grants and Contributions	(2.1)
(3.8)	Direct Revenue Financing from the General Fund	(3.8)
0.0	Closing Capital Financing Requirement	0.0

NOTES TO THE FINANCIAL STATEMENTS

6. LEASES

The council leases out 94% of its Investment Property under operating leases for the purpose of generating income. It also leases out land and buildings for the purpose of the provision of community services such as sports and leisure facilities and community centres.

The estimated future aggregate minimum lease rentals receivable from these leases are:

2017/18 £M		2018/19 £M
15.0	Due within one year	14.9
52.7	Due later than one year and not later than five years	51.6
855.6	Due after five years	794.7
923.3	Total Future Minimum Lease Rentals Receivable	861.2

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

In 2018/19 the contingent rents receivable by the council for the year were £4.1M (£3.8M in 2017/18).

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS)

Financial instruments are contractual arrangements that give rise to a financial asset in one entity and a financial liability in another. For the council, this primarily relates to financial assets in the form of investments and debtors where deferred payment terms have been agreed and financial liabilities in the form of short term borrowing and creditors where deferred payment terms have been agreed.

The council's financial assets are shown in different places in the Balance Sheet: Long Term Investments, Short Term Investments, Cash and Cash Equivalents (see note 9), Other Long Term Debtors (see note 4) and Short Term Debtors (see note 8).

This note encompasses the disclosure requirements for long and short term investments.

Financial Instruments - Prior Period Adjustment

The Long Term Investment Balance as at 31 March 2018 included £20.0M of investments that were due to mature within 12 months of the balance sheet date and should have been included in Short Term Investments. The code requires a prior period adjustment to be made to correct the misstatement and the balance sheet to be restated.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

The investment balances as at 31 March 2018 have been restated as follows:

	Long Term 31-Mar-18 £M	Short Term 31-Mar-18 £M	Investment Total 31-Mar-18 £M
<u>Carrying Value (previously reported)</u>			
Loans and Receivables	0.0	7.0	7.0
Available for Sale	117.8	10.0	127.8
Accrued Interest	0.0	0.5	0.5
	117.8	17.5	135.3
<u>Prior Period Adjustments</u>			
Loans and Receivables	0.0	0.0	0.0
Available for Sale	(20.0)	20.0	0.0
Accrued Interest	0.0	0.0	0.0
	(20.0)	20.0	0.0
<u>Carrying Value Restated</u>			
Loans and Receivables	0.0	7.0	7.0
Available for Sale	97.8	30.0	127.8
Accrued Interest	0.0	0.5	0.5
	97.8	37.5	135.3

Financial Instruments - IFRS9 Reclassifications

This year is the first year of the implementation of a revised International Financial Reporting Standard for Financial Instruments (IFRS9). The revised standard requires the council's financial instruments to be classified under different headings with different accounting treatment. This means that the opening balances for 2018/19 on investments will need to be reclassified and therefore will not be directly comparable with the previous years. As a result some additional transitional disclosure notes are required to explain how the balances have changed.

Under the previous standard the council had two types of financial instrument namely Loans and Receivables and Available for Sale. Under the revised standard the council has two types of financial instrument namely Amortised Cost and Fair Value Through Profit or Loss (FVTPL).

Amortised Cost financial instruments (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows) consist of:

- Government Bonds (Gilts)
- Supranational Bonds
- Local Authority Bonds
- Local Authority Deposits
- Bank Deposits (shown in Cash and Cash Equivalents)
- Loans made for Service Purposes (shown in Other Long Term Debtors)

Fair Value Through Profit or Loss financial instruments (where cash flows are not solely payments of principal and interest) consist of:

- Diversified Credit Funds
- Absolute Return Bond Funds
- Short Term Cash Funds
- Money Market Funds (shown in Cash and Cash Equivalents)

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

The following table shows how the carrying values for investments as at 1 April 2018 have been reclassified and adjusted as a result of the implementation of IFRS9:

Investments	Long Term 01-Apr-18 £M	Short Term 01-Apr-18 £M	Investment Total 01-Apr-18 £M
<u>Carrying Value as at 1-Apr-18</u>			
Loans and Receivables	0.0	7.0	7.0
Available for Sale - Bonds	32.4	20.0	52.4
Available for Sale - Pooled Funds	65.4	10.0	75.4
Accrued Interest	0.0	0.5	0.5
	97.8	37.5	135.3
<u>IFRS9 Reclassifications as at 1-Apr-18</u>			
Amortised Cost - Loans	0.0	7.0	7.0
Amortised Cost - Bonds	31.2	19.7	50.9
Fair Value Through Profit and Loss (FVTPL) - Pooled Funds	65.4	10.0	75.4
Accrued Interest	0.0	0.5	0.5
IFRS9 Adjustment	1.2	0.3	1.5
	97.8	37.5	135.3

The council's long term and short term bond holdings (Gilts, Supranationals and Local Authority Bonds) were all previously categorised as Available for Sale. Under the new classifications they are all being shown as Amortised Cost because the cash flows from these investments consists solely of payments of principal and interest and the council's business model is to hold and collect the cash flows without trading. The carrying amount of these investments has been adjusted by £1.5M on 1 April 2018 from £52.4M to £50.9M as a result of the introduction of IFRS9 because they no longer need to be revalued and the appropriate revaluation reserve balance has also been adjusted in the Movement in Reserves Statement.

As part of the transition to IFRS9 the council is required to identify the amount that would have been debited or credited to the CIES under the previous standard for investments that are now measured at amortised cost. The fair value of the council's amortised cost long term investments as at 31 March 2019 is £31.8M and would have resulted in a debit of £0.6M to the CIES if the standard had not been adopted.

The council's investments in pooled funds were previously categorised as Available for Sale. Under the new classifications they are all reclassified as FVTPL in 2018/19 with no adjustments required. This is because the cash flows from these investments are not solely payments of principal and interest. They are equity investments that pay dividends.

The council's short term loans and receivables in 2017/18 consisted of deposits with Local Authorities and under IFRS9 these are all reclassified as Amortised Cost in 2018/19 with no adjustments required.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

Financial Instruments - Balances as at 31 March 19

As at the 31 March 2019 the council had the following balances on investments:

Investments	Long Term 31-Mar-19 £M	Short Term 31-Mar-19 £M	Investment Total 31-Mar-19 £M
Carrying Value as at 31-Mar-19			
Amortised Cost	12.1	52.0	64.1
Fair Value Through Profit and Loss (FVTPL)	54.4	0.0	54.4
Accrued Interest	0.0	0.6	0.6
	66.5	52.6	119.1

Financial Instruments - Fair Values

The Fair Value Through Profit or Loss financial instruments are shown at fair value based on quoted market prices. Cash and Cash Equivalent investments are shown at cost because this is not materially different from the fair value.

Financial Instruments - Amounts included within the Comprehensive Income and Expenditure Statement

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement for the different categories of financial instruments were as follows:

Loans and Receiv- ables 2017/18 £M	Available- for-Sale Financial Assets 2017/18 £M	Total Financial Instru- ments 2017/18 £M		Amortised Cost 2018/19 £M	Fair Value Through Profit or Loss 2018/19 £M	Total Financial Instru- ments 2018/19 £M
(0.1)	(2.7)	(2.8)	Within Deficit/(Surplus) on Provision of Services			
			Interest and Investment Income	(1.5)	(0.4)	(1.9)
			Within Other Comprehensive Income and Expenditure			
0.0	1.9	1.9	Net (Gain)/Loss on Revaluation of Investments	0.0	0.0	0.0
(0.1)	(0.8)	(0.9)	Total Income, Expense, Gains and Losses	(1.5)	(0.4)	(1.9)

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

Financial Instruments - Amounts included within the Cash Flow Statement

The interest income and expenditure figures in the table above include accruals. However, the Code requires the council to disclose the actual cash amounts of interest received and paid. In 2018/19 the council received £3.1M (£2.9M in 2017/18).

Financial Instruments - Nature and Extent of Risk

The council's investment activities expose it to a variety of financial risks. These include credit risk (the possibility that other parties might fail to pay amounts due to the council), liquidity risk (the possibility that the council might not have funds available to meet its commitments) and market risk (the possibility that losses may arise due to changes in interest rates and market prices).

The council's risk management on financial instruments (mainly investments) focuses on the credit risk and the unpredictability of financial markets and seeks to minimise the potential for adverse effects on the resources available to fund services.

Risk management in this area is carried out by a central treasury management team under policies approved by the council in the annual Treasury Management Strategy. The council has a policy for risk management, has adopted the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management Code of Practice and has set treasury management indicators to control financial instrument risks in accordance with the CIPFA Prudential Code of Practice. These indicators are monitored throughout the year and are reported periodically to the council's Audit and Accounts Committee, Cabinet and Full Council.

Credit Risk - Investments

Credit risk arises from all of the council's investments and some of the council's customers. These include service related debtors but exclude council tax and business rate debtors.

The table below compares the percentage of the council's investment portfolio that was invested in each type of investment at the beginning and at the end of the year and illustrates that, as at 31 March 2019, 23% of investments were in government issued or government backed instruments (33% as at 31 March 2018). The average credit rating for the investment portfolio as a whole is A+ (AA- as at 31 March 2018), which is an indication of the level of risk in the investment portfolio.

Indicative Credit Rating 31-Mar-18	% of Portfolio 31-Mar-18	Investment Instrument	Indicative Credit Rating 31-Mar-19	% of Portfolio 31-Mar-19	% Change
AA	23%	Government Bonds (Gilts)	AA	20%	-3%
AAA	10%	Supranational Bonds	AAA	3%	-7%
A	27%	Diversified Credit Funds	A-	29%	2%
A	16%	Absolute Return Bond Funds	BBB+	11%	-5%
AA-	4%	Local Authority Deposits	AA-	28%	24%
AAAm	10%	Money Market Funds	AAAm	9%	-1%
AAAf	7%	Short Term Cash Funds	AAAf	0%	-7%
AA-	3%	Local Authority Bonds	AA-	0%	-3%

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

The code requires the council to disclose the amount that best represents its maximum exposure to credit risk. The council has not had nor expects any default losses in relation to investments. Many of the council's investments are in financial instruments where the amount of credit risk is reflected in the market price of those investments.

In order to reduce credit risk the council has transferred the assessment and management of credit selection to external fund managers via the use of highly diversified funds. The fund managers have the necessary expertise and resources to manage credit risk in a more effective way than the council could do in-house. In-house investments are restricted to government backed instruments, other local authorities or overnight only deposits with highly rated banks. The council also has a policy of maintaining strict investment limits with any one counterparty.

Liquidity Risk

As the council has net investments of £135.5M as at 31 March 2019 (£149.4M as at 31 March 2018) and access to borrowing from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise funds to meet its commitments. All trade and other payables (creditors) are due to be paid in less than one year and therefore there is a low liquidity risk because the council has £123.5M of investments (£117.0M as at 31 March 2018) that can be realised in the short term if required.

Market Risk (interest rates/prices/exchange rates)

The council aims to reduce risk, in terms of its exposure to interest rate movements, by having a significant proportion of its investments in fixed rate instruments. As at 31 March 2019 the council had 48% (34% as at 31 March 2018) of its investments in fixed rate instruments. The council also has an interest rate risk reserve of £2.5M as at 31 March 2019 (£2.3M as at 31 March 2018) to accommodate any adverse changes in the year.

In order to give some indication of the level of risk, if interest rates had been 1.0% higher or lower this would have resulted in £1.0M in 2018/19 (£1.0M in 2017/18) of increased or decreased interest income on the council's variable rate investments.

The council is exposed to changes in market prices for its bond investments and pooled investment funds. However, as the council has a policy of purchasing bonds with the intention of holding them to maturity and investing in external funds for the longer term, variations in market prices do not have an immediate financial impact on the council unless they are sold.

The council has no financial instruments denominated in foreign currencies and thus has no direct exposure to losses arising from movements in exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

8. SHORT TERM DEBTORS

The council's short term debtors as at 31 March are summarised as follows:

31-Mar-18 £M		31-Mar-19 £M
1.5	Central Government	1.2
1.2	Other Local Authorities	1.6
4.5	Other Entities and Individuals (includes Property Rents and Housing Benefits Overpayments)	15.1
7.2	Total Short Term Debtors	17.9

Debtors are shown net of allowances for doubtful debts. The council has an allowance for doubtful debts of £3.9M as at 31 March 2019 (£3.6M as at 31 March 2018) consisting mainly of an allowance for Housing Benefits overpayments of £2.7M (£2.5M as at 31st March 2018) and other allowances of £1.2M (£0.8M as at 31st March 2018). Debtors for Other Entities and Individuals includes an amount of £9.9M relating to the disposal of an investment which, under the normal terms of the transaction, was awaiting settlement of the proceeds as at 31 March 2019.

9. CASH AND CASH EQUIVALENTS

Cash equivalents include deposits and money market funds with financial institutions that are repayable, without penalty, on notice of not more than 30 days and are convertible to known amounts of cash with insignificant risk of change in value.

The main items included within Cash and Cash Equivalents were as follows:

31-Mar-18 £M		31-Mar-19 £M
0.1	Cash In Hand	0.1
3.0	Bank Current Account	2.5
0.0	Notice Deposits (Investments)	5.0
14.6	Money Market Funds (Investments)	12.0
17.7	Total Cash and Cash Equivalents	19.6

The movement in cash and cash equivalents during the year was £1.9M (£8.0M in 2017/18). More details of the movement are shown in the Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS

10. SHORT TERM CREDITORS

The council is required to categorise creditors as at 31 March as follows:

31-Mar-18 £M		31-Mar-19 £M
(5.9)	Central Government (includes net business rates)	(3.8)
(5.0)	Other Local Authorities (includes council tax and business rates payable to precepting authorities)	(5.4)
(11.2)	Other Entities and Individuals (includes contractors deposits, capital works and receipts in advance)	(9.4)
(22.1)	Total Short Term Creditors	(18.6)

The significant decrease in the central government creditor is mainly due to the funding arrangements for business rates that were introduced in 2013/14 which can lead to significant movements in the amounts owing to and from central government between financial years. There is also a reduction in creditors to Other Entities and Individuals largely due to less amounts due for capital works.

11. PROVISIONS

Total provisions of £4.2M (£3.5M in 2017/18) consist of the council's share of the provision for appeals on business rates.

The provision for appeals on business rates includes the council's share of movements of £1.6M (£0.6M in 2017/18) of charges to the provision and £2.3M change in provision (£1.3M in 2017/18).

12. NET BUSINESS RATES INCOME AND EXPENDITURE

The government funding arrangements allow the council to retain a proportion of the total £74.7M of business rates income in 2018/19 (£78.7M in 2017/18).

The income and expenditure relating to the council's share of business rates income was as follows:

2017/18 £M		2018/19 £M
	<u>Business Rates Income and Expenditure</u>	
(29.1)	Business Rate Income	(27.7)
0.7	Net Change in Provision Made for Business Rates Appeals	0.7
0.1	Change in Allowances for Doubtful Debt	0.4
(28.3)	Business Rates Income and Expenditure	(26.6)
	<u>Business Rates Grant Income and Expenditure</u>	
(1.2)	Business Rate Relief Grants from Government	(1.7)
25.6	Tariff Payment to Government	26.4
0.4	Levy to / (Safety net from) Government	(1.5)
24.8	Business Rates Grant Income and Expenditure	23.2
(3.5)	Total Retained Business Rates	(3.4)

NOTES TO THE FINANCIAL STATEMENTS

13. GRANTS AND CONTRIBUTIONS INCOME / RECEIPTS IN ADVANCE

Government Grants and Capital Contributions Income

The council credited £50.0M in 2018/19 (£54.2M in 2017/18) in government grants and capital contributions to the Comprehensive Income and Expenditure Statement during the year. Details of these credits are shown below:

2017/18 £M		2018/19 £M
(45.7)	Service Specific Government Grants (included in cost of services) Housing Benefit and Discretionary Housing Payments	(41.0)
(45.7)	Total Service Specific Revenue Grants and Contributions	(41.0)
(1.2)	Business Rates Grant Income (included in Note 12) Business Rate Relief Grants	(1.7)
(1.2)	Total Business Rate Grant Income	(1.7)
	Other Non-Ringfenced Government Grants	
(0.7)	Revenue Support Grant	(0.3)
(2.9)	New Homes Bonus Grant	(1.9)
(0.5)	Housing Benefit Administration Grant	(0.4)
(0.1)	Garden Towns Capacity Funding	(0.3)
(0.7)	Other Non-Ringfenced Grants	(0.7)
(4.9)	Total Non-Ringfenced Government Grants	(3.6)
	Capital Grants and Contributions	
(1.3)	Disabled Facilities Grant	(1.5)
(1.1)	Other Contributions	(2.2)
(2.4)	Total Capital Grants and Contributions	(3.7)
(54.2)	Total All Government Grants and Capital Contributions	(50.0)

Grants and Contributions Receipts in Advance

The council has a number of grants and contributions receivable that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor. These mainly relate to section 106 developer contributions that have conditions in the form of time limits on them. The balances and movements on these were as follows:

2017/18 £M		2018/19 £M
(7.5)	Balance at the Start of the Year	(8.2)
	<u>Movements in Year</u>	
(2.3)	Amounts receivable (with conditions)	(2.5)
0.4	Amounts due to Other Authorities	0.3
1.2	Amounts recognised as income	1.0
(8.2)	Balance at the End of the Year	(9.4)

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY

Pension Scheme - Participation

As part of the terms and conditions of employment of its employees, the council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the council has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

The council participates in the Local Government Pension Scheme (LGPS) administered by Hampshire County Council. The scheme is a defined benefit plan with benefits earned up to 31 March 2014 linked to final salary and benefits earned after this date based on a career average earnings. The pension payments are also index linked. This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the future pension obligations with pension assets (mainly investments).

The council has in the past made discretionary unfunded awards for early retirements which were termination benefits that impact on the council's future pension liability. These are unfunded defined benefit arrangements, under which liabilities are recognised when the awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

Pension Scheme - Operation and Risks

The pension scheme is operated under 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'. The governance of the scheme is the responsibility of the pension panel of Hampshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the panel.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes in inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the council's General Fund the amounts required by statute as described in the accounting policies note.

Pension Scheme - Transactions Relating to Retirement Benefits and Termination Benefits

The following transactions have been made in the financial statements during the year:

2017/18 £M		2018/19 £M
	Included in Cost of Services	
4.7	Current Service Costs	5.0
0.2	Past Service Costs	2.5
	Included in Financing and Investment Income and Expenditure	
2.0	Net Interest on Pension Liability	2.2
6.9	Sub Total Included in Provision of Services	9.7
	Included in Re-measurement of the Pension Liability	
	Actuarial losses/(gains)	
3.9	- due to change in financial assumptions	13.3
0.0	- due to change in demographic assumptions	(10.4)
1.4	- due to liability experience	0.4
(0.6)	Return on assets in excess of that recognised in net interest	(10.9)
4.7	Sub Total Included in Re-measurement of Liability	(7.6)
11.6	Total Included in Comprehensive Income and Expenditure Statement	2.1

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

2017/18 £M		2018/19 £M
	Movement in Reserves Statement (General Fund)	
(6.9)	Reversal of charges made for retirement benefits	(9.7)
4.0	Inclusion of employer's contributions payable (see below)	4.2
(2.9)	Total Included in Movement in Reserves Statement	(5.5)

The analysis of actual employers contributions payable is as follows:

2017/18 £M		2018/19 £M
3.4	Normal Funded Contributions	3.8
0.2	Lump Sums for Early Retirements	0.0
0.4	Discretionary / Unfunded Added Years Contributions	0.4
4.0	Total Employer Contributions	4.2

Pension Scheme - Assets and Liabilities Recognised in the Balance Sheet

2017/18 £M		2018/19 £M
(240.0)	Present value of the pension obligation*	(251.2)
152.6	Fair value of pension fund assets	165.9
(87.4)	Net Liability arising from Pension Obligation	(85.3)

*Includes a liability of £5.8M as at 31 March 2019 for discretionary and unfunded added years (£6.1M as at 31 March 2018).

As at the last valuation date the split of the pension obligation by category of members was 31% active members, 49% pensioners and 20% deferred pensioners.

Pension Scheme - Movement in the Present Value of the Pension Obligation

The movement in the pension obligation for the year was as follows:

2017/18 £M		2018/19 £M
(228.2)	Opening pension obligation	(240.0)
(4.7)	Current service cost	(5.0)
(0.2)	Past service cost	(2.5)
(5.9)	Interest on pension obligation	(6.2)
(1.0)	Contributions by scheme participants	(1.1)
	Actuarial gains/(losses):	
(3.9)	- due to changes in financial assumptions	(13.3)
0.0	- due to changes in demographic assumptions	10.4
(1.4)	- due to liability experience	(0.4)
5.3	Benefits paid	6.9
(240.0)	Closing present value of pension obligation	(251.2)

The past service costs have increased by £2.3M. This is primarily due to a £2.4M increase as a result of the "McCloud/Sargeant" judgement, details of which can be seen in Note 27 Events after the Balance Sheet Date.

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

Pension Scheme - Movement in the Fair Value of Pension Fund Assets

The movement in the fair value of assets for the year was as follows:

2017/18 £M		2018/19 £M
148.4	Opening fair value of assets	152.6
3.9	Interest Income on assets*	4.0
0.6	Re-measurement gains on assets*	10.9
4.0	Contributions by the employer	4.2
1.0	Contributions by scheme participants	1.1
(5.3)	Benefits paid	(6.9)
152.6	Closing fair value of assets	165.9

*Actual Return on Scheme Assets

The actual return on scheme assets in the year was a gain of £14.9M (gain of £4.5M in 2017/18).

Pension Scheme - Impact on the Council's Cash Flow

The net liability will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary and the changes to the scheme introduced on 1 April 2014 which increased the amount paid into the scheme by employees and employers.

The total contributions expected to be made by the council to the scheme in 2019/20 for funded benefits is £4.2M and for un-funded benefits is £0.4M.

Pension Scheme - Basis for Estimating Assets and Liabilities

Pension fund liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. The funded scheme liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, being based on the latest full valuation of the funded scheme as at 31 March 2016. Valuations for unfunded elements were assessed by the actuaries at 31 March 2017.

Pension Scheme - Assumptions

The main assumptions used in the actuary's calculations were:

31-Mar-18 Funded	31-Mar-18 Un-funded		31-Mar-19 Funded	31-Mar-19 Un-funded
2.6%	2.6%	General assumptions (per annum):		
3.6%	n/a	Rate for discounting scheme liabilities	2.4%	2.4%
2.1%	2.1%	Rate of Increase in Salaries	3.7%	n/a
		Rate of Increase to pensions in payment	2.2%	2.2%

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

The main assumptions relating to the split of pension fund assets were:

31-Mar-18 Quoted	31-Mar-18 Un-quoted		31-Mar-19 Quoted	31-Mar-19 Un-quoted
		Assumed Split of Pension Fund Assets		
58.5%	4.1%	Equities	54.0%	6.4%
23.5%	0.2%	Government Bonds	22.6%	0.1%
0.7%	6.3%	Property	0.7%	6.9%
1.0%	0.0%	Corporate Bonds	1.1%	4.1%
2.6%	0.0%	Cash	2.3%	0.0%
0.2%	2.9%	Other Assets	0.1%	1.7%

The basis for the overall expected return is a weighted average of the individual expected returns on each class of assets.

As well as the financial assumptions above, actuaries have made the following assumptions based on recent experience and allowing for reductions in expected future mortality:

31-Mar-18		31-Mar-19
	Mortality Assumptions (measured in years):	
	Future lifetime at 65 for current pensioners	
24.1	Male	23.3
27.2	Female	26.1
	Future lifetime at 65 for future pensioners (currently 45)	
26.2	Male	24.9
29.4	Female	27.8

The assumption for the take up of commutation (converting pension to a lump sum) is based on 70% of the maximum for 2018/19 and 2017/18.

Pension Scheme - Sensitivity of Actuarial Assumptions

The table below shows the sensitivity of the actuarial assumptions and what impact a 0.1% change would have for each of the assumptions.

	Change +/-	Impact on Net Liability +/-	Impact on Projected Service Costs +/-
Discount rate assumption	0.1%	£4.6m	£0.2m
Rate of Increase in Salaries	0.1%	£0.8m	£0.0m
Rate of Increase to pensions in payment and deferred pensions	0.1%	£3.9m	£0.2m
Mortality Assumptions	1 year	£7.8m	£0.2m

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES

Usable reserves are reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations (for example the Capital Receipts Reserve can only be used to fund capital expenditure).

The balances and movements on usable reserves for 2017/18 are shown below:

	General Fund Reserves £M	Capital Receipts Reserve £M	Capital Grants & Contrib - utions Reserve £M	Total Usable Reserves £M
Balance as at 31 March 2017	(44.9)	(86.4)	(0.7)	(132.0)
(Surplus)/Deficit on provision of services	(20.8)	0.0	0.0	(20.8)
Total comprehensive income and expenditure	(20.8)	0.0	0.0	(20.8)
Adjustments between accounting basis and funding basis under regulations:				
Depreciation and amortisation of long term assets	(3.1)	0.0	0.0	(3.1)
Revaluation of property, plant and equipment	1.1	0.0	0.0	1.1
Revaluation of investment property	27.2	0.0	0.0	27.2
Investment property written out (disposals)	(0.8)	0.0	0.0	(0.8)
Proceeds from investment property disposals	1.0	(1.0)	0.0	0.0
Proceeds from PPE asset disposals	0.0	0.0	0.0	0.0
Revaluation of financial instruments	0.0	0.0	0.0	0.0
Maturity of LA Bonds adjustment	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	(4.3)	0.0	0.0	(4.3)
Pension costs adjustment	(2.9)	0.0	0.0	(2.9)
Capital expenditure charged to the general fund (financing)	3.8	0.0	0.0	3.8
Capital repayments (loans/grants)	0.0	0.0	0.0	0.0
Capital grants and contributions unapplied	0.0	0.0	0.0	0.0
Capital grants and contributions applied (financing)	1.1	0.0	0.4	1.5
Capital receipts applied (financing)	0.0	17.8	0.0	17.8
Other statutory adjustments	1.1	0.0	0.0	1.1
Total adjustments between accounting basis and funding basis under regulations	24.2	16.8	0.4	41.4
Net (increase)/decrease	3.4	16.8	0.4	20.6
Balance as at 31 March 2018	(41.5)	(69.6)	(0.3)	(111.4)

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES (continued)

The balances and movements on usable reserves for 2018/19 are shown below:

	General Fund Reserves £M	Capital Receipts Reserve £M	Capital Grants & Contrib - utions Reserve £M	Total Usable Reserves £M
Balance as at 31 March 2018	(41.5)	(69.6)	(0.3)	(111.4)
(Surplus)/Deficit on provision of services	13.7	0.0	0.0	13.7
Total comprehensive income and expenditure	13.7	0.0	0.0	13.7
Adjustments between accounting basis and funding basis under regulations:				
Depreciation and amortisation of long term assets	(3.2)	0.0	0.0	(3.2)
Revaluation of property, plant and equipment	0.3	0.0	0.0	0.3
Revaluation of investment property	(11.7)	0.0	0.0	(11.7)
Investment property written out (disposals)	(3.0)	0.0	0.0	(3.0)
Proceeds from investment property disposals	10.8	(10.8)	0.0	0.0
Proceeds from PPE asset disposals	0.1	(0.1)	0.0	0.0
Revaluation of financial instruments	(1.0)	0.0	0.0	(1.0)
Maturity of LA Bonds adjustment	0.0	(3.8)	0.0	(3.8)
Revenue expenditure funded from capital under statute	(4.7)	0.0	0.0	(4.7)
Pension costs adjustment	(5.5)	0.0	0.0	(5.5)
Capital expenditure charged to the general fund (financing)	3.8	0.0	0.0	3.8
Capital repayments (loans/grants)	0.0	(0.3)	0.0	(0.3)
Capital grants and contributions unapplied	2.3	0.0	(2.3)	0.0
Capital grants and contributions applied (financing)	0.0	0.0	2.1	2.1
Capital receipts applied (financing)	0.0	10.0	0.0	10.0
Other statutory adjustments	(1.7)	0.0	0.0	(1.7)
Total adjustments between accounting basis and funding basis under regulations	(13.5)	(5.0)	(0.2)	(18.7)
Net (increase)/decrease	0.2	(5.0)	(0.2)	(5.0)
Balance as at 31 March 2019	(41.3)	(74.6)	(0.5)	(116.4)

Available Resources

The table above shows the reserves that the Code defines as "usable". However, the council has already decided to invest most of these reserves in order to earn interest income to support the annual revenue budget rather than make them available to spend. The estimated amount of usable reserves that are available to spend is £48.3M as at 31 March 2019 (£39.5M as at 31 March 2018). In addition to these available funds the council also has £9.4M as at 31 March 2019 (£8.2M as at 31 March 2018) of developers' contributions (shown as long term liabilities) that are also available, resulting in £57.7M of resources that are available to fund future spending plans as at 31 March 2019 (£47.7M as at 31 March 2018).

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES (continued)

Usable Reserves - Descriptions and Purpose

General Fund Reserves - General Fund reserves consist of earmarked revenue reserves and a General Fund Balance Reserve.

Earmarked Revenue Reserves - These are reserves that are earmarked to fund specific items in the future. There are four types of earmarked revenue reserves; those set aside to fund future capital expenditure, risk reserves, those set aside to fund specific future revenue expenditure and those invested to earn interest to support specific future revenue expenditure.

General Fund Balance Reserve - This represents the council's working balance and is effectively a general reserve that is available for unforeseen events.

The movement and balance for each of the General Fund reserves is shown below:

From/(To) Reserve 2017/18 £M	Balance 31-Mar-18 £M	General Fund Reserves	From/(To) Reserve 2018/19 £M	Balance 31-Mar-19 £M
		Reserves for Future Capital Expenditure		
2.0	(7.1)	Revenue Reserve for Capital Purposes (General)	0.1	(7.0)
(2.0)	(2.0)	Revenue Reserve for Capital Purposes (AMP Works)	(0.4)	(2.4)
0.1	(0.6)	Revenue Reserve for Capital Purposes (Green Investment)	0.0	(0.6)
0.8	(5.4)	Strategic Capital Reserve	3.0	(2.4)
1.2	(5.4)	Local Infrastructure Fund (LIF) Reserve	1.3	(4.1)
0.1	0.0	Basing View Reserve	(0.1)	(0.1)
		Risk Reserves		
0.0	(2.5)	Rent Risk Reserve	(0.2)	(2.7)
(0.3)	(2.3)	Interest Rate Risk Reserve	(0.2)	(2.5)
0.4	(1.3)	Business Rate Risk Reserve	(2.2)	(3.5)
0.1	(4.1)	Stability and Resilience Reserve	0.0	(4.1)
0.0	(0.3)	Other Risk Reserves	0.0	(0.3)
		Reserves for Future Revenue Expenditure		
0.2	(0.6)	Invest to Grow Reserve	0.2	(0.4)
0.1	(0.3)	Efficiency, Transformation and Digital Reserve	(0.8)	(1.1)
0.4	(0.1)	Government Grants Unapplied Reserve	(0.5)	(0.6)
0.2	(0.8)	Budget Carry Forward Reserve	(0.1)	(0.9)
0.0	0.0	Housing and Homelessness Reserve	(0.3)	(0.3)
0.4	(0.5)	Other Earmarked Revenue Reserves	0.3	(0.2)
		Reserves Invested to Earn Interest		
(0.3)	(6.7)	Commutated Sums Reserve	0.1	(6.6)
0.0	(1.5)	General Fund Balance (Un-earmarked)	0.0	(1.5)
3.4	(41.5)	Total General Fund Reserves	0.2	(41.3)

Capital Receipts Reserve - This represents the accumulated capital receipts (proceeds from the disposal of long term assets) that are available to finance any future capital expenditure.

Capital Grants and Contributions Reserve - This represents the accumulated capital grants and contributions that are available to finance any future capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES (continued)

The purpose of each of the earmarked reserves held at 31 March 2019 is shown below:

Revenue Reserve for Capital Purposes (General) - To provide resources for current and future capital expenditure.

Revenue Reserve for Capital Purposes (Asset Management Plan Works - AMP) - To provide resources for the Asset Management Plan and property portfolio future capital expenditure.

Revenue Reserve for Capital Purposes (Green Investment) - To provide resources for future green investment.

Strategic Capital Reserve - To provide funds for major strategic projects and infrastructure priorities utilising New Homes Bonus grant.

Local Infrastructure Fund (LIF) Reserve - To provide enhanced funding for local community infrastructure utilising New Homes Bonus grant.

Basing View Reserve - To provide resources for Basing View Regeneration.

Rent Risk Reserve - To provide funds to cover the risk of not achieving the required amount of rent income from the council's investment property assets to support the revenue budget.

Interest Risk Reserve - To provide funds to cover the risk of not achieving the required amount of interest income from the council's investments to support the revenue budget.

Business Rate Risk Reserve - To cover the increased risk and volatility from the impact of the localisation of business rate and council tax benefits.

Stability and Resilience Reserve - To cover the increased risk and volatility from legislative and statutory changes and delays or failure to achieve future years savings or income targets.

Other Risk Reserves - Includes the insurance risk reserve to provide funds to cover the risk of future payments to Municipal Mutual Insurance Company resulting from future claims.

Invest to Grow Reserve - To provide resources to finance the revenue implications of the time delay between capital spend on the council's invest to grow capital schemes and the eventual receipt of financial returns.

Efficiency, Transformation and Digital Reserve - To meet one-off costs of implementing the efficiency and savings strategy and the digital transformation programme.

Government Grants Unapplied Reserve - To deal with the accounting and timing issues of when government grants are received.

Budget Carry Forward Reserve - To provide funds for items that were budgeted for in the year that will not be spent until the following year.

Housing and Homelessness Reserve - To provide additional revenue funding to help the council deal with its statutory housing duties towards homelessness and vulnerable people.

Other Earmarked Reserves - Includes the following reserves:

Operational Asset Maintenance Reserve - To provide resources to meet revenue costs associated with the IT, Property and vehicle maintenance programmes that cannot be met from within existing budgets.

Neighbourhood Planning Reserve - To provide resources to meet revenue costs associated with neighbourhood planning, utilising the government's neighbourhood planning grants.

Tree Maintenance Reserve - To provide resources for tree maintenance.

Economic Development and Council Priorities Reserve - To provide resources to meet revenue costs associated with economic development.

Commuted Sums Reserve - To provide funds for the future maintenance of specific areas of land and play areas adopted by the council arising from developer's planning obligations.

General Fund Balance - To provide funds to cushion the effect of any unexpected events.

NOTES TO THE FINANCIAL STATEMENTS

16. UNUSABLE RESERVES

Unusable reserves are reserves that are not available to the council to provide services because they generally relate to unrealised gains or losses on assets and liabilities.

The balances and movements on unusable reserves in 2017/18 are shown below:

	Pension Scheme Reserve £M	Asset Revaluation Reserve £M	Financial Instrument Revaluation Reserve £M	Capital Adjustment Account £M	Statutory Adjustment Accounts £M	Total Unusable Reserves £M
Balance as at 31 March 2017	79.8	(25.1)	(3.8)	(323.2)	1.4	(270.9)
Other comprehensive income and expenditure						
(Surplus)/Deficit on revaluation of long term assets	0.0	(3.8)	0.0	0.0	0.0	(3.8)
(Surplus)/Deficit on revaluation of available for sale investments	0.0	0.0	1.9	0.0	0.0	1.9
Actuarial loss/(gain) on pension fund assets and liabilities	4.7	0.0	0.0	0.0	0.0	4.7
Total comprehensive income and expenditure	4.7	(3.8)	1.9	0.0	0.0	2.8
Adjustments between accounting basis and funding basis under regulations:						
Depreciation and amortisation of long term assets	0.0	0.0	0.0	3.1	0.0	3.1
Revaluation of property, plant and equipment	0.0	0.0	0.0	(1.1)	0.0	(1.1)
Revaluation of investment property	0.0	0.0	0.0	(27.2)	0.0	(27.2)
Capital Investments written out (maturities)	0.0	0.0	0.0	0.8	0.0	0.8
Investment disposal adjustment	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation of capitalised pooled fund investments	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation of pooled fund investments	0.0	0.0	0.0	0.0	0.0	0.0
Investment Property written out (disposals)	0.0	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	0.0	0.0	0.0	4.3	0.0	4.3
Pension costs adjustment	2.9	0.0	0.0	0.0	0.0	2.9
Capital expenditure charged to the general fund (financing)	0.0	0.0	0.0	(3.8)	0.0	(3.8)
Capital grants and contributions applied (financing)	0.0	0.0	0.0	(1.5)	0.0	(1.5)
Capital repayments (loans/grants)	0.0	0.0	0.0	0.0	0.0	0.0
Capital receipts applied (financing)	0.0	0.0	0.0	(17.8)	0.0	(17.8)
Other statutory adjustments	0.0	1.1	0.0	(1.1)	(1.1)	(1.1)
Total adjustments between accounting basis and funding basis under regulations	2.9	1.1	0.0	(44.3)	(1.1)	(41.4)
Net decrease/(increase) in 2017/18	7.6	(2.7)	1.9	(44.3)	(1.1)	(38.6)
Balance as at 31 March 2018	87.4	(27.8)	(1.9)	(367.5)	0.3	(309.5)

NOTES TO THE FINANCIAL STATEMENTS

16. UNUSABLE RESERVES (continued)

The balances and movements on unusable reserves in 2018/19 are shown below:

	Pension Scheme Reserve £M	Asset Revaluation Reserve £M	Financial Instrument Revaluation Reserve £M	Capital Adjustment Account £M	Statutory Adjustment Accounts £M	Total Unusable Reserves £M
Balance as at 31 March 2018	87.4	(27.8)	(1.9)	(367.5)	0.3	(309.5)
IFRS9 adjustment	0.0	0.0	1.9	(0.2)	(0.2)	1.5
Other comprehensive income and expenditure						
(Surplus)/Deficit on revaluation of long term assets	0.0	(5.7)	0.0	0.0	0.0	(5.7)
(Surplus)/Deficit on revaluation of available for sale investments	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial loss/(gain) on pension fund assets and liabilities	(7.6)	0.0	0.0	0.0	0.0	(7.6)
Total comprehensive income and expenditure	(7.6)	(5.7)	0.0	0.0	0.0	(13.3)
Adjustments between accounting basis and funding basis under regulations:						
Depreciation and amortisation of long term assets	0.0	0.0	0.0	3.2	0.0	3.2
Revaluation of property, plant and equipment	0.0	0.0	0.0	(0.3)	0.0	(0.3)
Revaluation of investment property	0.0	0.0	0.0	11.7	0.0	11.7
Capital Investments written out	0.0	0.0	0.0	0.0	0.0	0.0
Investment disposal adjustment	0.0	0.0	0.0	3.8	0.0	3.8
Revaluation of capitalised pooled fund investments	0.0	0.0	0.0	0.1	0.0	0.1
Revaluation of pooled fund investments	0.0	0.0	0.0	0.0	0.9	0.9
Investment Property written out (disposals)	0.0	0.0	0.0	3.0	0.0	3.0
Revenue expenditure funded from capital under statute	0.0	0.0	0.0	4.7	0.0	4.7
Pension costs adjustment	5.5	0.0	0.0	0.0	0.0	5.5
Capital expenditure charged to the general fund (financing)	0.0	0.0	0.0	(3.8)	0.0	(3.8)
Capital repayments (loans/grants)	0.0	0.0	0.0	0.3	0.0	0.3
Capital grants and contributions applied (financing)	0.0	0.0	0.0	(2.1)	0.0	(2.1)
Capital receipts applied (financing)	0.0	0.0	0.0	(10.0)	0.0	(10.0)
Other statutory adjustments	0.0	0.8	0.0	(0.8)	1.7	1.7
Total adjustments between accounting basis and funding basis under regulations	5.5	0.8	0.0	9.8	2.6	18.7
Net decrease/(increase) in 2018/19	(2.1)	(4.9)	1.9	9.6	2.4	6.9
Balance as at 31 March 2019	85.3	(32.7)	0.0	(357.9)	2.7	(302.6)

NOTES TO THE FINANCIAL STATEMENTS

16. UNUSABLE RESERVES (continued)

Unusable Reserves - Descriptions and Purpose

Pension Scheme Reserve

The Code requires the net liability of the council's share in its employees' pension fund to be recognised in the financial statements and this gives rise to a Pension Scheme Reserve.

The debit balance on the Pension Scheme Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the council 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.

Asset Revaluation Reserve

The purpose of this reserve is to reflect movements in the council's Property, Plant and Equipment and Heritage assets resulting from revaluations. The reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated in the Capital Adjustment Account.

Financial Instruments Revaluation Reserve

The purpose of this reserve was to reflect movements in the market value of the council's available-for-sale financial instruments (i.e. investments that have a quoted market price). Following the introduction of IFRS9 this reserve is no longer in use.

Capital Adjustment Account

The purpose of this account is to record capital amounts used to finance capital expenditure, the write down of assets on disposal and adjustments made to the Comprehensive Income and Expenditure Statement relating to capital items.

Statutory Adjustment Accounts

These consist of two adjustment accounts:

- ◆ **Collection Fund Adjustment Account**
This represents the council's share of Council Tax and Business Rates within the Collection Fund Balance.
- ◆ **Paid Absences Adjustment Account**
This represents the reversal of the accrual for paid absences (annual leave not taken at the year end). The accrual is required under the Code but under regulations is not allowed to count as expenditure against the General Fund and subsequent level of council tax.
- ◆ **Financial Instruments Adjustment Account (2018/19 onwards)**
This represents the reversal of the fair value gains and losses on pooled investment funds (non-capital) that are charged to the General Fund in the first instance, but are then reversed to this account using a government issued statutory override.

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or significantly influence the council or to be controlled or significantly influenced by the council.

Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides a significant amount of its funding in the form of grants and it prescribes the terms of many of the transactions the council has with other parties (e.g. housing benefits). Details of funding transactions with UK government departments in the form of grants and contributions are set out in Notes 12 and 13.

The council has entered into a new joint venture partnership with Hampshire County Council to create the Manydown Garden Communities (MGC) LLP to work together with a private sector developer to create 3,520 homes. There were no material related party transactions between the council and the MGC LLP.

Members of the council have direct control over the council's financial and operating policies. During 2018/19 and 2017/18, other than the Council Members' Allowances shown in Note 20, there were no related party transactions between the council and Council Members. Any declarations of interest are recorded in the Register of Members' Interests which is open to public inspection.

Chief Officers have the ability to influence the council. During 2018/19 and 2017/18, other than the Senior Employees' Remuneration shown in Note 23, there were no related party transactions between the council and Chief Officers.

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

18. AGENCY SERVICES

The council undertakes work on an agency basis for Hampshire County Council. The work includes grass cutting, traffic management and highways planning. The total reimbursable expenditure for 2018/19 was £0.4M (£0.5M in 2017/18).

The council also undertakes work on an agency basis for Hart District Council. The work includes legal services, customer services, grounds maintenance, street cleansing, licensing and internal audit. The total reimbursable expenditure for 2018/19 was £1.6M (£1.6M in 2017/18).

19. EXTERNAL AUDIT COSTS

The council incurred the following fees relating to the appointed external auditors:

2017/18 £'000		2018/19 £'000
55.7	Ernst & Young LLP	
	External Audit Services	39.6
17.3	Certification of Grant Claims and Returns	17.1
	Cabinet Office	
0.0	National Fraud Initiative (biennial)	2.3
	Public Sector Audit Appointments	
(8.3)	External Audit Services Rebate	0.0
64.7	Total External Audit Costs	59.0

20. COUNCIL MEMBERS' ALLOWANCES

The total sum paid directly to Council Members for allowances and travelling in 2018/19 was £619,314 (£607,159 in 2017/18).

A detailed breakdown of allowances paid to individual Councillors can be found on the council's website www.basingstoke.gov.uk.

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEES' REMUNERATION

Information relating to employees' remuneration is required to be published in accordance with the Accounts and Audit (England) Regulations 2015. This note gives the number of employees whose remuneration was equal to or more than £50,000 and includes senior employees remuneration. For this purpose remuneration includes gross pay, all taxable benefits and termination benefits but excludes employer pension contributions.

Total Employees 2017/18	Remuneration Band	Total Employees 2018/19
14	£50,000 - £54,999	18
8	£55,000 - £59,999	11
9	£60,000 - £64,999	7
3	£65,000 - £69,999	3
1	£70,000 - £74,999	3
4	£75,000 - £79,999	2
0	£80,000 - £84,999	1
0	£85,000 - £89,999	0
3	£90,000 - £94,999	1
0	£95,000 - £99,999	1
2	£100,000 - £104,999	0
1	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	1
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
1	£140,000 - £144,999	0
0	£145,000 - £149,999	1
0	£150,000 - £154,999	0
0	£155,000 - £159,999	0
0	£160,000 - £164,999	0
0	£165,000 - £169,999	0
0	£170,000 - £174,999	0
0	£175,000 - £179,999	0
0	£180,000 - £184,999	0
0	£185,000 - £189,999	2
46		51

22. REDUNDANCY AND EXIT PACKAGES

The Code requires information relating to redundancies and exit packages to be disclosed. This note gives the number of redundancies and exit packages. For this purpose, exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The council terminated the contracts of 8 employees in 2018/19 incurring liabilities of £374,733 (3 being in the £0 to £20,000 cost band, 3 being in the £20,001 to £80,000 cost band and 2 being in the £80,001 to £140,000 cost band. Of the 8 terminations, 3 were compulsory and 2 totalling £56,220 were agreed in 2017/18. In 2017/18 the comparable figures were 8 employees incurring liabilities of £215,580 (4 being in the £0 to £20,000 cost band, 2 being in the £20,001 to £40,000 cost band and 2 being in the £40,001 to £80,000 cost band. Of the 8 terminations, 5 were compulsory.

There were no additional pension costs in 2018/19 (£210,926 in 2017/18) payable to the pension fund for early retirements as a result of redundancy.

NOTES TO THE FINANCIAL STATEMENTS

23. SENIOR EMPLOYEES' REMUNERATION

Information relating to individual senior employees' remuneration is required to be published under the Accounts and Audit (England) Regulations 2015. This note gives the details of salary, allowances, benefits in kind and pension payments for individual senior employees during 2018/19 (as defined in the regulations) whose salary was £50,000 or more and comparative figures for payments made to those employees in the previous year (where applicable).

Salary, Allowances & Benefits in Kind 2017/18 £	Pension Payments 2017/18 £	Total 2017/18 £	Senior Employee Position	Salary, Allowances & Benefits in Kind 2018/19 £	Pension Payments 2018/19 £	Total 2018/19 £
143,420	21,804	165,224	Chief Executive	146,196	21,387	167,583
69,088	9,361	78,449	Executive Director of Borough Development and Deputy Chief Executive (a)	186,503	13,184	199,687
101,246	12,984	114,230	Executive Director of Borough Services	74,582	9,719	84,301
75,851	10,179	86,030	Interim Executive Director of Borough Services (b)	81,688	11,848	93,536
103,821	13,996	117,817	Executive Director of Finance and Resources (Section 151 Officer) (c)	26,394	3,644	30,038
0	0	0	Executive Director of Finance and Resources (Section 151 Officer) (d)	7,709	1,112	8,821
44,878	6,060	50,938	Project Director (Manydown) (e)	92,134	13,360	105,494
94,045	12,745	106,790	Project Director (Basing View and Commercial)	95,928	13,933	109,861
77,407	10,399	87,806	Head of Borough Development and Implementation (f)	12,790	2,165	14,955
0	0	0	Head of Borough Development and Implementation (g)	55,903	7,315	63,218
94,204	12,739	106,943	Head of Law and Governance (Monitoring Officer) (h)	188,623	9,164	197,787
76,519	9,100	85,619	Head of Human Resources and Organisational Development (i)	3,436	464	3,900
0	0	0	Head of Human Resources and Organisational Development (j)	47,580	6,847	54,427
76,627	10,180	86,807	Head of Planning and Infrastructure	78,606	11,359	89,965
62,138	8,339	70,477	Interim Head of Environmental Services (k)	74,274	10,667	84,941
72,851	9,756	82,607	Head of Financial Services	78,671	11,327	89,998

Notes:

- a. Started on 29/08/2017 and left on 31/12/2018. Includes termination costs of £95,772 agreed in 2018/19.
 b. Left on 13/01/2019. c. Left on 24/06/18. d. Started on 05/03/2019. e. Started 25/09/2017. f. Left on 10/06/2018.
 g. Started on 30/07/2018. h. Left on 30/11/2018. Includes termination costs of £121,615 agreed in 2018/19. i. Left on 15/04/2018.
 j. Started on 13/08/2018. k. Employee changed post from Regulatory Manager to Interim Head of Environmental Services on 16/04/2018.

Interim senior officer posts provided by agencies

In addition to the senior employees listed above, the council made payments to agencies for interim senior officers in 2018/19 as follows:

- Interim Executive Director of Finance and Resources £186,773 (June 2018 to March 2019);
- Interim Director of Borough Development £55,610 (January 2019 to March 2019);
- Interim Head of Human Resources and Organisational Development £72,775 (April 2019 to August 2018) (£17,425 paid in 2017/18).

NOTES TO THE FINANCIAL STATEMENTS

24. INTEREST IN COMPANIES AND OTHER ENTITIES

The council reviews annually any interests in companies and other entities for financial relationships which would require the council to produce Group Accounts. In 2018/19 the council entered into a new joint venture partnership with Hampshire County Council to create the Manydown Garden Communities (MGC) LLP to work together with a private sector developer to create 3,520 homes. In 2018/19 there were no material transactions that required the production of group accounts.

25. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies were reviewed and noted by the council's Audit and Accounts Committee in March 2019.

25.1 Basis of Preparation

The Accounts and Audit Regulations 2015 require the council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2018/19, these proper accounting practices principally comprise:

- (i) The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code)
- (ii) The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regulations)

The Statement of Accounts is prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the fair valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Fair Value - Valuation Basis
Property, Plant and Equipment: Land and Buildings	Current Value Where prices for comparable properties are available in an active market, the current value of properties are measured at Market Value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at Depreciated Replacement Cost (DRC).
Investment Properties	Fair value
Financial Instruments - Fair Value Through Profit or Loss	Fair value
Pensions Assets	Fair value

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The Statement of Accounts is adjusted to reflect events after 31 March 2019 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March 2019.

All accounting policies are applied consistently. In applying the accounting policies the council has to make judgements and these are set out in a separate note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

25.2 Adjustments between Accounting Basis and Funding Basis

The amounts shown in Comprehensive Income and Expenditure Statement (CIES) are on the basis of proper accounting practice. However, the resources available to the council in any financial year and the expenses that are charged against those resources are specified by statute (the 2003 Regulations). Where the statutory provisions differ from the accounting basis used in the CIES, adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the statutory funding available at the year-end.

Unusable reserves are used to manage the differences between the accounting and statutory funding bases. The material adjustments are:

Expense	Proper Accounting Basis in CIES	Statutory Funding Basis in MiRS	Unusable Reserve (used for differences)
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in year	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in year or were received in year without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at year end) Capital Adjustment Account (other amounts)
Long Term Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal)
Financial Instruments	Movements in the fair value of investments in pooled funds	Historical cost gains/losses for pooled funds disposed of in year	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities	Employer's pensions contributions payable and direct payments made by the council to pensioners in year	Pensions Reserve
Council Tax Income	Accrued income from bills in year	Demand on the Collection Fund/precept for year plus recovery of estimated deficit/share of estimated surplus for previous year	Collection Fund Adjustment Account
Business Rates Income	Accrued income from bills in year	Budgeted income receivable from the Collection Fund for the year plus recovery of estimated deficit/share of estimated surplus from the previous year	Collection Fund Adjustment Account
Holiday Pay Accrual	Projected cost of untaken leave entitlements at 31 March	No charge	Paid Absences Adjustment Account

NOTES TO THE FINANCIAL STATEMENTS

25.3 Council Tax and Non Domestic Rates (NDR) (Business Rates)

The council acts as an agent, 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 itself. The council is 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.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council'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.

25.4 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the council becomes a party to their contractual provisions and are initially measured at fair value.

Financial Liabilities (borrowing and creditors on deferred payment terms)

The council's financial liabilities consist of borrowing in the form of parish loans (where parishes have deposited cash balances with the council which are subject to variable rates of interest) and trade creditors if the council has been given deferred payment terms.

Financial Assets (investments and debtors on deferred payment terms)

Financial assets are classified into one of the following types:

- (i) **Amortised Cost** – these are financial assets that take the form of basic lending arrangements (i.e. they have cash flows that are solely payments of principal and interest on specified dates) and are not held for trading (i.e. the business model is to hold to collect the cash flows).

- (ii) **Fair Value Through Profit or Loss (FVTPL)** – all other financial assets

Amortised Cost Financial Assets (excluding debtors)

Amortised cost financial assets are carried in the Balance Sheet at a cost representing the outstanding principal receivable plus or minus any un-amortised premium/discount initially paid.

Annual credits to the CIES for interest receivable are based on the amortised cost of the asset, multiplied by the effective rate of interest for the instrument. Some amortised cost investments can be purchased above or below face value. This would lead to paying premiums, or receiving discounts, on the face value of these investments in return for being paid a higher or lower interest rate over the life of the investment. Premiums or discounts are amortised to the CIES over the life of the investment. This has the effect of recording the interest income using the effective interest rate rather than the coupon rate

Any gains and losses that arise on sale or maturity of amortised cost investments are credited or charged to the CIES as Interest and Investment Income. Allowances for impairment losses are calculated for amortised cost assets, applying the expected credit loss model (which is based on the impact and likelihood of default) and are charged to the CIES as Interest and Investment Income.

NOTES TO THE FINANCIAL STATEMENTS

Fair Value Through Profit or Loss (FVTPL) Financial Assets

FVTPL financial assets are initially measured at fair value (estimated market value) which is deemed to be the purchase price.

FVTPL financial assets are subsequently carried in the Balance Sheet at fair value (estimated market value). Values are based on the quoted market prices. Any changes in fair value (market price) and gains or losses that arise on sale or maturity are credited or charged to Interest and Investment Income line within the CIES.

The historic purchase of some FVTPL financial assets has been capitalised and financed in accordance with local authority investment regulations. This means that any gains or losses relating to capitalised investments that have been charged to the CIES are not allowed to be charged to the General Fund and are therefore reversed out of the General Fund to the Capital Adjustment Account in the MiRS.

25.5 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that the council will comply with any conditions attached to the payments, and the grants or contributions are expected to be received.

Amounts recognised as due to the council are not credited to the CIES until the council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (ring-fenced/service specific revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the CIES.

25.6 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated, because they are revalued every year, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the CIES. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and the net sale proceeds.

25.7 Leases

Leases are classified as finance leases when 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.

Leases of land are normally classified as operating leases. However extremely long leases of land (say over 250 years) could be treated as finance leases.

Where the council 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 CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

NOTES TO THE FINANCIAL STATEMENTS

25.8 Overheads and Support Service Costs

The cost of overheads and support services are charged to services in accordance with the council's arrangements for accountability and financial performance.

25.9 Post-Employment Benefits (Pensions)

Most employees of the council are members of the Local Government Pension Scheme, administered by Hampshire County Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- (i) The liabilities of the Hampshire County Council Pension Fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees).
- (ii) Liabilities are discounted to their value at current prices, using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.
- (iii) The assets of the pension fund attributable to the council are included in the Balance Sheet at their fair value (see 25.1).

The change in the net pension liability is analysed into the following components:

- **Service cost comprising:**
 - **Current service cost** – allocated in the CIES to the services for which the employees worked
 - **Past service cost** – debited to the Surplus or Deficit on the Provision of Services in the CIES
 - **Net interest on the net defined benefit liability** – charged to the Financing and Investment Income and Expenditure line of the CIES
- **Re-measurements comprising:**
 - **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure within the CIES
 - **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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure within the CIES
 - **Contributions paid to the Hampshire County Council Pension Fund** – accounted for as part of the cost of services within the CIES

25.10 Property, Plant and Equipment (PPE)

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 council 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 a revenue expense when it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

Measurement: Assets are initially measured at cost and include the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Certain categories of Property, Plant and Equipment are measured subsequently at current value – see 25.1 for details. All other categories are measured subsequently using depreciated historical cost. Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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:

- (i) 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).
- (ii) 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 CIES.

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.

Impairments: Assets are assessed at each year-end as to whether there is any indication that items 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 in the same way as revaluation losses.

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 Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Disposals: When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

25.11 Provisions

Provisions are charged as an expense to the appropriate service line in the CIES when:

- (i) The council has a present obligation (i.e. an event has taken place that gives the council a legal or constructive obligation), and
- (ii) It is probable that an outflow of resources will be required to settle the obligation, and
- (iii) A reliable estimate can be made of the amount of the obligation.

Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

NOTES TO THE FINANCIAL STATEMENTS

25.12 Reserves

The council sets aside specific amounts as reserves for future policy purposes or for risks to the revenue budget. Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading within the CIES in that year and is included in the Surplus or Deficit on the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against council tax for the expenditure.

Certain reserves and accounts are kept to manage the accounting processes for Property, Plant and Equipment assets, investments and retirement benefits and do not represent usable resources for the council – see the table in note 25.2 for unusable reserves.

25.13 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from it.

25.14 Events after the Balance Sheet Date

Events after the balance sheet date are those events that occur (both favourable and non-favourable) between the date of the Balance Sheet (31st March) and the date the Statement of Accounts are authorised for issue.

There are two types of event:

Adjusting events - those that provide evidence of a condition that existed at the Balance Sheet date – for this type of event the financial statements are adjusted to reflect such events.

Non-adjusting events - those that are indicative of conditions that arose after the Balance Sheet date – for this type of event the financial statements are not adjusted to reflect such events. However, where the event would have a material effect, disclosure is made in the notes to the accounts of the nature and estimated effect of the event.

Events taking place after the date that the Statement of Accounts are authorised for issue are not included.

26. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

There are no changes in accounting requirements for 2019/20 that would have a material impact on the council's financial position or performance.

27. EVENTS AFTER THE BALANCE SHEET DATE

In December 2018 the Court of Appeal ruled in the "McCloud/Sargeant" judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal the judgement, however this was rejected in June 2019.

While the judgement was not in relation to the LGPS it would be reasonable to assume that the Government will seek a remedy for all public sector schemes.

At the time of the draft accounts (May 2019) the estimated potential impact of the judgement on the council's share of the pension fund was immaterial. However, the actuaries have subsequently recalculated a worse-case scenario that has led to a £2.4M increase to the council's liability in the fund previously reported.

The council is required to treat the Supreme Court decision as an adjusting event and has adjusted the accounts accordingly.

NOTES TO THE FINANCIAL STATEMENTS

28. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies which are set out in Note 25, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

Asset classifications – 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 results of the tests are taken “in the round” and together with a judgement on materiality the decisions have been made. The accounting treatment for operating and finance leases is different and could have a significant effect on the financial statements.

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

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

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

Conditions on Developers' Contributions - the council has made a judgement about whether developer contributions agreements have conditions based on a "substance over form" concept and has assumed that all agreements have a constructive obligation to repay contributions if not used, even if this is not explicit in the legal agreement.

Events after the balance sheet date - the council has made judgements about whether there have been any material post balance sheet events that it would need to make adjustments for in the financial statements or disclosed as a note.

All of these judgements are the responsibility of the Executive Director of Finance and Resources (Section 151 Officer) as set out in the Statement of Responsibilities for the Statement of Accounts.

NOTES TO THE FINANCIAL STATEMENTS

29. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

The financial statements contain some estimated figures that are based on assumptions made by the council about the future, or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The items in the council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year (excluding investments, investment property and land and buildings that are carried at fair value based on recently observed market values) are as follows:

Item and Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
<p>Pension Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged via Hampshire County Council (the scheme administrators) to provide the council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase or decrease in the discount rate assumption would result in a decrease or increase in the pension liability of approximately £4.6M. The sensitivity of each of the assumptions used by the actuaries can be seen in Note 14 on pensions.</p>
<p>Business Rates Appeals Provision The council has made provision for its share of appeals on business rates of £4.2M in 2018/19 (£3.5M in 2017/18) based on what it believes to be a prudent but realistic level. Due to a 2017 Rates Revaluation exercise and introduction of a new appeals process ('Check, Challenge, Appeal' (CCA)), the appeals provision has been based on two separate calculations – one for historic appeals and one for the appeals estimated to arise from the Revaluation and CCA process. For the historic appeals, an allowance has been made for outstanding appeals lodged with the Valuation Office Agency in connection with the rateable values that existed prior to the 2017 Revaluation exercise. This allowance is based on historic trends of the outcomes of previous appeals which show an average success rate of 39% and average reduction in the rateable value for successful appeals of 15%. There has not yet been much appeals activity in connection with the 2017 Revaluation and new CCA process to help establish any meaningful trends. In the absence of much appeals data, the allowance for appeals (in connection with the 2017 Revaluation) has been based on the figure (4.7%) used by the Government to allow for the estimated impact of appeals following the Revaluation.</p>	<p>For the historic appeals allowance if success rates were to deteriorate or improve, a 15% change in the rate would require an adjustment to the financial statements of £1.3M in 2018/19 (£2M in 2017/18) of which the council's share is £0.5M (£0.8M in 2017/18)</p> <p>For the appeals allowance relating to the 2017 Revaluation exercise, a change in the allowance of 2.5% would require an adjustment to the financial statements of £3.8M (£1.9M in 2017/18) of which the council's share is £1.5M (£0.8M in 2017/18)</p>

COLLECTION FUND

FOR THE YEAR ENDED 31 MARCH 2019

The council is required to maintain a separate Collection Fund Account which is used to record the collection and distribution of council tax and business rates on behalf of the Borough, County, Police and Fire Authorities, Parishes and Central Government.

2017/18 Council Tax £M	2017/18 Business Rates £M	2017/18 Total £M		2018/19 Council Tax £M	2018/19 Business Rates £M	2018/19 Total £M
			INCOME			
(96.2)	(76.6)	(172.8)	Amounts Receivable	(103.1)	(73.7)	(176.8)
			Contributions towards Previous Years' Estimated Deficits			
0.0	(1.1)	(1.1)	Central Government	0.0	(0.5)	(0.5)
0.0	(0.2)	(0.2)	Hampshire County Council	0.0	(0.1)	(0.1)
0.0	(0.8)	(0.8)	General Fund (BDBC)	0.0	(0.4)	(0.4)
0.0	0.0	0.0	Fire and Rescue Authority	0.0	0.0	0.0
(96.2)	(78.7)	(174.9)	TOTAL INCOME	(103.1)	(74.7)	(177.8)
			EXPENDITURE			
			Precepts, Demands and Shares			
0.0	34.9	34.9	Central Government	0.0	36.1	36.1
71.8	6.3	78.1	Hampshire County Council	77.0	6.5	83.5
8.3	27.9	36.2	General Fund (BDBC)	8.8	28.9	37.7
4.0	0.7	4.7	Fire and Rescue Authority	4.2	0.7	4.9
10.5	0.0	10.5	Police Authority	11.4	0.0	11.4
			Distribution of Previous Years' Estimated Surpluses			
0.9	0.0	0.9	Hampshire County Council	1.1	0.0	1.1
0.1	0.0	0.1	General Fund (BDBC)	0.1	0.0	0.1
0.0	0.0	0.0	Fire and Rescue Authority	0.1	0.0	0.1
0.1	0.0	0.1	Police Authority	0.2	0.0	0.2
			Charges to Collection Fund			
0.0	3.4	3.4	Transitional Protection Payments	0.0	4.1	4.1
0.3	2.6	2.9	Other	0.5	3.2	3.7
96.0	75.8	171.8	TOTAL EXPENDITURE	103.4	79.5	182.9
(0.2)	(2.9)	(3.1)	MOVEMENT IN FUND BALANCE	0.3	4.8	5.1
(1.6)	3.2	1.6	OPENING FUND BALANCE	(1.8)	0.3	(1.5)
(1.8)	0.3	(1.5)	CLOSING FUND BALANCE	(1.5)	5.1	3.6

NOTES TO THE COLLECTION FUND

1. Calculation of the Council Tax Base

The Council Tax Base was calculated as follows:

Band	Ratio to Band D	Discounted Equivalent Properties 2017/18	Band D Equivalent Properties 2017/18	Discounted Equivalent Properties 2018/19	Band D Equivalent Properties 2018/19
*A	5/9	4.50	2.5	4.50	2.5
A	6/9	1,934.25	1,286.5	1,946.00	1,293.7
B	7/9	9,958.00	7,745.1	9,967.25	7,751.5
C	8/9	23,495.50	20,884.9	23,578.75	20,958.9
D	1	12,776.50	12,776.5	12,872.25	12,872.3
E	11/9	9,995.75	12,217.0	10,057.00	12,291.9
F	13/9	5,778.50	8,346.7	5,802.75	8,381.8
G	15/9	3,072.25	5,120.4	3,126.00	5,210.0
H	18/9	394.25	788.5	402.50	805.0
		67,409.50	69,168.1	67,757.00	69,567.6
Growth in tax base			553.4		679.0
Allowance for council tax support			(5,051.2)		(4,853.7)
Allowance for doubtful debts (2%)			(1,293.4)		(1,307.9)
Council Tax Base (Band D equivalent properties)			63,376.9		64,085.0

*A - Entitled to disabled relief reduction

2. Non-Domestic Rateable Value

For 2018/19 the Uniform Business Rate was 49.3p (47.9p in 2017/18) and the total non-domestic rateable value at 31 March 2019 was £182.2M (£182.3M as at 31 March 2018). The total potential business rates collectable in 2018/19 were £83.1M (£86.3M in 2017/18) but this was reduced to £73.7M in 2018/19 (£76.6M in 2017/18) due to adjustments, including reassessments of rateable values and business rate reliefs.

3. Distribution of the Collection Fund Balance

The distribution of the Collection Fund Balance and where it is shown in the financial statements is as follows:

2017/18 Council Tax £M	2017/18 Business Rates £M	2017/18 Total £M		2018/19 Council Tax £M	2018/19 Business Rates £M	2018/19 Total £M
(0.2)	0.1	(0.1)	Borough Share (included within the Collection Fund Adjustment Account)	(0.1)	2.0	1.9
(1.6)	0.2	(1.4)	Preceptors' Share (included in Debtors and Creditors)	(1.4)	3.1	1.7
(1.8)	0.3	(1.5)		(1.5)	5.1	3.6

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 secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Executive Director of Finance and Resources who is also the section 151 officer;
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- Approve the Statement of Accounts (the council has delegated this responsibility to the Audit and Accounts Committee).

Responsibilities of the Executive Director of Finance and Resources

The Executive Director of Finance and Resources is responsible for the preparation of the council's Statement of Accounts, in accordance with proper practices, as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In preparing this Statement of Accounts, the Executive Director of Finance and Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Complied with the Code of Practice (any significant non-compliance being fully disclosed);
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Confirmation and Approval

I certify that the Unaudited Draft Statement of Accounts present a true and fair view of the financial position of the council at 31 March 2019 and its income and expenditure for the year then ended.

Signed: _____ **Date:** 31 July 2019

**Sue Cuerden CPFA, ACMA – Executive Director of Finance and Resources
(Section 151 Officer)**

Signed: _____ **Date:** 31 July 2019

Councillor Roger Gardiner - Chair of Audit and Accounts Committee

1. SCOPE OF RESPONSIBILITY

- (1) Basingstoke and Deane Borough Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- (2) In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- (3) The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016). A copy of the Code is on our website at: www.basingstoke.gov.uk,

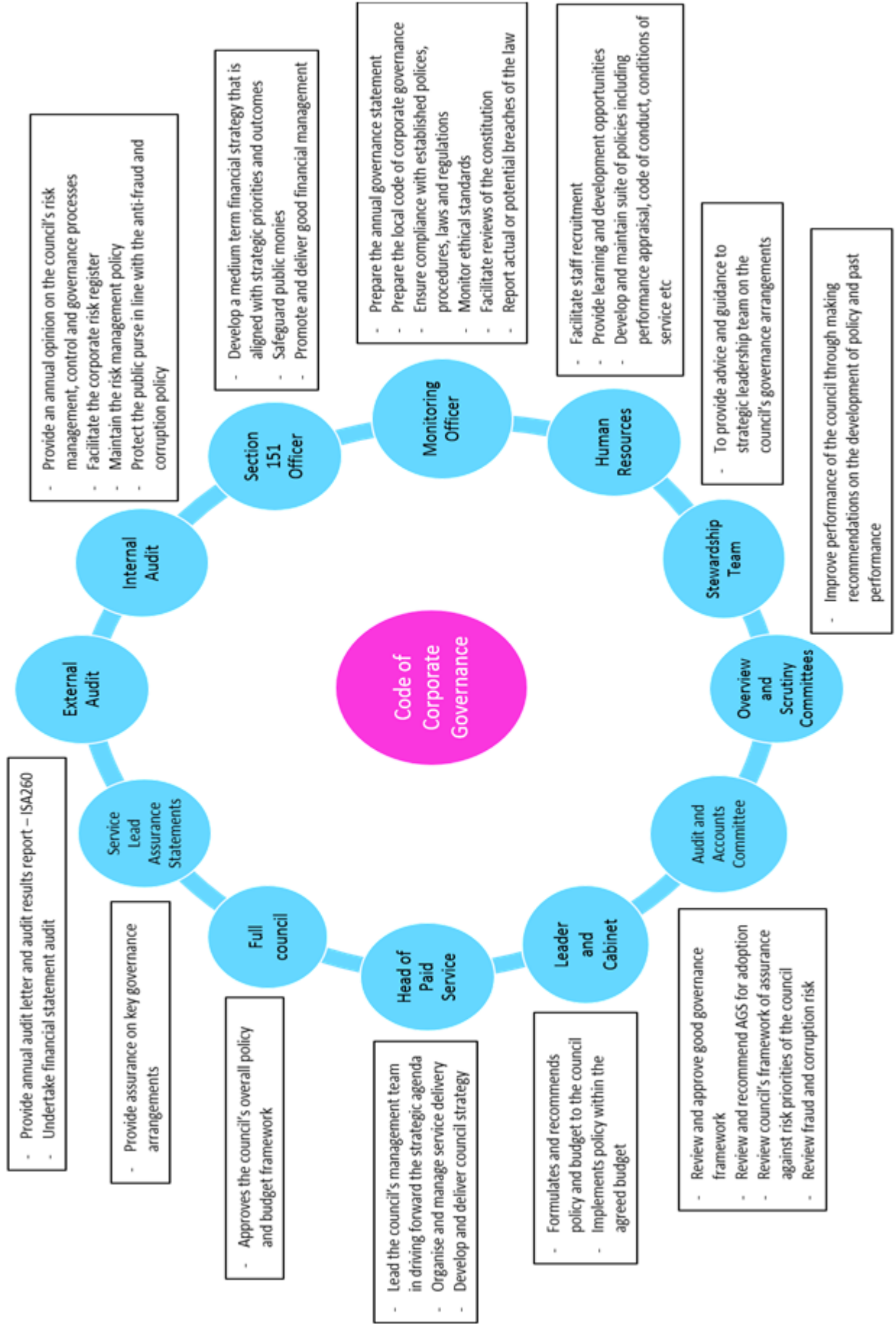
Or can be obtained from the Head of Law and Governance, Basingstoke and Deane Borough Council, Council Offices, London Road, Basingstoke RG21 4AH.

- (4) This statement explains how the council has complied with the code adopted for the period 18/19 and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(1) which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- (1) The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. To demonstrate compliance with the principles of good governance, the council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- (2) Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Good governance enables the council to pursue its aims effectively whilst controlling and managing risk.
- (3) The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. All risk of failing to achieve policies, aims and objectives cannot be eliminated and internal control only provides reasonable and not absolute assurance of effectiveness.
- (4) The system of internal control is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently effectively and economically.
- (5) The governance framework has been in place at the council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

Governance roles and responsibilities



3. THE GOVERNANCE FRAMEWORK

The fundamental function of good governance is to ensure that the Council achieves its intended outcomes while acting in the public interest at all times. The following core, high level principles characterizing good governance in the public sector are derived from the “Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016).

(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Council’s Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while other are a matter of choice for the Council. The constitution is divided into 14 Articles which set out the basic rules governing the council’s business. The constitution is published on the council’s website at:

<https://www.basingstoke.gov.uk/content/page/58668/Full%20Constitution.pdf>

The constitution includes a Members’ Code of Conduct which sets out the expected behaviour and standards to be adhered to. Officers are required to abide by a Staff Code of Conduct. The Protocol for Councillor and Officer Relations provides guidance on councillor- officer relations in order to promote good working relationships and to enhance mutual respect whilst acknowledging the difference between the political leadership role of councillors and the professional role of the officers in the delivery of the policy framework agreed by councillors.

The Monitoring Officer has responsibility for ensuring compliance with established policies, procedures, laws and regulation and reporting actual or potential breaches of the law or maladministration, to full Council and/or Cabinet.

The Council has a ‘Whistleblowing Policy’ (Duty to Act) which allows employees to raise reasonably and honestly held concerns that they may have about serious matters that could put the Council and/or the wider public at risk. This policy is on the Council website. Whistleblowing usually involves bringing forward concerns that it is in the public interest to investigate and resolve. Examples are crime, fraud, the giving or taking of bribes, financial malpractice or practices that might endanger individual or the environment.

To ensure the safeguarding of public funds the Council has a suite of documents including an Anti-Fraud and Corruption Strategy, an Anti- Fraud and Corruption Policy, a Fraud Response, a Sanctions Policy, an Anti-Money Laundering Policy and an Anti-Bribery Policy. The Council has a zero tolerance policy to fraud and has a dedicated Counter Fraud team who concerns regarding fraud and corruption should be reported to. Investigations are carried out by Internal Audit and if allegations are made against a Councillor then the Monitoring Officer will be involved. The council complies with the CIPFA code of practice on managing the risk of fraud and corruption, as reported to the Audit and Accounts committee on 10 December 2018.

Complaints are managed via a formal Corporate Complaints policy published on the Council’s website providing a two stage process with the Local Government Ombudsman providing an independent service to investigate complaints that remain unresolved by the Council. Complaints about Councillors for breach of the Members’ Code of Conduct are dealt with under the Arrangements for Determining Complaints against Councillors within the constitution. All such policies are periodically reviewed.

(B) Ensuring openness and comprehensive stakeholder engagement

The council supports the principle that people should have the opportunity to voice their opinion on issues that affect them. Horizon 2050, a long term community and place focused vision for the future of Basingstoke provides a framework and road map to inform policy making for the

borough. It was adopted by the Council in February 2019 and Basingstoke Area Strategic Partnership in March 2019. It provides a long- term vision for the borough up to 2050 setting an ambitious and aspirational shared vision to ensure that residents have high quality homes, jobs and leisure and community facilities. In the summer of 2018 to inform the vision, and to help determine what is important and right for the future of the borough, the Council commissioned independent researchers MORI to survey residents, with the Council undertaking consultation with residents, businesses and organisations, using workshops and events. All views provided informed the development of this vision.

The Council encourages all local communities to get involved in shaping their local areas, supporting communities across the borough and villages to develop their own community led plans. Community plans for East Woodhay, Kingsclere, North Waltham, Oakley and St Mary Bourne have been developed and adopted by the local parish councils. Within the town itself urban communities have published the following plans-The South Ham Network; the Marnel and Merton Community Plan, Popley East Community Plan, Buckskin Community Plan, Winklebury Community Plan and Kempshott Community Plan.

The Council consulted on its approach to savings, income generation and spending for its four year budget known as the Medium Term Financial Strategy and this consultation helped to shape the final budget report agreed at Council in February 2019. The information was made available in any easy to understand format and responses were reported to cabinet before they made their final recommendation to Council.

The council rules of procedure allow public participation at Council meetings except where personal or confidential matters are disclosed (exempt information)

The Council's website has a Right to Know section where information relating to Freedom of Information, including a disclose log giving the public access to information that the Borough has previously provided, and the councils publication scheme, containing information that the Council publishes. Information required to be published under the Local Government Transparency Code is also provided in this section.

The Customer Service Charter on the council website encourages the public to make a comment or compliment upon council services, as well as providing access to the Customer Complaint form

(C) Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council Plan 2016 to 2020 sits alongside the Medium Term financial Strategy/ budget Strategy. Together these documents set out the basis for delivering on growth and the council's key priorities. The council's priorities are

- Preparing for controlled and sustainable growth by creating jobs and opportunities supporting new and existing business; ensuring a work ready workforce; supporting the provision of quality affordable homes and investing in the Borough's infrastructure. improving residents quality of life and supporting those that need it
- Improving residents quality of life by enhancing leisure and cultural facilities, maintaining and enhancing the built and natural environment and supporting a borough where all feel safe
- Supporting those who need it by promoting strong communities; supporting wellbeing initiatives that improve life chances and supporting homeless and vulnerable groups

To deliver these priorities the Council Plan provides for the Council to be an organisation capable of delivering change, committing to remaining a low tax council; continuing to drive efficiency, taking advantage of new technology; making the most of partnership working opportunities and creating a vehicle for delivering long-term growth.

The activity to deliver the Council Plan is set out in the Portfolio Holder Plans which are published on the website.

In addition to the Council Plan, there are a range of published strategies and policies that guide the council's work and can be viewed on the Council website at <https://www.basingstoke.gov.uk/councilplan> and include the Local Plan and Housing and Homelessness Strategy.

The Basingstoke Area Strategic Partnership (BASP) is a voluntary partnership which brings together different sectors to focus on local issues in a strategic and coordinated way. BASP acts as a strategic body focusing on current strategic issues and on future challenges and is working, through its partners, to deliver its Vision for Basingstoke and Deane to 2026

Horizon 2050, provides a framework and road map to inform policy making for the borough being a long term community and place focused vision for the future of Basingstoke.

At sub- regional level the Enterprise M3 is a business-led Local Enterprise Partnership, one of 39 in England, which is working to secure economic growth at sub-national level through its Strategic Economic Plan to 2030 (<https://www.enterprisem3.org.uk/strategic-economic-plan>). Enterprise M3 brings together business leaders from 14 district authorities across two counties and Basingstoke is one of four an interconnected urban centres known as 'Growth' towns. It brings together leaders from the business, public and not-for-profit sectors and provides the vision, knowledge and strategic leadership needed to drive sustainable private sector growth. The Council plays an active role in Enterprise M3 to secure funding to support economic growth in the area.

This year the Council has adopted its own Economic Growth Strategy to 2033.

(D) Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council has in place a robust decision making process with all cabinet reports being considered by the Strategic Leadership Team to give a view on the strategic implications. Additionally report authors should seek legal and finance clearance for reports prior to publication. All reports follow a standard template which identifies the Decision Maker, the decision or action required, why the report is recommended, alternative options considered together with details of consultation carried out section. The template also includes separate sections detailing any Financial, Legal, Risk management, Equalities and HR implications. These consider how proposals will be funded, the statutory power to undertake the recommendations with the relevant legislation being cited, information on the risks that are being accepted as part of the decision and confirmation that the report proposal are in accordance with the Council's approved Policy Framework.

The Council's Scrutiny and Policy Committees manages the Council's overview and scrutiny process which includes scrutinizing all the functions covered by cabinet, member portfolios including those of the Leader and Deputy Leader. There are a number of scrutiny committees that support the work of the cabinet and the Council as a whole. The scrutiny committees have power to call –in executive decisions, agree a scrutiny program, monitor performance and budgets. Scrutiny provides the role of critical friend to decision makers and assists in policy development.

Scrutiny meetings are usually held in public with an opportunity for the public to ask questions in accordance with the Council's Public Participation in Meetings Scheme. Scrutiny inquiries can consider written evidence and members of the public community groups or other key stakeholders can bring evidence to the attention of the committee members.

Performance monitoring is undertaken to understand if and how the priorities identified within the Council Plan are being achieved. This is undertaken through service planning and identification of key performance indicators to show how services help to achieve the priorities of the Council. A number of Corporate Indicators have been identified and are reported quarterly to the Senior Leadership Team, Cabinet and Performance Panel.

Additionally, an update on all major projects is reported to the Corporate Programme Board on a monthly basis to review project progress and identify any key issues and risks, with actions identified and monitored as relevant.

Budget pressures arising from services are identified through the annual review of the Medium Term Financial Strategy and by regular monitoring of budgets, projects and service plans with actions to address any significant in year budget variances agreed by Cabinet as part of the mid-year monitoring report.

(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council's People Strategy aims to have "the right people, in the right job, with the right skills, at the right time". The Strategy aims to support good performance, provide skills and knowledge, manage workload and encourages a healthy work life balance. Staff are required to demonstrate the council's organisational values in everything that they do. The council aims to position itself as an employer of choice so that it can attract and retain the very best people to provide excellent, trusted and user-friendly services to its customers and communities.

The council has in place a training and leadership and management development program which is intended to enable the council to develop its current and future workforce with the right skills, competencies and behaviours to deliver services. This is managed by the Human Resources and Organisational Development service. The council supports professional training for its staff and provides a Leadership and Development Program with a Leadership and Management Behavior Framework for its leaders and managers. The Council supports senior leaders with a program of development and individual coaching. All Staff have the benefit of a broad E-Learning program.

The Staff Handbook which contains policies on pay and rewards, recruitment, training and an appraisals process to manage performance. Staff have access to all policies affecting their employment on the council's intranet site.

(F) Managing risk and performance through robust internal control and strong public financial management

The council has a Risk Management Policy that was revised in February 2019. The council recognises that risk management is an intrinsic part of corporate governance and seeks to ensure that every member and employee of the council has regard for the management of risk throughout the organisation, from planning and decision making processes down to day to day work situations to ensure that the council's resources are not wasted as a result of uncontrolled risk. The Council maintains a corporate risk register and service management teams are responsible for identifying and managing risks within their individual areas.

The Council's Accounts and Audit Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. This committee receives periodic reports regarding risk management and approves the risk management policy. This committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance.

The Council Plan 2016-2020 is monitored by the Council's Performance Panel, appointed by Scrutiny committee, which reviews performance and financial monitoring information to support the delivery of the Council Plan and budget strategy. The Annual Report, published on the council's website, provides an overview of key achievements and performance made against the Council plan.

The Council has a number of key corporate projects. The Manydown Project to deliver up to 3,500 new homes, businesses, shops and community facilities, two new primary schools, land for a secondary school and a country park, upon land owned by the borough council and the county council has achieved a number of key mile stones this year. The council has appointed Urban and Civic, partnered with the Welcome Trust, as its private sector development partner who will join the borough and the county council forming a limited liability partnership to deliver the scheme. The outline planning application was submitted in March 2017 and is due to be determined in autumn 2019. The Council has reviewed its internal governance arrangements with the County Council forming the Manydown Partnership Delivery Board to ensure appropriate corporate governance for the project. The Corporate Performance Board regularly reviews the risk of this project and other major projects including Basing View Enterprise Zone and the redevelopment of the Leisure Park.

The council is committed to effective, timely and complaint procurement and contract management to ensure the council achieves best value for its services and facilities. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose. A Strategic Procurement and Contracts Officer Group works to ensure compliance throughout the authority. Periodic reviews of the procurement process are undertaken to ensure that the procurement and contract procedure remains effective and compliant.

The Council has a number of shared services with Hart District Council and Rushmoor Borough Council. The Hart Joint Services Partnership Board has been established to manage these partnership arrangements.

The Council Plan sets out the corporate priority aims and objectives. To help achieve these the council is involved in partnership working at various levels. A Partnership Governance Framework has been designed to guide, establish and reviewing partnership governance and achievement against objectives. The Framework itself is reviewed annually with the next update due in January 2020. Key partnerships, including Basingstoke Area Strategic Partnership, are reviewed annually in line with the Framework by the relevant Head of Service. The Framework contains guidance to ensure the council meets the requirements set out in the Local Code of Corporate Governance, required financial assurance and the council's risk assessment process and policy. The BASP Board is constituted according to its terms of reference which also fall within scope of the review.

The Council had a significant Information governance breach during the year and self-reported itself to the Information Commissioners Office. The decision of the ICO was received in December 2018 and is available on the ICO website. The ICO concluded that the council has a positive approach to data protection, having sufficient policies and procedures in place regarding information management and information security. Data protection training mandatory for all employees of the council and an online training module is available for elected council members. The ICO welcomed the remedial steps taken by the council in light of the incident and noted that the council acted responsibly and quickly in seeking to contain the information. No formal enforcement action was taken by the ICO and the Council is working towards improving its handling of personal data and to improve its data protection compliance and is implementing the recommended measures.

The council's financial management arrangements conform to the governance requirement of the CIPFA 'statement on the Role of the Chief Financial Officer ("CFO") in Local Government (2019). The CFO is professionally qualified and is a member of the Councils Strategic Leadership Team and has direct access to the Chief Executive. The CFO is actively involved

in ensuring that strategic objectives are aligned to the longer-term finance strategy and is responsible for the council's extensive property portfolio. The CFO has input into all major decisions, advises the Executive on financial matters and is responsible for ensuring that budgets are agreed in advance, that the agreed budget is robust and that the finance function is fit for purpose.

The council maintains an internal audit function which operates to the standards set out in the 'Public Sector Internal Audit Standards'. An assessment against the standard is carried out each year with the outcome being reported to the Audit and Accounts committee as part of the chief internal auditor's annual report. A chief internal auditor protocol, to ensure that arrangements operated by the council meet the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations, has been included in the constitution.

(G) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Council is committed to openness and transparency and publishing as much council data as it can in order to increase accountability. The council has established a webpage entitled "Your right to Know" that enables the public to access a range of information that is published in accordance with the Local Government Transparency Code (2015).

The "Our Spending and accounts" and "council budgets and spending" webpages includes information on council spending and fees and charges, with a link to the Council's medium term financial plan with details of the assumptions made and risks considered in setting the budget. This page also provides a link to the Statement of Accounts which shows how public money has been used.

The Council's constitution sets out how decision are made and specific reference to decision making by Full council , by the Executive (Cabinet), by Overview and Scrutiny Committee, other committees and subcommittees established by the council. The constitution include the officer Scheme of Delegation which sets out the powers and functions that are delegated to names council officers. The compilation of a Register of Delegated powers is a statutory requirement and is maintained by the Head of Law and Governance.

The council produces a Forward Plan of all Key Decisions which are proposed to be taken within the four months (updated monthly 28 clear days prior to scheduled Cabinet meetings on a rolling basis). All agendas and minutes of meetings in respect of council Cabinet, Overview and Scrutiny, and Non-Executive Committee are published on the Council's website.

4. REVIEW OF EFFECTIVENESS

- (1) The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
- (2) The review of effectiveness is informed by the work of the Stewardship Team comprising the Executive Director of Finance and Resources, the Head of Law and Governance, the Legal Services Manager, the Chief Internal Auditor, the Head of Financial Services and the Policy process, applied in respect of maintain and reviewing the effectiveness of the system of internal control, is informed by:
 - (a) The views of internal audit are reported to the Accounts and Audit Committee throughout the year in the internal audit progress reports. This includes a summary report and recommendations to improve the control environment for each completed audit assignment. Progress made against recommendations is also reported to the Audit and Accounts committee and the committee are able to call any service manager

to the committee to explain reasons for overdue recommendations. During 2018/19 internal audit carried out 32 audits full assurance in 14, substantial assurance in 16 and reasonable assurance in 2.

- (b) The chief internal auditor's annual report provides an opinion on the effectiveness of the council's risk management, control and governance processes and is reported to the Audit and Accounts committee each year. This opinion is based on the work conducted by internal audit during the year.

Opinion of the Chief Internal Auditor – 2018/19

I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the effectiveness of the council's risk management, control and governance processes.

I can give substantial assurance¹ on the effectiveness of the council's risk management, control and governance processes which enables the council to meet its aims and objectives.

¹Substantial assurance means key controls designed to achieve the system/function/process objectives are in place. There are opportunities to enhance/strengthen those controls.

- (c) The views of external auditors, Ernst & Young LLP (who may seek to place reliance on the work carried out by internal audit, where they consider it to be appropriate to do so for the purposes of their statutory audit), regularly reported to Accounts and Audit Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report – ISA260. This year the external auditors have issued a conclusion that the council has put in place proper arrangements to secure value for money in your use of resources. This supports the finding of the "review of effectiveness"
- (d) The work of the Strategic Leadership Team within the Council who have responsibility for the development and maintenance of the governance framework
- (f) The completion of 'Service Lead Assurance Statements' that are countersigned by the relevant executive director, covers the key processes and systems that comprise the Council's governance arrangements and is intended to identify any areas where improvement or further development is required. All were completed appropriately.
- (g) The annual review of the councils Local Code of Corporate Governance which reflects the key components of the Council's overall governance and internal control environment. This document, based on CIPFA/SOLACE guidance, records the key controls in place, and sources of assurance, and identifies any significant gaps or weaknesses in key controls.
- (h) The Risk Management Policy and Corporate Risk Register
- (i) The work of the Accounts and Audit committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance
- (3) We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Accounts and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new action planning are outlined below.

5. SIGNIFICANT GOVERNANCE ISSUES

Set out below are the significant governance issues identified by the work of the Stewardship Team who is responsible for corporate governance and reviewed by the Council's Strategic Leadership Team:

	Governance Issue	Planned Action	Responsible Officer	Target for Completion
1	The Internal Control and Risk Management Process to be reviewed	<ul style="list-style-type: none"> Corporate Risk Register to include each strategic objective in Council Plan with risk, controls and actions to meet objective. property strategic risks to be included in Corporate risk register and linked to actions plans to be reviewed by A&A committee to given assurance Review of who is to maintain CRR to eliminate conflict on auditing and reporting on its effectiveness of Councils Risk Management Framework 	Executive Director of Finance and Resources	To be reported to AAC September 2019
2	Procurement and Contract Procedure Review	<ul style="list-style-type: none"> Full review of current procurement process to include delegations, exemptions & Contract Standing Orders. Review completeness of contract register 	Executive Director Finance & Resources and Procurement & Contracts Manager	December 2019
3	Review of constitution	<ul style="list-style-type: none"> Review decision making structure to plan for reduction in councillors in May 2020 due to boundary review Review of financial rules and financial procedures Key decision provisions Scheme of delegation 	Head of Law and Governance	Ongoing through-out the year
4	Cyber Security	<p>A full review of cyber security arrangements to include:</p> <ul style="list-style-type: none"> the technology used, awareness of staff and members, board and member level ownership, Implementation of mechanisms to test effectiveness. 	Head of Information Technology and Head of Law and Governance	

6. CONCLUSION

- (1) We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ **Date:**

Melbourne Barrett
Chief Executive

Signed: _____ **Date:**

Cllr Simon Bound
Deputy Leader of the
Council

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BASINGSTOKE AND DEANE BOROUGH COUNCIL

Opinion

We have audited the financial statements of Basingstoke and Deane Borough Council for the year ended 31 March 2019 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 to the financial statements 1 to 29; and
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Basingstoke and Deane Borough Council as at 31 March 2019 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 2018/19.

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 Authority 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 Executive Director of Finance and Resources' (Section 151 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.

INDEPENDENT AUDITORS' REPORT

Other information

The other information comprises the information included in the Statement of Accounts for year ended 31 March 2019 other than the financial statements and our auditor's report thereon. The Executive Director Finance and Resources 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 Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Basingstoke and Deane Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Executive Director Finance and Resources (Section 151 Officer)

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 63, the Executive Director of Finance and Resources' (Section 151 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Finance and Resources (Section 151 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 Authority 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 Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

INDEPENDENT AUDITORS' REPORT

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

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 Basingstoke and Deane Borough 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

This report is made solely to the members of Basingstoke and Deane Borough 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2019

The maintenance and integrity of the Basingstoke and Deane Borough Council 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.

GLOSSARY OF TERMS

ABSOLUTE RETURN BONDS FUNDS (ARB's)

These are pooled investment schemes which invest in a wide range of credit asset classes. They provide better protection than traditional bond funds against rising interest rates or widening credit spreads.

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) recognising;
- (ii) selecting measurement bases for; and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised, the basis on which it is to be measured, and where in the accounts it is to be presented.

ACCRUALS

This is the principal that income is recorded when it is earned rather than when it was received, and expenses are recorded when goods and services are received rather than when the payment is made.

ACTUARIAL GAINS AND LOSSES (PENSIONS)

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (ii) the actuarial assumptions have changed.

AGENCY SERVICES

These are services that are performed by or for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority carrying out the work) for the costs of the work.

ALLOWANCES FOR DOUBTFUL DEBTS

An allowance that is made from debts that the council is unlikely to recover based on how long the debts have been outstanding.

AMORTISATION

This is the writing down of an asset's value over its useful life (similar to depreciation). This is applied to intangible fixed assets and some types of investments.

AMORTISED COST FINANCIAL ASSETS

A category of financial instrument under IFRS 9 from which the cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows. Examples include gilts and corporate bonds.

GLOSSARY OF TERMS

ASSET REVALUATION RESERVE

This is an unusable reserve to reflect movements in Property Plant and Equipment assets resulting from revaluations.

AVAILABLE FOR SALE FINANCIAL ASSETS / INSTRUMENTS

A category of financial instrument (prior to IFRS 9) which is traded in an active market and is valued at fair value based on quoted market prices. Examples include gilts and corporate bonds.

BUDGET

The council's aims and policies set out in financial terms against which performance is monitored. Both revenue and capital budgets are prepared.

BUSINESS UNITS

The council's employee and employee related expenditure is recorded and monitored in business unit accounts during the year and then recharged to services based on a suitable allocation basis.

CAPITAL ADJUSTMENT ACCOUNT (RESERVE)

An unusable reserve to record capital amounts used to finance capital expenditure, the write down of assets on disposal and adjustments made to the comprehensive income and expenditure statement relating to capital items.

CAPITAL CHARGES

Charges to service revenue accounts to reflect the cost of long term assets used in the provision of services.

CAPITAL EXPENDITURE (STATUTORY)

This is expenditure on the acquisition of long term assets, or expenditure which adds to and not merely maintains the value of existing long term assets. The statutory definition also includes revenue expenditure funded from capital under statute (REFCUS) and expenditure on the acquisition of some long term investments (e.g. corporate bonds).

CAPITAL FINANCING REQUIREMENT (CFR)

This is the council's underlying need to borrow to finance capital expenditure. As the council is debt free the capital financing requirement is nil.

CAPITAL INVESTMENT

This is expenditure on long term assets.

CAPITAL INVESTMENTS

These are financial instruments that under statute are deemed to count as capital expenditure when acquired and on disposal or maturity gives rise to a capital receipt (e.g. individual equities).

CAPITAL RECEIPTS

The proceeds from the sale of (or reduction in our interest in) long term assets such as property, plant and equipment, investment property and capital investments.

GLOSSARY OF TERMS

CAPITAL RECEIPTS RESERVE

This is a usable reserve consisting of capital receipts that have not yet been used to finance capital investment.

CASH AND CASH EQUIVALENTS

These are highly liquid financial instruments (cash and very short term investments) that are repayable without penalty on notice of not more than 30 days and are convertible to known amounts of cash with insignificant risk of change in value.

COLLECTION FUND

An account maintained by the council to record the amounts collected in Council Tax and National Non Domestic Rates and how the amounts have been distributed.

COMMUNITY ASSETS

A category of long term assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and cemeteries.

CONTINGENT ASSETS / LIABILITIES

A potential asset / liability that is uncertain because it depends on the outcome of a future event.

CONTINGENT RENT

Rent income that is based on outcomes (i.e. sales/profits etc.) rather than a contracted sum.

CREDITOR

This is an individual or body to whom, at the balance sheet date, the council owes money.

CURRENT ASSET

An asset that is realisable or disposable within less than one year.

CURRENT LIABILITY

A liability that is due to be settled within one year.

CURRENT SERVICE COST (PENSIONS)

The increase in present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

COUNCIL TAX

A local tax levied on domestic properties by local authorities to help meet the cost of services. It is based on the estimated value of the properties. Properties are valued within eight bands (Band A, the lowest, up to Band H the highest)

Council Tax Base

The number of Band D equivalent dwellings in a local authority area
The tax base is used to determine the level of council tax an authority charges each dwelling

GLOSSARY OF TERMS

DEBTOR

This is an individual or body whom, at the balance sheet date, owes money to the council.

DEFINED BENEFIT SCHEME (PENSIONS)

A pension or other retirement benefit scheme into which an employer pays regular contributions (fixed as an amount or as a percentage of pay) and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current prior periods.

DIVERSIFIED CREDIT FUNDS (DCF's)

Externally managed pooled investment schemes investing in wide ranging mix of credit instruments including Gilts, Corporate Bonds, Investment Grade Credit, Asset Backed Securities, Senior Mortgages, Leverage Loans and High Yield Bonds.

DEPRECIATION

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset, whether arising from use, passage of time, obsolescence or other changes.

DEPRECIATED REPLACEMENT COST (DRC)

A valuation method used as a proxy for market value of a specialised property. It consists of the estimated market value of any land in existing use and the replacement cost of any buildings.

DIRECT REVENUE FINANCING

The council's capital expenditure is financed from various sources (e.g. capital receipts and contributions). Direct revenue financing is the term used for funding from revenue sources such as earmarked revenue reserves and revenue grants or contributions.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 2006.

DOUBTFUL DEBT

This is a debt that the council is unlikely to recover. An allowance is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

EARMARKED REVENUE RESERVES

Usable reserves consisting of amounts set aside from revenue (general fund) to fund future expenditure or provide funds for unforeseen events.

EFFECTIVE INTEREST RATE

The implied rate of interest in an arrangement calculated by reference to the cash flows within the arrangement as opposed to quoted rates of interest.

ESTIMATED MARKET VALUE or FAIR VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

GLOSSARY OF TERMS

EXISTING SATISFACTORY PURCHASES (ESP's)

Loans to housing associations to partly fund the purchase and conversion of existing properties for use as temporary accommodation.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. Assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

FAIR VALUE or ESTIMATED MARKET VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL INSTRUMENTS

A category of financial instrument under IFRS 9 of which the cash flows are not solely payments of principal and interest. These are valued at fair market value. Pooled investment funds are included in this category

FINANCE LEASE

This is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL INSTRUMENTS

These are any contracts that give rise to a financial asset in one entity and a financial liability in another (e.g. creditors, borrowings, debtors and investments).

FINANCIAL INSTRUMENTS REVALUATION RESERVE

This is a reserve used to recognise fair value gains and losses adjusted in accordance with government regulations for Fair Value Through Profit or Loss Financial Instruments.

FINANCIAL REPORTING STANDARDS (FRS)

Accounting standards issued by the Accounting Standards Board (ASB) that the council is required to follow subject to the requirement to follow IFRS's.

FINANCING ACTIVITY

This is income and expenditure relating to long term borrowing.

GENERAL FUND

This is a statutory division of the council's accounts covering the cost of services.

GLOSSARY OF TERMS

GILTS

These are financial instruments issued by the UK government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for that period. At the end of the set period the investment is repaid (at face value) by the government. However, during the life of a gilt it will often be traded (bought and sold) at a price decided by the market.

GOVERNMENT GRANTS

This is government assistance whether in the form of cash or transfers of assets. Sometimes the assistance is in return for compliance with certain conditions relating to the activities of the authority (these are referred to as ring-fenced).

GRANTS AND CAPITAL CONTRIBUTIONS UNAPPLIED (RESERVE)

This is a usable reserve consisting of capital grants and contributions that have been received but have yet to be used / applied to finance capital expenditure.

GRANTS AND CONTRIBUTIONS (RECEIPTS IN ADVANCE)

These are grants and contributions receivable that have conditions on their use that might require the council to return them to the contributor. Examples include time limited developer contributions.

GROSS VALUE ADDED (GVA)

The measure of the value of goods and services produced in the borough of Basingstoke and Deane.

IMPAIRMENT

This is a reduction in the value of a long term asset below its carrying amount in the Balance Sheet.

INFRASTRUCTURE ASSETS

These are a category of long term assets that are inalienable, in that expenditure is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

These are a category of long term assets that do not have a physical substance but are identifiable and controlled by the council e.g. software licences.

INTEREST COST (PENSIONS)

For a defined benefit pension scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are international accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.

INVESTING ACTIVITY

This is expenditure and income relating to long term assets.

GLOSSARY OF TERMS

INVESTMENT PREMIUMS

An investment premium is the amount above the face value that a purchaser pays to obtain a financial instrument and its income.

INVESTMENT PROPERTY

This is a category of long term asset which is held for its investment potential and is not used in the delivery of services.

LOCAL AUTHORITY BONDS (LA Bonds)

Similar to gilts, these are issued by UK local authorities rather than the Government in order to raise capital.

LEASE (FINANCE/OPERATING)

This is any arrangement that involves payment or a series of payments for use of an asset.

LOANS AND RECEIVABLES

A category of financial instruments (prior to IFRS 9) that has fixed or determinable payments but are not quoted in an active market.

LONG-TERM ASSETS

This is the collective name for assets that may be held indefinitely for the provision of services or are realisable over a period longer than one year.

LONG-TERM BORROWING

This is a loan repayable in more than one year from the Balance Sheet date.

LONG-TERM DEBTOR

An individual or body that owes money to the council that is not due for payment within one year from the Balance Sheet date.

LONG TERM INVESTMENTS

Financial instruments with maturity dates that are longer than 365 days at the time of making the investment.

MINIMUM LEASE RENTAL

The rental amount that is guaranteed under a lease agreement excluding future rent reviews.

MONEY MARKET FUNDS

Externally managed pooled investment schemes investing in short term cash instruments.

NET ASSETS

This is the amount by which total assets exceed total liabilities.

NET BOOK VALUE

This is the amount at which PPE assets are included in the Balance Sheet (i.e. their historical costs or current value less the cumulative amounts provided for depreciation).

GLOSSARY OF TERMS

NET CURRENT REPLACEMENT COST

This is the cost of replacing or recreating the particular asset in its existing condition and in its existing use (i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset).

NON-DOMESTIC RATE (NDR)

A tax levied on business premises (also known as business rates).

NON-DISTRIBUTED COSTS

These are overheads for which no direct service benefits and which are therefore not apportioned to services (e.g. past service pension costs).

OPERATING LEASES

This is a lease that does not transfer substantially all of the risks and rewards of ownership to the lessee.

OTHER LONG TERM ASSETS

This is a grouping of long term assets and includes Heritage Assets, Intangible Assets and Other Long Term Debtors.

PORTFOLIO SERVICES

These are grouping of services determined by members of the council.

PAID ABSENCES

These are benefits (mainly holiday pay) that employees receive as part of their contract of employment, entitlement to which is built up during the year.

PAST SERVICE COST (PENSIONS)

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSION SCHEME RESERVE

An unusable reserve that reflects the net liability/asset in the council employees' pension fund.

POST BALANCE SHEET EVENTS

These are events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

PRECEPTS/PRECEPTORS

Amounts levied on the council by other local authorities (preceptors) that the council is required to collect and distribute council tax for.

PRIOR PERIOD ADJUSTMENTS

Adjustments to the opening Balance Sheet as a result of errors or misstatements relating to previous years, usually related to changes in accounting policies.

GLOSSARY OF TERMS

PROJECTED UNIT METHOD (PENSIONS)

This is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and
- (ii) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROPERTY, PLANT AND EQUIPMENT (PPE)

A category of long term assets that are used in the provision of services as opposed to investment property that is used to generate income or for capital growth purposes.

PROVISIONS

Estimated amounts set aside to meet liabilities that are known to exist, but that cannot be measured accurately.

PUBLIC WORKS LOANS BOARD (PWLB)

The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.

PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

REMUNERATION

Amounts paid to or receivable by an employee and amounts due by way of expenses allowances (as far as those amounts are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

GLOSSARY OF TERMS

RESIDUAL VALUE

This is the net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employer's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure which may properly be capitalised in accordance with statutes, but where no tangible long term asset is created and therefore under IFRS is deemed to be revenue expenditure (e.g. improvement and renewal grants).

REVENUE EXPENDITURE/INCOME

The cost or income associated with the day-to-day running of the council's services.

REVENUE SUPPORT GRANT (RSG)

A government grant (financial support) that is not ring-fenced (i.e. does not have to be spent on a particular service). It is based on the Government's assessment of the council's spending need, its receipt from national non-domestic rates and its ability to generate income from the Council Tax.

RUNNING COSTS

The day to day costs of running the council which include premises costs, transport costs and supplies and services costs.

SCHEME LIABILITIES (PENSIONS)

The liabilities of a defined scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

SHORT TERM BORROWING

This is loans repayable in less than one year from the Balance Sheet date.

SHORT TERM CREDITOR

An individual or body that the council owes money to that is due for payment within one year from the Balance Sheet date.

SHORT TERM DEBTORS

An individual or body that owes money to the council that is due for payment within one year from the Balance Sheet date.

GLOSSARY OF TERMS

SHORT TERM INVESTMENTS

These are financial instruments with maturity dates not more than 365 days after the date of the initial investment.

STATUTORY ADJUSTMENT ACCOUNTS (RESERVES)

Unusable reserves relating to statutory adjustments made in the accounts (e.g. Paid Absences Account, Collection Fund Adjustment Account and Financial Instruments Adjustment Account).

SUPRANATIONAL BONDS

These are very similar in nature to gilts except that rather than being issued by the UK Government they are issued by supranational bodies supported by more than one national government such as the European Investment Bank which is supported by all of the EU member states.

TERMINATION BENEFITS

Amounts paid to employees as a result of termination of their contract with the council usually in the form of redundancy payments.

UNUSABLE RESERVES

Amounts set aside that the council is not able to use to fund expenditure because they are unrealised or notional (i.e. they are not cash backed).

USABLE RESERVES

Amounts set aside that the council is able to use to fund expenditure.

USEFUL LIFE

This is the period over which the local authority will derive benefits from the use of a long term asset.

VALUE IN USE

The net present value of future cash flows obtainable as a result of an asset's continued use, including those resulting from its ultimate disposal.