



New Forest
DISTRICT COUNCIL

**Annual
Financial
Report
2015/2016**

NEW FOREST DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT - YEAR ENDED 31ST MARCH 2016

CHAIRMAN OF THE COUNCIL

Councillor G Beck

LEADER OF THE COUNCIL

Councillor B Rickman

CHIEF EXECUTIVE Mr R Jackson

RESPONSIBLE FINANCIAL (S151) OFFICER Mr A Bethune

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STATEMENT OF RESPONSIBILITIES

1. The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Responsible Financial (s151) Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

I confirm that these accounts were approved by Members of the Audit Committee at the meeting held on 23 September 2016.

**Cllr A O'Sullivan
Chairman
Audit Committee**

23 September 2016

2. The Responsible Financial (s151) Officer's Responsibilities

The Responsible Financial (s151) Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Responsible Financial (s151) Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Responsible Financial (s151) Officer has also:

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

I certify that the statement of accounts presents a true and fair view of the financial position of New Forest District Council at 31 March 2016 and the income and expenditure for that year ended.

Mr A Bethune ACCA – Responsible Financial (s151) Officer 23 September 2016

NARRATIVE STATEMENT

1. Introduction

The accounts for 2015/16 comprise the following statements:

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing General Fund and Housing Revenue Account services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and housing rents. The Council raises taxation and rents to cover expenditure in accordance with regulations. The taxation and rents position is shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax and dwellings rent setting purposes. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves.

- **Balance Sheet**

This statement shows the value, as at the Balance Sheet date, of the Council's recognised assets and liabilities. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves i.e. those reserves that the Council may use to provide services, subject to any statutory limitations and the need to maintain prudent reserve levels. The second category is reserves that the Council cannot use to provide services as this category includes reserves that record unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents on operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

NARRATIVE STATEMENT

- **Housing Revenue Account (HRA) Income and Expenditure Statement**

This statement shows the economic cost in the year of providing Council Housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents. The Council charges rents to cover net expenditure incurred in accordance with regulations, which is different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the HRA section of the Movement in Reserves Statement.

- **Collection Fund**

This is an agent's statement that reflects the statutory obligation of the Council, as a billing Authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements have been shown for council tax and non-domestic rates due to the additional complexity of non-domestic rates transactions following the introduction of the Retention Scheme in 2013/14

NARRATIVE STATEMENT

2. Financial Performance during the Year

- **General Fund**

This section provides a summary of General Fund performance for the year in a simplified format that is consistent with the Council's published revenue budget and in a format used for operational budget monitoring throughout the year. All actual figures are included within the Comprehensive Income and Expenditure Statement.

The 2015/16 original net budget requirement for the General Fund was £21.667 million, an increase of £1.555 million from 2014/15. This increase was principally due to inflation costs of £651,000, a reduction in specific non-recurring Government Grant of £519,000 and the inclusion in the budget of £319,000 for capital expenditure projects, which were financed from reserves. The Council's budget anticipated contributing £1.210 million from Reserves and provided for no increase in Council Tax.

Net savings and efficiencies in Service expenditure in the year were £2.652 million, interest earnings exceeded the budget by £270,000 and additional income from business rates was £440,000. Other budget net additional costs were £8,000, resulting in a net overall saving for the year of £3.354 million. This has enabled an additional £1.415 million to be transferred to Earmarked Revenue Reserves and a reduction of £975,000 in the amount being transferred from the Capital Programme Reserve.

	Original Budget	Actual	Variation
	£000	£000	£000
Service Expenditure	20,613	17,961	(2,652)
Revenue Financing of Capital	1,369	1,335	(34)
Interest Earnings (Net)	(315)	(585)	(270)
Net Budget Requirement	21,667	18,711	(2,956)
Council Taxpayers	(10,778)	(10,778)	0
Collection Fund adjustment from previous years	(235)	(235)	(0)
Non-Domestic Rates Redistribution	(4,350)	(4,790)	(440)
Revenue Support Grant	(2,964)	(2,964)	0
Other Unringfenced Government Grants	(2,130)	(2,088)	42
	1,210	(2,144)	(3,354)
Transfer to/(from) Earmarked Revenue Reserves	(107)	1,308	1,415
Transfer to/(from) Capital Programme Reserve	(1,103)	(128)	975
(Increase)/Decrease in General Fund Balance	0	(964)	(964)

NARRATIVE STATEMENT

• Housing Revenue Account

The Housing Revenue account surplus for 2015/16 was £4.240 million compared with the original approved budget surplus of £1.462 million. This was mainly due to a reduction of £2.240 million in the revenue contribution to fund capital expenditure, as a higher level of capital programme was funded by Capital Receipts and Developers' Contributions, in order to maximise resources. In addition, there was an underspend of £309,000 in maintenance costs, additional dwelling rent income was £139,000 and other net budget savings were £90,000. The balance on the account as at 31 March 2016 was £1.043 million, after allowing for the transfer of £4.200 million to the earmarked Housing Acquisitions and Developments Reserve. The budget for 2016/17 anticipates a break-even position for the year.

3. Pension Liability

The Council's Balance Sheet shows a net pension liability of £76.581 million. Whilst this has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the working lives of employees. The net liability has reduced by £4.182 million from 31 March 2015. This is mainly due to the updating of assumptions used by the actuary to value the Pension Fund assets and liabilities.

4. Long Term Asset Impairments/Revaluations

In 2015/16 net increases in asset values credited to the Income and Expenditure Statement were £9.553 million but these were offset by capital expenditure not enhancing value of £11.471 million, to arrive at a net impairment debit of £1.918 million. This compares with a net impairment credit of £27.810 million in 2014/15. These items are reflected in the Net Cost of Services. In addition, other assets were increased in value by £59,000 (£688,000 in 2014/15), with the credits being made to the Revaluation Reserve.

	2014/15	2015/16
	£000	£000
Income and Expenditure Statement / Capital Adjustment Account		
Revaluation Increases	(39,369)	(10,000)
Revaluation Decreases	155	447
Net Revaluation (Increases)/Decreases	(39,214)	(9,553)
Transfer to/(from) Revaluation Reserve	(79)	0
Capital Expenditure not enhancing asset value	11,483	11,471
Total Income and Expenditure Statement Impairments	(27,810)	1,918
Revaluation Reserve		
Revaluation Increases	(688)	(369)
Revaluation Decreases	0	310
Transfer to/(from) Capital Adjustment Account	79	0
Total Revaluation Reserve	(609)	(59)
Total Impairments/Revaluations	(28,419)	1,859

NARRATIVE STATEMENT

5. Capital Expenditure

The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original budget was £18.516 million, which was supplemented by rephasings of £2.521 million from 2014/15. Other variations during the year reduced the approved programme by £2.457 million to £18.580 million. Actual expenditure of £16.121 million was £2.459 million less than the last approved budget, due to rephasings of £1.672 million of expenditure to 2016/17 and a net under-spend of £787,000 on other projects.

	Original Budget	Expenditure	Variance
	£000	£000	£000
Housing			
Major Repairs	5,233	4,279	(954)
Improvement Grants	742	740	(2)
Enabling Activities	100	24	(76)
Environmental Enhancements	880	630	(250)
Acquisitions	3,650	7,062	3,412
New Build	2,720	1,125	(1,595)
	13,325	13,860	535
Finance and Efficiency			
Rural Broadband	115	115	(0)
Offices	0	(132)	(132)
Depots	0	11	11
Vehicles, Plant and Equipment	916	488	(428)
	1,031	482	(549)
Environment			
Coast Protection	393	254	(139)
Foreshores and Beach Huts	300	233	(67)
Cemeteries	0	45	45
	693	532	(161)
Health and Leisure			
Eling Tide Mill	1,229	86	(1,143)
	1,229	86	(1,143)
Developers' Contributions			
Transportation	882	289	(593)
Open Space	1,356	872	(484)
	2,238	1,161	(1,077)
	18,516	16,121	(2,395)

The actual expenditure of £16.121 million was financed by:

	£000	%
Revenue Contributions to Capital	5,214	32.34
Loan - General	487	3.02
Capital Receipts	1,794	11.13
Grant	919	5.70
Developers' Contributions	2,361	14.65
Other (HRA Repairs and Maintenance)	5,346	33.16
	16,121	100.00

NARRATIVE STATEMENT

6. Funding of Future Capital Expenditure

The level of capital expenditure is reviewed and approved annually in accordance with the estimated resources available.

As at 31 March 2016 the Council had reserves/receipts in advance of £39.038 million for capital expenditure purposes (Earmarked Reserves £26.639 million, Developers' Contributions and Community Infrastructure Levy £4.823 million, Capital Receipts Reserve £7.372 million and Capital Grants £204,000). These reserves may be supplemented by loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts.

The approved capital expenditure budget for 2016/17 is £23.291 million, including £13.667 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2016/17 will be sufficient to finance the Council's planned expenditure.

7. Current Economic Climate / Future Service Delivery

The Council's General Fund balance has been increased to £3.000 million (31 March 2015 £2.036 million). This will be available to support future funding levels and the delivery of visible services. It will be supported by an efficiency plan. Other General Fund Earmarked Revenue Reserves are £3.328 million and the Housing Revenue Account balance is £1.043 million after transferring £4.200 million into the earmarked Housing Acquisitions and Developments Reserve in 2015/16. In addition, the Housing Revenue Account ICT Reserve is £227,000 at 31 March 2016.

Despite the continuing uncertainty of the current economic climate and a further reduction of £1.169 million in Government Formula Funding Grant, the Council has been able to set a balanced budget for 2016/17 while restricting a Council Tax increase to 1.67%. This has largely been possible due to the continuing implementation of the Council's savings and efficiencies programme.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and anticipated expenditure increases. The Council's current strong financial position and on-going efficiencies programme, underpinned by the General Fund Reserve, will enable the Council to respond to changes accordingly.

The Senior Management review, initiated in 2015/16, will continue to yield further efficiencies over the medium term as each Service Manager reviews their staffing structures to better align these to their key service delivery objectives. The savings anticipated (which will all be approved by the Council's Executive Management Team) are expected to mitigate the forecast expenditure increases over the medium term period and are already built into the Medium Term Financial Plan assumptions.

8. Loan to Lymington Harbour Commissioners

In March 2014 the Council made a 10 year loan to the Lymington Harbour Commissioners to enable them to carry out essential River Protection Works. The Council financed this loan by taking out an equivalent loan with the Public Works Loans Board. All costs incurred in the transactions were met by the Harbour Commissioners. At 31 March 2016 the outstanding loan was recorded as £201,000 short-term debtor/borrowing (2014/15 £201,000) and £1.405 million (2014/15 £1.606 million) long-term debtor/borrowing.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Community Infrastructure Levy Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000		£000	£000	£000	
Balance at 31 March 2014	(2,036)	(11,353)	(1,219)	(8,795)	(5,079)	0	(2,786)	(31,268)	(142,301)	(173,569)
<i>Movement in reserves during 2014/15</i>										
(Surplus) or deficit on the provision of services	1,981	0	(38,091)	0	0	0	0	(36,110)	0	(36,110)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	7,811	7,811
Total Comprehensive Income and Expenditure	1,981	0	(38,091)	0	0	0	0	(36,110)	7,811	(28,299)
Adjustments between accounting basis and funding basis under regulations (note 7)	(3,437)	0	35,097	0	(953)	0	(59)	30,648	(30,648)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(1,456)	0	(2,994)	0	(953)	0	(59)	(5,462)	(22,837)	(28,299)
Transfers to/(from) earmarked reserves (note 8/9)	1,456	(3,583)	3,199	(1,072)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(3,583)	205	(1,072)	(953)	0	(59)	(5,462)	(22,837)	(28,299)
Balance at 31 March 2015	(2,036)	(14,936)	(1,014)	(9,867)	(6,032)	0	(2,845)	(36,730)	(165,138)	(201,868)
<i>Movement in reserves during 2015/16</i>										
(Surplus) or deficit on the provision of services	2,341	0	(9,941)	0	0	0	0	(7,600)	0	(7,600)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(7,439)	(7,439)
Total Comprehensive Income and Expenditure	2,341	0	(9,941)	0	0	0	0	(7,600)	(7,439)	(15,039)
Adjustments between accounting basis and funding basis under regulations (note 7)	(4,485)	0	5,701	0	(1,340)	(267)	(203)	(594)	594	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(2,144)	0	(4,240)	0	(1,340)	(267)	(203)	(8,194)	(6,845)	(15,039)
Transfers to/(from) earmarked reserves (note 8/9)	1,180	(5,519)	4,211	128	0	0	0	0	0	0
(Increase) / Decrease in Year	(964)	(5,519)	(29)	128	(1,340)	(267)	(203)	(8,194)	(6,845)	(15,039)
Balance at 31 March 2016	(3,000)	(20,455)	(1,043)	(9,739)	(7,372)	(267)	(3,048)	(44,924)	(171,983)	(216,907)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15				2015/16			
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
2,345	(1,249)	1,096	Central Services to the Public		2,833	(1,316)	1,517
11,239	(7,044)	4,195	Cultural and Related Services		11,536	(7,942)	3,594
12,870	(3,049)	9,821	Environmental and Regulatory Services		12,157	(2,423)	9,734
3,901	(1,759)	2,142	Planning Services		3,859	(1,603)	2,256
3,060	(3,502)	(442)	Highways and Transport Services		2,790	(3,327)	(537)
(13,600)	(27,682)	(41,282)	Local Authority Housing (HRA) Services		16,105	(28,280)	(12,175)
48,719	(46,803)	1,916	Other Housing Services		48,815	(46,581)	2,234
7	(2)	5	Adult Social Care		0	0	0
2,536	(99)	2,437	Corporate and Democratic Core		2,755	(97)	2,658
24	(25)	(1)	Non Distributed Costs		6	(24)	(18)
71,101	(91,214)	(20,113)	Cost of Services	10	100,856	(91,593)	9,263
			Other Operating Expenditure				
4,698			Town and Parish Council Precepts		4,840		
561			Payments to the Government Housing Capital Receipts Pool		584		
	(1,759)		(Gains)/Losses on the disposal of Non-Current Assets			(1,374)	
	(53)		VAT Refund			0	
		3,447	Total Other Operating Expenditure				4,050
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
51			- General Fund		46		
4,466			- HRA		4,466		
	(507)		Other Investment Income			(695)	
2,900			Net interest on the net defined benefit liability/(asset)	42	2,520		
7			Income, expenditure and changes in the fair value of Investment Properties	12		(170)	
		6,917	Total Financing and Investment Income and Expenditure				6,167
			Taxation and Non-Specific Grant Income				
	(15,576)		Council Tax Income (incl. Parish precepts)			(15,808)	
	(3,883)		Non-Domestic Rates Income and Expenditure	44		(4,139)	
	(5,837)		Unringfenced Government Grants	44		(5,051)	
	(1,065)		Capital Grants and Contributions	44		(2,082)	
		(26,361)	Total Taxation and Non-Specific Grant Income				(27,080)
		(36,110)	(Surplus)/Deficit on the Provision of Services				(7,600)
	(609)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(59)	
	(40)		(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			(100)	
8,460			Re-measurement of the defined benefit liability (asset)	42		(7,280)	
		7,811	Other Comprehensive Income and Expenditure				(7,439)
		(28,299)	Total Comprehensive Income and Expenditure	5			(15,039)

Total Comprehensive Income and Expenditure has decreased by £13.260 million between 2014/15 and 2015/16. The reasons for this increase are detailed in Note 5.

Mr A Bethune ACCA – Responsible Financial (s151) Officer

23 September 2016

BALANCE SHEET AS AT 31 MARCH

2014/15			Notes	2015/16	
£000	£000			£000	£000
		Long-Term Assets			
		Property, Plant and Equipment:			
317,871		Council Dwellings	11	322,214	
63,169		Other Land and Buildings	11	62,530	
4,614		Vehicles, Plant and Equipment	11	3,951	
5,662	391,316	Infrastructure	11	5,019	393,714
	2,325	Investment Property	12		2,367
	6,040	Long-Term Investments	13		19,677
	2,157	Long-Term Debtors	14		1,956
	401,838	Total Long-Term Assets			417,714
		Current Assets			
0		Assets Held For Sale - Property	54	242	
25,207		Short-Term Investments	15	22,381	
339		Inventories	16	395	
7,222		Short-Term Debtors	17	8,679	
(2,128)		Bad Debt Provision	17	(2,249)	
19,476		Cash and Cash Equivalents	18	12,441	
	50,116	Total Current Assets			41,889
	451,954	Total Assets			459,603
		Current Liabilities			
(251)		Short-Term Borrowing	19	(251)	
(17,929)		Short-Term Creditors	20	(14,616)	
(8)		Developers' Contributions - Receipts in Advance	21	(2)	
	(18,188)	Total Current Liabilities			(14,869)
		Long-Term Liabilities			
(144,310)		Long-Term Borrowing	22	(144,109)	
(4,640)		Provisions	23	(5,427)	
(241)		Capital Grants - Receipts in Advance	24	(204)	
(1,944)		Developers' Contributions - Receipts in Advance	25	(1,506)	
(80,763)		Net Pensions Liability	42	(76,581)	
	(231,898)	Total Long-Term Liabilities			(227,827)
	201,868	Net Assets			216,907
		Usable Reserves			
2,036		General Fund Balance		3,000	
14,936		Earmarked Reserves	8	20,455	
1,014		Housing Revenue Account Balance		1,043	
9,867		Capital Programme Reserve	9	9,739	
6,032		Capital Receipts Reserve	26	7,372	
0		Community Infrastructure Levy Unapplied	27	267	
2,845	36,730	Developers' Contributions Unapplied	27	3,048	44,924
		Unusable Reserves			
21,098		Revaluation Reserve	28	21,125	
224,256		Capital Adjustment Account	29	227,441	
40		Available For Sale Financial Instruments Reserve	30	140	
499		Deferred Capital Receipts Reserve	31	511	
(80,763)		Pensions Reserve	32	(76,581)	
294		Collection Fund Adjustment Account	33	(402)	
(286)	165,138	Accumulating Absences Adjustment Account	34	(251)	171,983
	201,868	Total Reserves			216,907

CASH FLOW STATEMENT

2014/15		Notes	2015/16
£000			£000
(36,110)	Net (surplus) or deficit on the provision of services		(7,600)
13,561	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(9,324)
4,191	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	3,663
(18,358)	Net cash flows from Operating Activities		(13,261)
16,799	Investing Activities	36	18,773
(1,303)	Financing Activities	37	1,523
(2,862)	Net (increase) or decrease in cash and cash equivalents		7,035
(16,614)	Cash and cash equivalents at the beginning of the reporting period		(19,476)
(19,476)	Cash and cash equivalents at the end of the reporting period	18	(12,441)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 supported by International Financial Reporting Standards (IFRS).

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

ii) Accruals of Income and Expenditure (Debtors and Creditors)

The accounts of the Council are prepared on an accruals basis. This means that the sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. In particular:

- Income from fees, charges and rents is recognised when the Council provides the relevant goods or services.
- Supplies and services expenditure is recorded as expenditure when the supplies or services are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied by and to the Council during the year.

Exceptions to this policy are housing benefit payments, housing rents, utility costs and similar quarterly payments that are not apportioned when the period of charge does not coincide exactly with the end of the financial year. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

NOTES TO THE ACCOUNTS

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature or can be called within 24 hours and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council will treat the following as cash and cash equivalents:

- Instant Access Call Accounts
- Instant Access Money Market Funds
- Deposits with one day to maturity

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

iv) Changes in Accounting Policies, Material Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are also corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

v) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Charges are therefore mitigated by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement. The Council is however required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is calculated on a prudent basis determined by the Council in accordance with statutory guidance.

NOTES TO THE ACCOUNTS

vi) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

vii) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

viii) Employee Benefits

Benefits Payable During Employment

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

NOTES TO THE ACCOUNTS

Termination Benefits

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

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

Post Employment Benefits

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

Detailed regulations govern rates of contribution and scales of benefits, the latter normally being in the form of a lump sum and annual pension.

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

- * The liabilities of the Hampshire 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, etc, and projections of projected earnings for current employees.
- * 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.

NOTES TO THE ACCOUNTS

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

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

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

* **Service cost comprising**

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **Net interest on the net defined benefit liability (asset)** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising

- **Return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset), charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **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.
- **Contributions paid to the Hampshire pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities - not accounted for as an expense.

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

NOTES TO THE ACCOUNTS

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

ix) Events after the Balance Sheet Date

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

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

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

x) Exceptional Items

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

xi) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

NOTES TO THE ACCOUNTS

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Financial Assets are divided into two categories: Loans and Receivables and Available for Sale assets.

Loans and Receivables

Loans and receivables (e.g. cash investments) are financial assets that have fixed or determinable payments and are not quoted in an active market. They are initially measured at their fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credit to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-sale assets

Available for sale assets are financial assets that are held for an indefinite period of time, are quoted in an active market and are tradable, so ensuring liquidity.

xii) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end they are reconverted at the exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

xiii) 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 the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

xiv) Heritage Assets

The Council has concluded that obtaining valuations for currently held Heritage Assets would involve a disproportionate cost in comparison to the benefits to the users of Council's financial statements and therefore has not recognised the assets on the Balance Sheet. Should the Council obtain any additional Heritage Assets in the future each asset would be considered for inclusion at the time.

xv) Intangible Assets

The Council accounts for expenditure on Intangible Assets, such as software licences and website development, as revenue expenditure and therefore there is no asset recognition on the Balance Sheet.

NOTES TO THE ACCOUNTS

xvi) Inventories

Stocks are recorded in the Balance Sheet and charged to services at actual cost and stores items at average cost. This is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value. Care is taken to write out any obsolescent stocks.

xvii) Investment Property

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

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

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

xviii) Leases

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

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

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

NOTES TO THE ACCOUNTS

The Council as Lessee

Finance Leases

Where the Council leases a material asset under a finance lease it would be recognised in the accounts as if it were the Council's asset and then treated in the same way as any other Property, Plant and Equipment asset, other than depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council currently has no such Finance Leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. The rentals receivable are treated partly as capital receipts (for the principal element) and partly as revenue interest income. If not paid in full the balance due is held as a Long-Term Debtor in the Balance Sheet and is written down when payments are received.

Operating 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 relevant service area in the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xx) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council over a number of years and the cost of the item can be measured reliably. This determination will be made by the Responsible Financial Officer based upon a reasonable and prudent judgement. Leisure and ICT equipment will generally not be capitalised. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level is set for operational assets below which expenditure is not capitalised.

<u>Category of Property, Plant and Equipment Assets</u>	<u>De minimis level</u>
Council dwellings	£25,000
Other land and buildings	£10,000
Vehicles, plant and equipment	£10,000
Infrastructure assets	£10,000

NOTES TO THE ACCOUNTS

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure, Vehicles, Plant and Equipment, Community Assets and Assets Under Construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains or exceptionally to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

NOTES TO THE ACCOUNTS

Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets where the useful life is in excess of 50 years or where assets are without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- * dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- * vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- * infrastructure – coast protection - straight-line allocation over 20 years.
land drainage and public lighting - straight-line allocation over 40 years.

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

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

Depreciation is applied in the year in which the asset is acquired and is charged using the straight-line method.

NOTES TO THE ACCOUNTS

In respect of housing stock, the depreciation charge that has been made is equal to the Major Repairs Allowance. The Major Repairs Allowance represents a sum that is allowed annually to maintain the Council's housing stock. In 2015/16 the depreciation charge for the Council's housing stock was £5.339 million (£5.127 million in 2014/15). Had a depreciation charge been made based on 2.5% of the valuation of the stock at 1 April 2015, less the value of land which is not depreciated, it would have been approximately £6.179 million (£5.482 million at 1 April 2014).

The Remaining Useful Life of the Council's Non-Current Assets

The Council's Property, Plant and Equipment are depreciated over the remaining useful life of the asset as determined by the Council's valuers. Any land owned by the Council is not deemed to have a finite life and is not depreciated.

Investment assets are not depreciated and have a remaining life of 50 years or more.

The following table indicates the estimated remaining useful life of each type of non-current asset owned by the Council. Each category of asset consists of different assets with varying remaining lives. Therefore the table shows the range.

Type of Asset	Remaining Useful Asset Life at 31 March 2016
Council Dwellings	Up to 99 years
Council Garages	60 years
Depots	50 years
Public Conveniences	Between 2 and 50+ years
Offices	Between 41 and 60 years
Cemeteries	An average of 44 years
Health and Leisure Centres	60 years
Equipment	Between 0 and 30 years
Coastal Protection Works	Up to 16 years
Land Drainage Works	Up to 29 years
Public Lighting Works	Up to 27 years
Residential Dwellings	An average of 46 years
Investment Properties	Between 51 and 60 years

xxi) Disposals and Non-Current Assets Held for Sale

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

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

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

NOTES TO THE ACCOUNTS

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

Amounts received for a disposal are categorised as capital receipts. For Council Dwellings sold under the Right to Buy Scheme a proportion of the receipts, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xxii) Private Finance Initiative (PFI) and Similar Contracts

The Council has not entered into any PFI schemes or similar contracts.

xxiii) Provisions

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

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

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

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

NOTES TO THE ACCOUNTS

xxiv) Reserves

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

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

xxv) Revenue Expenditure Funded From Capital Under Statute

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

xxvi) Value Added Tax (VAT)

All VAT collected is payable to HM Revenue and Customs and most VAT paid is recoverable. Income and expenditure in the Statement of Accounts excludes any amounts related to VAT other than any irrecoverable VAT which is charged to the service to which the supply related.

NOTES TO THE ACCOUNTS

2. NEW ACCOUNTING STANDARDS YET TO BE ADOPTED

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted which could have a material impact on the Accounts. The following standards are affected:

IAS1 Presentation of Financial Statements - This standard and the "Telling the Story" review of the presentation of Local Authority financial statements will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Annual Improvements to IFRS cycles
IFRS 11 Joint Arrangements
IAS 16 Property Plant and Equipment
IAS 38 Intangible Assets
IAS 19 Employee Benefits

It is considered that any required changes will not be applicable or will not have a material impact on the financial statements of this Authority.

3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in this document 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 reclassifications – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. 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 the asset is being held solely for capital appreciation or rental income, 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 a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on Leases) and could have a significant effect on the accounts.

NOTES TO THE ACCOUNTS

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

Future funding for local government – there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

4. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Doubtful Debt Allowances	The Council has made allowances for doubtful debts of £2.249 million in 2015/16 (£2.128 million in 2014/15) based on what it believes to be a prudent but realistic level. The allowances are based on: Council Tax and Non-domestic ratepayers – ranges from 5% of debts at bill stage to 50% of debts at Liability Order stage. Sundry Debtors including Overpaid Housing Benefits -100% of debts over 1 year. Housing Rents - Former tenants 95%, current tenants various percentages ranging from 0% on debts up to £100 and 95% on debts over £1,000.	If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment of £112,000 (£106,000 in 2014/15).

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Pensions 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 to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 42e. During 2015/16, the Council's actuaries advised that the net pension liability for funded benefits had decreased by £2.11 million due to estimates being corrected, as a result of experience, and decreased by £7.53 million due to updating of the assumptions used in the calculations.
Accumulating Absences	The calculated figure is comprised of annual leave entitlement and accrued flexi/lieu time. 60% of staff record annual leave and flexi/lieu days on the HR system. The carried forward leave on the system has been used to calculate the accrual for annual leave. The average number of days taken in flexi leave per month has been used as the base for calculating accrued flexi at the end of each relevant year. This average may not exactly match the accrued flexi days at 31 March each year but would not be materially different. The balance of staff do not have leave recorded on the system and do not accrue flexi leave.	The accumulated absences amount recorded for 2015/16 is £251,000. A 5% increase in the accrual would amount to £13,000. This would not impact on the usable reserves of the Council.
Business Rates Appeals Provision	The provision of £4.810 million made by the Council is its 40% share of an overall provision of £12.025 million provision made in the Collection Fund. The overall figure is based on a national estimate of 3.6% successful appeals on the gross rateable value, less appeals already settled and adjusted for major appeals that have been notified by the Valuation Office as being in hand and likely to be successful, but not yet settled.	The Council would be impacted by circa 20% of any under or over provision, but any loss would be restricted to a reduction in resources of £1.064 million before Safety Net Grant arrangements apply.

NOTES TO THE ACCOUNTS

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Total Comprehensive Income and Expenditure Statement reports a net income position of £15.039 million in 2015/16, a decrease of £13.260 million from the £28.299 million net income position in 2014/15. The main reasons for the variation, most of which do not impact on usable resources, are as follows:

	2014/15	2015/16	Variation
	£000	£000	£000
Depreciation and Revaluation/Impairment of Non Current Assets	(25,894)	3,868	29,762
Capital Grants and Contributions	(2,524)	(3,818)	(1,294)
Revenue Expenditure Funded from Capital	1,928	2,039	111
Payments to the Housing Pooled Capital Receipts	561	584	23
(Gains)/Losses on Non Current Asset Disposals	(1,759)	(1,374)	385
Pension Fund Actuarial (Gains)/Losses	8,460	(7,280)	(15,740)
Other IAS19 Pension Adjustments	2,830	3,098	268
(Surplus)/deficit arising from the revaluation of Property, Plant and Equipment (Revaluation Reserve)	(609)	(59)	550
Other Items	124	(176)	(300)
Items Not Affecting Council Tax / Housing Rents	(16,883)	(3,118)	13,765
Equipment Purchases	806	1,017	211
Dwellings Depreciation	5,261	5,345	84
Non-Ringfenced Government Grants	(9,720)	(9,190)	530
Interest Payable and Similar Charges	4,517	4,512	(5)
Investment Income	(507)	(695)	(188)
Other Items	(11,773)	(12,910)	(1,137)
Items Affecting Council Tax / Housing Rents	(11,416)	(11,921)	(505)
Total Comprehensive Income and Expenditure	(28,299)	(15,039)	13,260

6. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the Balance Sheet date that would affect the reported figures.

NOTES TO THE ACCOUNTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2015/16	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(1,905)	(2)	0	(5,346)	0	0	7,253
Revaluation Gains / (Losses) on Property, Plant and Equipment	(304)	9,816	0	0	0	0	(9,512)
Capital Expenditure not enhancing value	(499)	(10,973)	0	0	0	0	11,472
Movements in the market value of Investment Properties	41	0	0	0	0	0	(41)
Capital grants and contributions applied	1,449	40	0	0	0	0	(1,489)
Revenue expenditure funded from capital under statute	(2,039)	0	0	0	0	0	2,039
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(82)	(2,207)	0	0	0	0	2,289
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	1,019	0	0	0	0	0	(1,019)
Capital expenditure charged against the General Fund and HRA balances	317	4,897	0	0	0	0	(5,214)
Adjustments primarily involving the Capital Grants / Developers' Contributions / Community Infrastructure Levy Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,053	1,208	0	0	(267)	(1,994)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,791	(1,791)

NOTES TO THE ACCOUNTS

2015/16	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	110	3,553	(3,663)	0	0	0	0
Transfer of cash proceeds from non PPE assets	55	0	(55)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,794	0	0	0	(1,794)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(584)	0	584	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	12	0	0	0	0	(12)
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	5,346	0	0	(5,346)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,149)	(1,331)	0	0	0	0	7,480
Employer's pensions contributions and direct payments to pensioners payable in the year	3,712	670	0	0	0	0	(4,382)

NOTES TO THE ACCOUNTS

2015/16	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(696)	0	0	0	0	0	696
Adjustments primarily involving the Accumulating Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17	18	0	0	0	0	(35)
Total Adjustments	(4,485)	5,701	(1,340)	0	(267)	(203)	594

NOTES TO THE ACCOUNTS

2014/15 Comparative Figures	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,063)	(3)	0	(5,262)	0	7,328
Revaluation Gains / (Losses) on Property, Plant and Equipment	62	39,302	0	0	0	(39,364)
Capital Expenditure not enhancing value	(274)	(11,209)	0	0	0	11,483
Movements in the market value of Investment Properties	(150)	0	0	0	0	150
Capital grants and contributions applied	1,097	316	0	0	0	(1,413)
Revenue expenditure funded from capital under statute	(1,928)	0	0	0	0	1,928
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(589)	(1,843)	0	0	0	2,432
Movement to/from Revaluation Reserve	79	0	0	0	0	(79)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	1,078	0	0	0	0	(1,078)
Capital expenditure charged against the General Fund and HRA balances	0	5,871	0	0	0	(5,871)
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	984	0	0	0	(984)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	925	(925)

NOTES TO THE ACCOUNTS

2014/15 Comparative Figures	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	1,041	3,150	(4,191)	0	0	0
Transfer of cash proceeds from non PPE assets	53	66	(119)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,797	0	0	(2,797)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(561)	0	561	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	7	(1)	0	0	(6)
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	5,262	0	(5,262)
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,768)	(1,182)	0	0	0	6,950
Employer's pensions contributions and direct payments to pensioners payable in the year	3,497	623	0	0	0	(4,120)

NOTES TO THE ACCOUNTS

2014/15 Comparative Figures	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	17	0	0	0	0	(17)
Adjustments primarily involving the Accumulating Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)	(1)	0	0	0	13
Total Adjustments	(3,437)	35,097	(953)	0	(59)	(30,648)

NOTES TO THE ACCOUNTS

8. EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15 and 2015/16.

	Balance 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance 31 March 2016 £000
Quadrennial Election	(88)	0	(44)	(132)	134	(44)	(42)
Local Development Framework	(121)	25	0	(96)	32	(326)	(390)
Building Control Surplus	(38)	0	(74)	(112)	0	(5)	(117)
Historic Buildings	(10)	3	0	(7)	0	0	(7)
Lymington Synthetic Turf Pitch	(91)	0	(13)	(104)	0	(19)	(123)
Committed Schemes	(1,126)	1,126	(1,384)	(1,384)	1,242	(2,298)	(2,440)
Private Housing Stock Condition Survey	(52)	0	(13)	(65)	0	(13)	(78)
Housing Needs Survey	(48)	0	(12)	(60)	0	(12)	(72)
Open Space Maintenance	(63)	3	0	(60)	3	(2)	(59)
General Fund	(1,637)	1,157	(1,540)	(2,020)	1,411	(2,719)	(3,328)
HRA ICT	(216)	0	0	(216)	0	(11)	(227)
Housing Acquisitions and Development	(9,500)	0	(3,200)	(12,700)	0	(4,200)	(16,900)
Total Reserves	(11,353)	1,157	(4,740)	(14,936)	1,411	(6,930)	(20,455)

NOTES TO THE ACCOUNTS

9. CAPITAL PROGRAMME RESERVE

This note sets out the amounts set aside from the General Fund to provide for financing of future years' capital expenditure projects.

	Balance 1 April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Capital Programme	(8,795)	0	(1,072)	(9,867)	726	(598)	(9,739)
	(8,795)	0	(1,072)	(9,867)	726	(598)	(9,739)

10. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- no charges are made for the cost of Revenue Expenditure Funded from Capital Under Statute or the associated grant funding

NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure	Finance and Efficiency	Leader's	Planning and Transportation	Environment	Housing and Communities	Health and Leisure	General Purposes and Licensing	Planning Development Control	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2015/16:										
Fees, charges and other service income	(941)	(297)	(4,124)	(2,107)	(2,217)	(6,213)	(513)	(651)	(28,280)	(45,343)
Government grants	(43,784)	(74)	(10)	(134)	(2)	0	(58)	0	0	(44,062)
Other grants and contribs.	(11)	0	(90)	(322)	0	(29)	0	0	0	(452)
Total Income	(44,736)	(371)	(4,224)	(2,563)	(2,219)	(6,242)	(571)	(651)	(28,280)	(89,857)
Employee expenses	5,697	467	1,986	5,926	1,716	5,229	751	1,349	3,526	26,647
Other service expenses	44,352	376	1,575	3,022	2,130	3,196	385	28	5,520	60,584
Support service recharges	261	55	270	331	194	279	89	177	361	2,017
Total Expenditure	50,310	898	3,831	9,279	4,040	8,704	1,225	1,554	9,407	89,248
Net Expenditure	5,574	527	(393)	6,716	1,821	2,462	654	903	(18,873)	(609)
Original Budget	5,253	540	729	7,410	1,785	3,448	512	1,094	(18,336)	2,435
(Saving)/Overspend	321	(13)	(1,122)	(694)	36	(986)	142	(191)	(537)	(3,044)
2014/15:										
Fees, charges and other service income	(1,106)	(313)	(4,041)	(2,077)	(2,019)	(5,689)	(380)	(647)	(27,682)	(43,954)
Government grants	(44,435)	(220)	(10)	(682)	0	0	(101)	(4)	0	(45,452)
Other grants and contribs.	0	0	0	(335)	0	(14)	0	0	0	(349)
Total Income	(45,541)	(533)	(4,051)	(3,094)	(2,019)	(5,703)	(481)	(651)	(27,682)	(89,755)
Employee expenses	5,570	446	2,036	5,833	1,530	5,209	694	1,385	3,335	26,038
Other service expenses	45,005	554	1,631	3,263	2,009	3,985	184	32	5,462	62,125
Support service recharges	252	52	243	248	172	302	80	164	356	1,869
Total Expenditure	50,827	1,052	3,910	9,344	3,711	9,496	958	1,581	9,153	90,032
Net Expenditure	5,286	519	(141)	6,250	1,692	3,793	477	930	(18,529)	277
Original Budget	5,135	523	472	6,369	1,796	3,519	506	1,165	(17,971)	1,514
(Saving)/Overspend	151	(4)	(613)	(119)	(104)	274	(29)	(235)	(558)	(1,237)

NOTES TO THE ACCOUNTS

	2014/15	2015/16
	£000	£000
Net expenditure in the Portfolio Analysis	277	(609)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management for decision making	(20,390)	9,872
Cost of Services in Comprehensive Income and Expenditure Statement	(20,113)	9,263

	Portfolio Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
2015/16	£000	£000	£000	£000	£000
Fees, charges and other service income	(45,343)	0	(45,343)	0	(45,343)
Interest and investment income	0	0	0	(865)	(865)
Income from council tax	0	0	0	(15,808)	(15,808)
Government grants and contributions	(44,062)	(566)	(44,628)	(9,190)	(53,818)
Other grants and contributions	(452)	(1,170)	(1,622)	(2,082)	(3,704)
Total Income	(89,857)	(1,736)	(91,593)	(27,945)	(119,538)
Employee expenses	26,647	357	27,004	0	27,004
Other service expenses	60,584	2,039	62,623	0	62,623
Support Service recharges	2,017	0	2,017	0	2,017
Depreciation, amortisation and impairment	0	9,212	9,212	0	9,212
Interest Payments	0	0	0	7,032	7,032
Precepts and Levies	0	0	0	4,840	4,840
Payments to Housing Capital Receipts Pool	0	0	0	584	584
Gain or Loss on Disposal of Non-Current Assets	0	0	0	(1,374)	(1,374)
Total Expenditure	89,248	11,608	100,856	11,082	111,938
Surplus or deficit on the provision of services	(609)	9,872	9,263	(16,863)	(7,600)

NOTES TO THE ACCOUNTS

2014/15 Comparative Figures	Portfolio Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	(43,954)	0	(43,954)	0	(43,954)
Interest and investment income	0	0	0	(507)	(507)
Income from council tax	0	0	0	(15,576)	(15,576)
Government grants and contributions	(45,452)	(413)	(45,865)	(9,720)	(55,585)
Other grants and contributions	(349)	(1,046)	(1,395)	(1,065)	(2,460)
Total Income	(89,755)	(1,459)	(91,214)	(26,868)	(118,082)
Employee expenses	26,038	(227)	25,811	0	25,811
Other service expenses	62,125	1,928	64,053	0	64,053
Support Service recharges	1,869	0	1,869	0	1,869
Depreciation, amortisation and impairment	0	(20,632)	(20,632)	0	(20,632)
Interest Payments	0	0	0	7,424	7,424
Precepts and Levies	0	0	0	4,698	4,698
Payments to Housing Capital Receipts Pool	0	0	0	561	561
(Gain) or Loss on Disposal of Non-Current Assets	0	0	0	(1,759)	(1,759)
VAT Refund	0	0	0	(53)	(53)
Total Expenditure	90,032	(18,931)	71,101	10,871	81,972
Surplus or deficit on the provision of services	277	(20,390)	(20,113)	(15,997)	(36,110)

NOTES TO THE ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT ASSETS AND IMPAIRMENTS

Valuation of Property, Plant and Equipment

The Council operates a rolling programme of property revaluations, which are carried out over a 5 year period. In 2015/16 this work was carried out by the Council's valuer, S. Yeo, MRICS. The revaluation programme for 2015/16 principally comprised the Council's public conveniences and 20% of dwellings. The remainder of dwellings' values were uplifted in line with current indices.

a) Analysis of Assets

The following list gives an indication of the range and number of assets owned/leased by the Council.

2014/15		2015/16
5,038	Council Dwellings	5,042
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	5
5	Health and Leisure Centres	5
51	Car Parks	51
8	Cemeteries	8
26	Public Conveniences	25
198	Vehicles	199
1,844	Garages	1,800

b) Valuation of Property, Plant and Equipment Assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The basis for valuation is set out in the Statement of Accounting Policies.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure	Total
	£000	£000	£000	£000	£000
Carried at Historic Cost (Net of Depreciation)			3,951	5,019	8,970
Valued at Fair Value as at:					
2015/16	4,343	(639)			3,704
2014/15	34,919	(186)			34,733
2013/14	12,217	4,438			16,655
2012/13	7,987	617			8,604
Prior to 2012/13	262,748	58,300			321,048
Total Cost or Valuation	322,214	62,530	3,951	5,019	393,714

These valuations show the net current value after depreciation is applied.

NOTES TO THE ACCOUNTS

c) Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

Movements in 2015/16:	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2015	317,874	63,404	9,224	19,839	410,341
Additions	13,047	11	536	487	14,081
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(314)	0	0	(314)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	4,473	(361)	0	0	4,112
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(10,973)	(11)	0	(487)	(11,471)
Derecognition - disposals	(2,207)	(65)	(409)	0	(2,681)
At 31 March 2016	322,214	62,664	9,351	19,839	414,068
Accumulated Depreciation and Impairment					
At 1 April 2015	(3)	(235)	(4,610)	(14,177)	(19,025)
Depreciation charge	(5,340)	(92)	(1,178)	(643)	(7,253)
Depreciation written out to the Revaluation Reserve	0	131	0	0	131
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,343	57	0	0	5,400
Derecognition - disposals	0	5	388	0	393
At 31 March 2016	0	(134)	(5,400)	(14,820)	(20,354)
Net Book Value					
at 31 March 2016	322,214	62,530	3,951	5,019	393,714
at 31 March 2015	317,871	63,169	4,614	5,662	391,316

NOTES TO THE ACCOUNTS

Comparative Movements in 2014/15:	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2014	283,082	63,567	8,634	19,839	375,122
Additions	13,669	58	1,763	554	16,044
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	419	0	0	419
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	34,175	(1)	0	0	34,174
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(11,209)	(49)	329	(554)	(11,483)
Derecognition - disposals	(1,843)	(590)	(1,502)	0	(3,935)
At 31 March 2015	317,874	63,404	9,224	19,839	410,341
Accumulated Depreciation and Impairment					
At 1 April 2014	(129)	(212)	(4,837)	(13,481)	(18,659)
Depreciation charge	(5,256)	(115)	(1,260)	(696)	(7,327)
Depreciation written out to the Revaluation Reserve	256	12	0	0	268
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,126	63	0	0	5,189
Derecognition - disposals	0	17	1,487	0	1,504
At 31 March 2015	(3)	(235)	(4,610)	(14,177)	(19,025)
Net Book Value					
at 31 March 2015	317,871	63,169	4,614	5,662	391,316
at 31 March 2014	282,952	63,355	3,797	6,358	356,462

NOTES TO THE ACCOUNTS

d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2015/16 were £700,000 (Public Conveniences £624,000 and HRA assets £76,000), but valuation increases were £10.029 million (Council Dwellings £9.891 million, Other HRA Properties £111,000 and Public Conveniences £27,000).

Offsetting the net valuation increases was non-enhancing capital expenditure of £10.973 million on Council Dwellings and £498,000 on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Account in the year.

e) Capital Expenditure Contract Commitments

As at 31 March 2016, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000
Environment		
Barton-on-Sea Ground Investigation Works	2016/17	10
Milford-on-Sea Beach Hut Replacement Scheme - Design Consultancy	2016/17	50
National Coastal Monitoring Programme Wavebuoy contract	2016/17	18
Vehicles	2016/17	70
Housing		
Kitchens	2016/17	670
Winchester Road Extension	2016/17	64
North Milton Estate New Build	2016/17	4,550
Health and Leisure		
Eling Experience	2016/17	39
Total		5,471

NOTES TO THE ACCOUNTS

12. INVESTMENT PROPERTIES

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

2014/15		2015/16
£000		£000
(147)	Rental income from investment property	(133)
3	Direct operating expenses arising from investment property	5
151	Net (gains)/losses from fair value adjustments	(42)
7	Net (gain)/loss	(170)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties:

2014/15		2015/16
£000		£000
2,476	Balance at start of the year	2,325
(151)	Net gains/(losses) from fair value adjustments	42
2,325	Balance at end of the year	2,367

13. LONG-TERM INVESTMENTS

The Council is permitted to lend a proportion of its funds for more than 364 days. At 31 March 2016 the Council had 15 loans which had a remaining maturity term of more than one year.

2014/15				2015/16		
Loans and Receivables	Assets Available for Sale	Total		Loans and Receivables	Assets Available for Sale	Total
£000	£000	£000		£000	£000	£000
0	0	0	Opening Balance	4,000	2,040	6,040
4,000	2,000	6,000	Purchases	3,000	10,509	13,509
0	40	40	Revaluations Gains	0	162	162
0	0	0	Revaluations Losses	0	(32)	(32)
0	0	0	Repayments	0	(2)	(2)
4,000	2,040	6,040	Closing Balance	7,000	12,677	19,677

NOTES TO THE ACCOUNTS

14. LONG-TERM DEBTORS

Long-term debtors include mortgages and deferred capital receipts for house purchases, loans to local trusts and organisations, and staff car/cycle loans. During 2013/14 a long-term loan of £2.007 million was made to Lymington Harbour Commissioners. Of this £1.606 million was outstanding as at 31 March 2016, but £200,700 is due within 12 months and is therefore included within short-term debtors.

31 March 2015		31 March 2016
£000		£000
4	Council House Purchases	0
41	Car Loans	36
12	Trust Loans	9
1	Cycle Loans	0
1,606	Lymington Harbour Commissioners - Principal	1,405
493	Rent to Mortgages House Purchases	506
2,157	Total	1,956

15. SHORT-TERM INVESTMENTS

Short-term investments include all deposits with a term of less than one year other than Cash and Cash Equivalents.

2014/15				2015/16		
Loans and Receivables	Assets Available for Sale	Total		Loans and Receivables	Assets Available for Sale	Total
£000	£000	£000		£000	£000	£000
25,105	0	25,105	Opening Balance	10,060	15,147	25,207
15,000	22,128	37,128	Purchases	8,000	62,768	70,768
0	(10)	(10)	Revaluations Gains/(Losses)	0	19	19
(45)	29	(16)	Movement in Accrued Interest	(12)	(17)	(29)
(30,000)	(7,000)	(37,000)	Repayments	(10,000)	(63,584)	(73,584)
10,060	15,147	25,207	Closing Balance	8,048	14,333	22,381

NOTES TO THE ACCOUNTS

16. INVENTORIES

Inventories are goods that are acquired in advance of their use in the provision of services or their resale. They are charged to the Comprehensive Income and Expenditure Account in the year that they are consumed or sold.

2014/15		2015/16
£000		£000
343	Balance at 1 April	339
2,221	Purchases	2,221
(2,196)	Recognised as an expense in the year	(2,145)
(29)	Written off balances	(20)
339	Balance at 31 March	395

17. SHORT-TERM DEBTORS

An analysis of the Council's debtors and payments in advance as at 31 March is shown below:

31 March 2015		31 March 2016
£000		£000
855	Central Government Bodies *	684
	Other Local Authorities:	
665	Hampshire County Council **	562
1	Police and Crime Commissioner for Hampshire	0
58	New Forest National Park Authority	83
94	Other	76
2	NHS Bodies	0
39	Public Corporations and Trading Funds	14
	Other Entities and Individuals:	
446	Council Tax Payers	421
488	Business Rate Payers	511
668	Housing Tenants' Rents	677
3,906	Other Debtors and Payments in Advance ***	5,651
7,222	Total	8,679

* The Central Government Bodies debtors reduced by £171,000 between 2014/15 and 2015/16. This was mainly due to outstanding invoices of £152,000 regarding Repair and Renew Grant for the February 2014 storm in the 2014/15 accounts.

** Hampshire County Council debtors reduced by £103,000 between 2014/15 and 2015/16. This was due in the most part to £38,000 less income due for Project Integra and invoices arrears being £85,000 less at the 2015/16 year end in comparison to the end of 2014/15.

*** Other Debtors and Payments in Advance have increased by £1,745,000 between 2014/15 and 2015/16. This is principally due to Housing Benefits payments in advance being higher by £1,464,000, S106/Community Infrastructure Levy invoices outstanding increasing by £88,000 and increases in Payments in Advance of £119,000 for ICT licences and £78,000 for telecommunications invoices.

NOTES TO THE ACCOUNTS

The bad debts provision is shown below:

31 March 2015		31 March 2016
£000		£000
(187)	Council Tax Payers	(179)
(146)	Business Rate Payers	(167)
(458)	Housing Tenants' Rents	(463)
(1,337)	Other Debtors	(1,440)
(2,128)	Total	(2,249)

18. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2015		31 March 2016
£000		£000
27	Cash held by the Council	44
452	Bank current accounts	(1,377)
18,997	Short-Term deposits with building societies/banks and other financial institutions	13,774
19,476	Total	12,441

19. SHORT-TERM BORROWING

Short-term borrowing refers to loans that are repayable over a period of less than 12 months.

The Council has no short-term loans but its long-term loans are repayable by equal instalments of principal and £200,700 is repayable within 12 months.

In addition, total accrued interest of £50,470 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

2014/15		2015/16
£000		£000
(252)	Balance at 1 April	(251)
201	Loans Repaid	201
(200)	Transferred from Long-Term Borrowing	(201)
(251)	Balance at 31 March	(251)

NOTES TO THE ACCOUNTS

20. SHORT-TERM CREDITORS

An analysis of the Council's creditors and receipts in advance as at 31 March is shown below:

31 March 2015 £000		31 March 2016 £000
(7,319)	Central Government Bodies *	(5,056)
	Other Local Authorities:	
(2,600)	Hampshire County Council **	(2,193)
(154)	Police and Crime Commissioner for Hampshire	(110)
(156)	Hampshire Fire and Rescue Authority	(150)
(10)	New Forest National Park Authority	(1)
(174)	Developers' Contributions Open Space Maintenance	(156)
(632)	Other ***	(1,138)
(3)	NHS Bodies	(1)
(12)	Public Corporations and Trading Funds	(3)
	Other Entities:	
(292)	Council Tax Payers	(253)
(223)	Business Rate Payers	(373)
(6,354)	Other Creditors and Receipts in Advance ****	(5,182)
(17,929)	Total	(14,616)

Short term creditors have decreased by £3.313 million from 2014/15 to 2015/16.

* Amounts due to Central Government Bodies have reduced by £2.263 million, principally due to a reduction of £1.384 million in the amount repayable to the Government for payments of Housing Benefit Subsidy and a reduction of £903,000 in Business Rates due.

** Hampshire County Council reduced by £407,000 due to a lower balance with regard to Council Tax of £313,000 and £44,000 for the trade waste tipping charge accrual.

*** Other Local Authorities is higher due to an increase in accruals of £480,000 for Coastal Regional Monitoring.

**** Other Creditors and Receipts in Advance has decreased by £1,172,000. This was due in the main to reductions in accruals of £352,000 for Housing Planned Maintenance, £280,000 regarding Rent Rebates payable and £117,000 for Public Conveniences rebuilds and £375,000 less regarding general outstanding invoice payments.

NOTES TO THE ACCOUNTS

21. DEVELOPERS' CONTRIBUTIONS – SHORT-TERM RECEIPTS IN ADVANCE

The Council has received Developers' Contributions 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. Some of these balances have less than 1 year until they must be returned to the contributor. The balances and movements on these short-term contributions were as follows.

2014/15		2015/16
£000		£000
(13)	Balance at 1 April	(8)
	0 Financing of Capital Expenditure	8
	5 Transfer to/(from) other Developers' Contribution Categories	(2)
(8)	Balance at 31 March	(2)

22. LONG-TERM BORROWING

Long-term borrowing refers to loans that are repayable over a period in excess of 12 months.

At 1 April 2015 the Council was holding long-term debt of £144.310 million. This included a sum of £1.606 million from a loan raised in March 2014 to finance an equivalent loan made in 2013/14 to the Lymington Harbour Commissioners. At 31 March 2016 £200,700 was repayable within 12 months leaving a balance of long-term debt of £144.109 million outstanding at the year end.

2014/15		2015/16
£000		£000
(144,510)	Balance at 1 April	(144,310)
200	Transferred to Short-Term Borrowing	201
(144,310)	Balance at 31 March	(144,109)

NOTES TO THE ACCOUNTS

23. PROVISIONS

The Council maintains provisions to cover liabilities or losses that are anticipated to arise, but which cannot be quantified with certainty.

	Balance 1 April 2014	Additional Provisions Made 2014/15	Amounts Used 2014/15	Unused Amounts Reversed 2014/15	Balance 31 March 2015	Additional Provisions Made 2015/16	Amounts Used 2015/16	Unused Amounts Reversed 2015/16	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Redundancy	(20)	(74)	20	0	(74)	(295)	73	0	(296)
Private Sector Leasing Dilapidations	(102)	0	0	0	(102)	0	0	0	(102)
Legislation Changes	(347)	0	3	0	(344)	0	153	0	(191)
Insurance	0	0	0	0	0	(28)	0	0	(28)
Business Rates	(2,860)	(1,260)	0	0	(4,120)	(759)	69	0	(4,810)
Total Provisions	(3,329)	(1,334)	23	0	(4,640)	(1,082)	295	0	(5,427)

Redundancy

The Redundancy provision is put in place once approval for the termination of employment has been agreed by the Council.

Private Sector Leasing Dilapidations

The Council is responsible for ensuring the repair of private sector houses that are leased. The Council had possible obligations on 115 properties at 31 March 2016. A revenue budget of £109,000 exists in 2016/17 for repairs and dilapidation costs but a provision of £102,000 is also held to cover the potential for additional costs should a large number of dilapidations occur in any particular year.

Legislation Changes

The ability to fully recover the cost of providing property search information was subject to challenge nationally, as a consequence of conflicting legislation. Although the global claim was settled in 2015/16; the costs element has yet to be settled.

Business Rates

On 1 April 2013 the Government introduced the Business Rates Retention Scheme. This required the Council, for the first time to make a provision in the Collection Fund for successful appeals against rating valuations. The total provision made at 31 March 2016 was £12.025 million, of which £4.810 million relates to this Council's share of anticipated refunds.

NOTES TO THE ACCOUNTS

24. CAPITAL GRANTS – RECEIPTS IN ADVANCE

The Council has received capital grants and contributions 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. The balances and movements on contributions were as follows:

2014/15				2015/16		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000	£000		£000	£000	£000
(333)	(2)	(335)	Balance at 1 April	(239)	(2)	(241)
(883)	(92)	(975)	New Receipts	(900)	19	(881)
977	92	1,069	Financing of Capital Expenditure	935	(17)	918
(239)	(2)	(241)	Balance at 31 March	(204)	0	(204)

25. DEVELOPERS' CONTRIBUTIONS – LONG -TERM RECEIPTS IN ADVANCE

The Council has received Developers' Contributions 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.

2014/15		2015/16
£000		£000
(1,883)	Balance at 1 April	(1,944)
(350)	New Receipts	(125)
344	Financing of Capital Expenditure	561
(55)	Transfer to/(from) other Developers' Contribution Categories	2
(1,944)	Balance at 31 March	(1,506)

26. CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve principally reflects the proceeds from the disposal of Property, Plant and Equipment assets that have yet to be utilised on new capital expenditure.

2014/15		2015/16
£000		£000
(5,079)	Balance at 1 April	(6,032)
(4,311)	New Receipts (including interest)	(3,718)
561	Transfers to Government	584
2,797	Financing of capital expenditure	1,794
(6,032)	Balance at 31 March	(7,372)

NOTES TO THE ACCOUNTS

27. DEVELOPERS' CONTRIBUTIONS / COMMUNITY INFRASTRUCTURE LEVY UNAPPLIED

The Developers' Contributions (DCs') and Community Infrastructure Levy (CIL) Unapplied accounts reflect contributions which have no conditions attached to them and have therefore been credited to the Reserve via the Comprehensive Income and Expenditure Account.

2014/15			2015/16	
CIL	DCs'		CIL	DCs'
£000	£000		£000	£000
0	(2,786)	Balance at 1 April	0	(2,845)
0	(1,035)	New Receipts	(303)	(2,084)
0	51	Transfers to/(from) other Developers' Contribution Categories	0	0
0	925	Financing of Capital Expenditure	0	1,791
0	0	Financing of Revenue Expenditure	16	90
0	0	Payments to Town and Parish Councils	20	0
0	(2,845)	Balance at 31 March	(267)	(3,048)

28. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, since 1 April 2007, the date the Reserve was created. Gains that arose before that date are included in the balance on the Capital Adjustment Account.

The balance on the Reserve is reduced when assets with accumulated gains are revalued downwards, impaired, or disposed of.

2014/15				2015/16		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(15,579)	(5,490)	(21,069)	Balance at 1 April	(15,193)	(5,905)	(21,098)
(266)	(422)	(688)	Upward revaluation of assets	(258)	(111)	(369)
0	0	0	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	310	0	310
(266)	(422)	(688)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	52	(111)	(59)
79	0	79	Adjusting Amounts written out to the Capital Adjustment Account	0	0	0
573	7	580	Accumulated gains on assets sold or scrapped	0	32	32
(15,193)	(5,905)	(21,098)	Balance at 31 March	(15,141)	(5,984)	(21,125)

NOTES TO THE ACCOUNTS

29. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing their acquisition or enhancement under statutory provisions. The account is debited with the costs of depreciation, impairment and amortisations as assets are consumed and credited with the amounts set aside by the Council for the financing of capital expenditure.

The account contains accumulated gains and losses on Investment Properties and gains on Property, Plant and Equipment assets arising before 1 April 2007.

The balance on the Capital Adjustment Account is matched by fixed assets within the Balance Sheet and does not represent actual funds available to the Council.

2014/15			2015/16	
£000	£000		£000	£000
	(190,208)	Balance at 1 April		(224,256)
		Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:		
7,328		Charges for depreciation and impairment of non-current assets	7,253	
(39,364)		Revaluation (Gains) / Losses on Property, Plant and Equipment	(9,512)	
11,483		Capital Expenditure not enhancing value	11,471	
1,928		Revenue expenditure funded from capital under statute	2,039	
1,852		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,257	
	(16,773)	Net written out amount of the cost on non-current assets consumed in the year		13,508
	(79)	Adjusting Amounts written out of the Revaluation Reserve		0
	(16,852)			13,508
		Capital financing applied in the year:		
(2,797)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,794)	
(5,262)		Use of the Major Repairs Reserve to finance new capital expenditure	(5,346)	
(1,413)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,489)	
(925)		Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts	(1,790)	
(1,078)		Provision for the financing of capital investment charged against the General Fund and HRA balances	(1,019)	
(5,871)		Capital expenditure charged against the General Fund and HRA balances	(5,214)	
	(17,346)			(16,652)
	150	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(41)
	(224,256)	Balance at 31 March		(227,441)

NOTES TO THE ACCOUNTS

30. AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

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

2014/15		2015/16
£000		£000
0	Balance at 1 April	(40)
(40)	Upward revaluation of investments	(132)
0	Downward revaluation of investments	32
(40)	Surplus or deficit on revaluation of investments not posted to the Surplus or Deficit on the Provision of Services	(100)
(40)	Balance at 31 March	(140)

NOTES TO THE ACCOUNTS

31. DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve represents the amount of capital receipts owed to the Council that have not yet been received. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

2014/15		2015/16
£000		£000
(493)	Balance at 1 April	(499)
(53)	New Receipts/Revaluations	(12)
47	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(499)	Balance at 31 March	(511)

32. PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve therefore shows a 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. Full details of the Pension Scheme are set out in Note 42.

2014/15		2015/16
£000		£000
69,473	Balance at 1 April	80,763
8,460	Remeasurement of the net defined liability / (asset)	(7,280)
6,950	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,480
(4,120)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,382)
80,763	Balance at 31 March	76,581

NOTES TO THE ACCOUNTS

33. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. The fund balance is allocated as follows:

31 March 2015				31 March 2016		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
292	0	292	Central Government	686	0	686
52	(888)	(836)	Hampshire County Council	123	(674)	(551)
0	(131)	(131)	Police and Crime Commissioner for Hampshire	0	(102)	(102)
6	(53)	(47)	Hampshire Fire and Rescue Authority	14	(40)	(26)
350	(1,072)	(722)	New Forest District Council	823	(816)	7
(102)	(192)	(294)		549	(147)	402
248	(1,264)	(1,016)		1,372	(963)	409

The balances on each fund will be taken into account when calculating the council tax and business rates in future years. A £0.928 million surplus was taken into account in setting the 2016/17 Council Tax Levels (£1.546 million surplus for 2015/16), and a £0.927 million deficit for Business Rate Levels (£0.041 million surplus for 2015/16).

34. ACCUMULATING ABSENCES ADJUSTMENT ACCOUNT

This account represents the reversal of the accrual for compensated absences. The accrual is required under the Code but under regulations is not allowed to count as expenditure against the General Fund or Housing Revenue Account.

2014/15			2015/16	
£000	£000		£000	£000
	272	Balance at 1 April		286
(272)		Settlement or cancellation of accrual made at the end of the preceding year	(286)	
286		Amounts accrued at the end of the current year	251	
	14	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(35)
286		Balance at 31 March		251

NOTES TO THE ACCOUNTS

35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2014/15		2015/16
£000		£000
(7,328)	Charges for depreciation and impairment	(7,253)
39,364	Revaluation Gains/(Losses) on Property, Plant and Equipment	9,512
79	Transfer between Capital Adjustment Account and Revaluation Reserve	0
53	Revaluation/Movement in Deferred Debtors	13
(10)	Revaluation Gains/(Losses) on Investments	48
(11,483)	Capital Expenditure not enhancing value	(11,471)
(150)	Movements in the value of Investment Properties	42
1,066	Capital grants applied to the financing of Capital Expenditure	2,082
(2,432)	Carrying amount of Non-Current Assets sold	(2,289)
(4)	Increase/(Decrease) in Inventories	56
85	Increase/(Decrease) in Debtors	1,458
(15)	Increase/(Decrease) in Investments Accrued Interest	(29)
91	(Increase)/Decrease in impairment for Provision for Bad Debts	(121)
(1,477)	(Increase)/Decrease in Creditors	2,472
(137)	Adjustment to Creditors re Capital Expenditure	41
(2,830)	Movement in Pension Liability	(3,098)
(1,311)	Other non-cash items charged to the net surplus or deficit on the provision of services	(787)
13,561	Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	(9,324)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2014/15		2015/16
£000		£000
4,191	Proceeds adjustment from the sale of property, plant and equipment and investment property	3,663
4,191	Net cash flows from operating activities	3,663

NOTES TO THE ACCOUNTS

The cash flows for operating activities include the following items:

2014/15		2015/16
£000		£000
(501)	Investment interest received	(791)
4,512	Loan interest paid	4,507
4,011	Net cash flows from operating activities	3,716

36. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2014/15		2015/16
£000		£000
16,182	Purchase of property, plant and equipment, investment property and intangible assets	14,042
43,128	Purchase of short-term and long-term investments	84,277
41	Other payments for investing activities	43
(4,191)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,663)
(37,000)	Proceeds from short-term and long-term investments	(73,586)
(1,361)	Other receipts from investing activities	(2,340)
16,799	Net cash flows from investing activities	18,773

37. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2014/15		2015/16
£000		£000
(1,943)	Other receipts from financing activities	0
201	Repayments of short- and long-term borrowing	201
439	Other payments for financing activities	1,322
(1,303)	Net cash flows from financing activities	1,523

NOTES TO THE ACCOUNTS

38. AGENCY SERVICES

These figures include net expenditure on services that the Council provides on an agency basis for highways and on-street parking enforcement.

2014/15		2015/16		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
	Hampshire County Council			
53	- Highways	546	(507)	39
146	- On-Street Parking	222	(41)	181
199	Agency Expenditure	768	(548)	220

39. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital expenditure is paid for (financed) in various ways including borrowing, the use of internal resources, the receipt of grant and directly from revenue income. Capital expenditure on behalf of other authorities is recharged directly to them.

The Capital Financing Requirement shows the overall indebtedness of the Council. This debt need not be external loans that have been raised but can be internal funds that the Council has used temporarily instead of raising debt. The expectation is that borrowing may be required in the future.

NOTES TO THE ACCOUNTS

This table sets out the transactions required for the financing of capital expenditure and permitted adjustments for each year.

	2014/15		2015/16	
	£000	£000	£000	£000
Opening Capital Financing Requirement		147,662		148,287
Capital Investment				
Property, Plant and Equipment Assets	16,045		14,083	
REFCUS	1,928	17,973	2,039	16,122
Sources of Finance				
Capital Receipts	(2,798)		(1,794)	
Government Grants	(1,070)		(918)	
Revenue Contributions	(5,871)		(5,214)	
Major Repairs Reserve	(5,262)		(5,346)	
Developers' Contributions	(1,269)	(16,270)	(2,361)	(15,633)
Other Adjustments for the Repayment of Debt				
Voluntary Revenue Provision		(1,078)		(1,019)
Closing Capital Financing Requirement		148,287		147,757

Explanation of movements in Year	2014/15	2015/16
	£000	£000
Increase in underlying need to borrow (unsupported by Government financial assistance)	1,703	489
Reduction (-)/increase in need to borrow because of Voluntary Revenue Provision and adjustments	(1,078)	(1,019)
	625	(530)

Where applicable the Council is required to set aside a revenue provision for the redemption of debt and for a future borrowing requirement if external debt has not actually been raised.

The Council has a choice in the method of calculating the provision and has chosen the one that represents the depreciation calculation of those assets financed by the debt. Therefore, when the value of the asset financed by debt has been fully depreciated the amount of the revenue provision that has been set aside will be sufficient to repay the loan for that asset.

New vehicles, plant and equipment, above a de minimis level of £10,000, are funded by a future borrowing requirement. In order to make a provision to repay this future requirement a voluntary revenue provision is made. This sum was £1.019 million in 2015/16 and was charged to the General Fund.

There is no requirement for a revenue provision to be charged on outstanding debt for the Housing Revenue Account (HRA).

NOTES TO THE ACCOUNTS

40. CONTINGENT ASSETS

The Council is unaware of any Contingent Assets as at the Balance Sheet date.

41. CONTINGENT LIABILITIES

In April 2012 the Dibden Golf Course staff transferred to Mytime Active, who gained admitted body status to the Hampshire County Council Government Pension Scheme. New Forest District Council is the sponsoring body, acting as guarantor for any contributions to the Pension Fund should they not be paid by Mytime Active. As at the end of March 2016 no such guarantee has been exercised.

In November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but the worker is obliged to work, if offered). This may have implications when employees are required to work overtime as a regular part of their job. The Council is awaiting case law regarding this which should give further details on the impact this may have. No provision has been made for this contingency.

42. DEFINED BENEFIT PENSION SCHEME

a) Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Hampshire County Council Pension Scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

NOTES TO THE ACCOUNTS

b) Transactions Relating to Post-employment (Retirement) Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid out as pensions. However, the charge required to be made against the General Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Account via the Movement in Reserves Statement. The following transactions have been made during the year:

	2014/15	2015/16
	£ million	£ million
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current service cost	4.030	4.780
Past service cost	0.020	0.180
Financing and Investment Income and Expenditure		
Net Interest expense	2.900	2.520
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	6.950	7.480
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(11.830)	2.360
Actuarial (Gains) / Losses arising on changes in financial assumptions	21.440	(7.530)
Actuarial (Gains) / Losses due to liability experience	(1.150)	(2.110)
Total Net Defined Benefit Liability Re-measured	8.460	(7.280)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	15.410	0.200
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(11.290)	4.182
Actual amount charged against the General Fund		
Balance for pensions in the year		
Employer's contributions payable to scheme	4.120	4.382

NOTES TO THE ACCOUNTS

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Assets and Liabilities	31 March 2015	31 March 2016
	£ million	£ million
Present value of the defined benefit obligation	(214.678)	(210.688)
Fair value of plan assets	133.915	134.107
Net liability arising from defined benefit obligation	(80.763)	(76.581)

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment retirement benefits. The total net liability of £76.581 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2014/15	2015/16
	£ million	£ million
Opening balance at 1 April	(187.468)	(214.678)
Current Service Cost	(4.030)	(4.780)
Past Service Cost	(0.020)	(0.180)
Interest Cost	(7.950)	(6.780)
Contributions from scheme Participants	(1.260)	(1.250)
Remeasurement (Gains) and Losses:		
Actuarial Gains/(Losses) arising from changes in financial assumptions	(21.440)	7.530
Actuarial Gains/(Losses) due to liabilities experience	1.150	2.110
Benefits Paid	6.340	7.340
Closing balance at 31 March	(214.678)	(210.688)

NOTES TO THE ACCOUNTS

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2014/15	2015/16
	£ million	£ million
Opening fair value of scheme assets at 1 April	117.995	133.915
Interest Income	5.050	4.260
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	11.830	(2.360)
Contributions from employer	4.120	4.382
Contributions from employees into the scheme	1.260	1.250
Benefits paid	(6.340)	(7.340)
Closing fair value of scheme assets at 31 March	133.915	134.107

d) Local Government Pension Scheme assets (fair value) comprised

31 March 2015		Assets	31 March 2016	
£ million	%		£ million	%
4.95	3.7	Cash and Cash Equivalents	6.30	4.7
77.41	57.8	Equity Investments	75.50	56.3
34.02	25.4	Government Bonds	34.47	25.7
2.14	1.6	Corporate Bonds	2.82	2.1
10.71	8.0	Property	11.00	8.2
4.69	3.5	Other Assets	4.02	3.0
133.92	100.0	Total Assets	134.11	100.0

NOTES TO THE ACCOUNTS

e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2015	31 March 2016
	%	%
Rate of inflation - RPI	2.9	2.9
- CPI	1.8	1.8
Rate of increase in salaries	3.3	3.3
Rate of increase in pensions	1.8	1.8
Rate of increase in deferred pensions	1.8	1.8
Rate of discounting scheme liabilities	3.2	3.4

Mortality Assumptions	31 March 2015	31 March 2016
	Years	Years
Longevity at 65 for current pensioners		
Males	24.5	24.6
Females	26.3	26.4
Longevity at 65 for future pensioners		
Males	26.6	26.7
Females	28.6	28.7

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption	Decrease in Assumption
	£ million	£ million
Longevity (increase or decrease in 1 year)	5.20	(5.22)
Rate of inflation (increase or decrease by 0.1%)	2.97	(2.93)
Rate of increase in salaries (increase or decrease by 0.1%)	0.69	(0.69)
Rate of increase in pensions (increase or decrease by 0.1%)	2.97	(2.93)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(3.61)	3.67

NOTES TO THE ACCOUNTS

f) Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes arising from the Public Pensions Services Act 2013. The Act provides for regulations to be made to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying standard contributions of £4.030 million to the fund for the accounting period ending 31 March 2016. In addition, estimated Strain on Fund contributions will be £380,000.

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years (17.8 years 2014/15).

Further information on the Pension Fund can be obtained from:

Pensions Services
Hampshire County Council
The Castle
Winchester
SO23 8UB Telephone: (01962) 845588

43. EXTERNAL AUDIT COSTS

The following fees payable to the external auditors, Ernst & Young LLP, relating to external audit and inspection were incurred.

There has been a 23% reduction in 2015/16 in comparison to 2014/15 in the cost of External Audit Services, as set by Public Sector Audit Appointments Ltd.

In 2014/15 a rebate of £6,000 was received from the Audit Commission.

2014/15		2015/16
£000		£000
73	External audit services carried out by the appointed auditor	56
6	Certification of grant claims and returns	5
(6)	Audit Commission Rebate	0
73		61

NOTES TO THE ACCOUNTS

44. GRANTS INCOME

Details of income credited to the Comprehensive Income and Expenditure Account are as follows:

2014/15		2015/16
£000	Service Specific Revenue Grants and Contributions (included in cost of services)	£000
	Department for Communities and Local Government	
(34)	Family Annex Grant	(41)
(66)	Bellwin	0
(286)	NNDR Collection	(280)
(2)	Repairs and Renewals Admin Grant	(3)
(41)	Flood Relief	(10)
(413)	Disabled Facilities Grants	(566)
0	Lettings Agents Transparency and Redress Schemes	(1)
(10)	Neighbourhood Planning Grant	(10)
(83)	New Burdens Council Tax Reform Grant	0
(22)	New Burdens Housing Benefits Grant	(60)
(16)	New Burdens Business Rates Admin Costs Grant	0
(163)	Reward Recycling Scheme	(134)
0	Smoke and CO Alarms	(1)
(519)	Weekly Collection Support Grant	0
	Department for Work and Pensions	
(776)	Housing and Council Tax Benefit Administration	(624)
(42,908)	Housing Benefit Subsidy	(42,608)
(202)	Discretionary Housing Payments	(154)
0	Universal Tax Credits	(7)
	Other Government Grants	
(101)	Individual Electoral Registration	(58)
(4)	Improvement and Development Agency	0
(219)	Repairs and Renewals Grant	(71)
(45,865)	Total Government Grants	(44,628)
	Other Grants and Contributions	
(335)	Project Integra - Recycling	(322)
(954)	Developers' Contributions	(1,243)
(9)	Improvement Grants	(9)
(40)	Transportation	0
0	Universal Tax Credits (CAB)	(11)
(57)	Other	(37)
(1,395)	Total Other Grants and Contributions	(1,622)
(47,260)	Total Service Revenue Grants and Contributions	(46,250)

NOTES TO THE ACCOUNTS

2014/15		2015/16
£000	Non-Ringfenced Revenue Government Grants	£000
	Non Domestic Rates Income and Expenditure	
22,012	Tariff	22,522
(24,410)	Retention Scheme Income	(24,851)
(1,485)	S31 Grant	(1,810)
(3,883)		(4,139)
	Department for Communities and Local Government	
(4,108)	Revenue Support Grant	(2,964)
(1,584)	New Homes Grant	(1,935)
(116)	Council Tax Freeze Grant	(117)
(6)	Transparency Code Grant	(8)
(9)	New Burdens Community Right to Challenge	0
(6)	New Burdens Right Time Information HMRC Data Matching	0
(8)	New Burdens Assets of Community Value	(24)
0	Right To Move	(3)
(5,837)		(5,051)
(9,720)	Total Non-Ringfenced Revenue Government Grants	(9,190)
	Capital Grants and Contributions	
(545)	Coast Protection	(254)
(19)	Eling Tide Mill	(79)
0	Domestic Abuse	(40)
0	One Site	36
(374)	Developers' Contributions	(1,411)
0	Community Infrastructure Levy	(267)
(127)	Capital Receipts	(67)
(1,065)	Total Capital Grants and Contributions	(2,082)
(58,045)	Total Grants and Contributions Income	(57,522)

45. LEASES

Finance Leases with the Council acting as Lessee

In 2015/16 there were no rental payments to lessors for Finance Leases.

NOTES TO THE ACCOUNTS

Operating Leases with the Council acting as Lessee

The Council has acquired 18 properties by entering into operating leases. The assets are not owned by the Council and no asset is recorded in the Council's accounts.

Future minimum lease payments due under the non-cancellable leases in future years are:

Lease Rental Payments for:	31 March 2015	31 March 2016
	£000	£000
Not later than one year	95	93
Later than one year but not later than 5 years	320	339
Later than 5 years	716	668
Total Lease Rentals	1,131	1,100

Expenditure of £106,808 was charged to the Comprehensive Income and Expenditure Statement during the year (£97,347 in 2014/15).

Operating Leases with the Council acting as Lessor

The Council leases out property and equipment under operating leases for the provision of community services and economic development.

The future minimum lease payments receivable under the material leases in future years are:

Lease Rental Payments for:	31 March 2015	31 March 2016
	£000	£000
Not later than one year	550	540
Later than one year but not later than 5 years	2,114	2,113
Later than 5 years	29,636	29,195
Total Lease Rentals	32,300	31,848

The portion of the lease rental for Hythe Marina that is based on a profit share basis has not been included in this table. As the profit cannot be accurately projected over the 972 year term of the lease any estimate will be inaccurate and therefore has been omitted. The income for 2015/16 was £120,141 (2014/15 £134,030).

There are 29 leases that are not included in this table, that have little value or contain an immediate break clause.

46. MEMBERS' ALLOWANCES

During 2015/16, payments to Members of the Council amounted to £477,740. For 2014/15 the equivalent amount was £474,283.

NOTES TO THE ACCOUNTS

47. MINORITY INTEREST

At 31 March 2016, a New Forest District Council councillor was on the New Forest Enterprise Centre Ltd's board of 7 members with voting rights and therefore the Council had a minority interest.

48. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Financial Liabilities and Financial Assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities

The financial liabilities held by the Council during the year were long-term loans from the Public Works Loan Board and are measured at amortised cost.

FINANCIAL LIABILITIES	Long-Term		Current	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB principal sum borrowed	144,310	144,109	200	200
Accrued Interest	0	0	51	51
Total Borrowing	144,310	144,109	251	251
Liabilities at amortised cost:				
Trade Creditors	0	0	6,546	5,285
Total Financial Liabilities	144,310	144,109	6,797	5,536

Financial Assets

The financial assets held by the Council during the year are held under the following classifications:

Loans and Receivables comprising:

- Cash
- Bank accounts
- Fixed term deposits with banks and building societies
- Loans to other local authorities

Available for Sale Financial Assets comprising:

- Money market funds
- Certificates of deposit and covered bonds issued by banks and building societies
- Bonds issued by multilateral development banks and UK companies

NOTES TO THE ACCOUNTS

FINANCIAL ASSETS	Long-Term		Current	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000	£000	£000	£000
Loans and receivables:				
Principal at amortised cost	4,000	7,000	10,000	8,000
Accrued Interest	0	0	60	48
Available-for-sale investments:				
Principal at amortised cost	2,040	12,677	15,118	14,321
Accrued Interest	0	0	29	12
Total Investments	6,040	19,677	25,207	22,381
Loans and receivables:				
Cash	0	0	479	(1,333)
Cash equivalents at amortised cost	0	0	4,520	2,760
Accrued Interest	0	0	2	0
Available-for-sale investments:				
Cash equivalents at fair value	0	0	14,470	11,010
Accrued Interest	0	0	5	4
Total Cash and Cash Equivalents	0	0	19,476	12,441
Loans and receivables:				
Trade Debtors	0	0	3,314	3,634
Total Financial Assets	6,040	19,677	47,997	38,456

Accrued interest is already accounted for in the Comprehensive Income and Expenditure Account.

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments only are made up as follows:

	2014/15				2015/16			
	Financial Liabilities Amortised Cost	Financial Assets Loans and Receivables	Available for sale Assets	Total	Financial Liabilities Amortised Cost	Financial Assets Loans and Receivables	Available for sale Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	4,511	0	0	4,511	4,505	0	0	4,505
Interest Income	0	(228)	(151)	(379)	0	(140)	(349)	(489)
Dividend Income	0	0	(61)	(61)	0	0	(145)	(145)
Interest and Investment Income	0	(228)	(212)	(440)	0	(140)	(494)	(634)
Gains on revaluation	0	0	(40)	(40)	0	0	(132)	(132)
Losses on revaluation	0	0	0	0			32	32
Impact in Other Comprehensive Income and Expenditure	0	0	(40)	(40)	0	0	(100)	(100)
Net (Gain)/Loss for the year	4,511	(228)	(252)	4,031	4,505	(140)	(594)	3,771

NOTES TO THE ACCOUNTS

Financial Instruments Key Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

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

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

The main risks covered are:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

While the Council maintains responsibility for the Treasury Strategy a contract is held with the Hampshire County Council Treasury Team to administer the day-to-day Treasury function on behalf of the Council.

Credit Risk - Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of BBB+. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £8 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK Government). No more than £25 million in total can be invested for a longer period than one year. These limits were set for 2015/16 on 23 February 2015.

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

NOTES TO THE ACCOUNTS

The credit quality of £14.29 million of the Council's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The tables below summarise the credit risk exposures of the Council's investment portfolio by investing period and credit rating, including accrued interest.

Counterparty	Balance invested as at 31 March 2016					
	Call Accounts	Up to 1 month	> 1 month and < 6 months	> 6 months and < 12 months	> 12 months	Total
	£000	£000	£000	£000	£000	£000
Banks - Overseas	2,760	0	0	0	0	2,760
Money Market Funds	11,014	0	0	0	0	11,014
Local Authorities	0	0	4,011	4,006	7,031	15,048
Certificates of Deposit	0	1,505	4,008	0	0	5,513
Bonds	0	0	0	8,821	9,485	18,306
Property Funds	0	0	0	0	3,192	3,192
Total	13,774	1,505	8,019	12,827	19,708	55,833

Bond Ratings	Long-term		Short-term	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000	£000	£000	£000
AAA	0	9,485	0	4,802
AA+	0	0	4,046	3,018
AA-	0	0	7,522	2,760
A+	0	0	3,014	4,510
A	0	0	12,114	2,003
A-	0	0	2,015	0
AAA Money Market Funds	0	0	14,476	11,014
Unrated local authorities	4,018	7,032	1,000	8,017
Unrated pooled funds	2,040	3,192	0	0
Total	6,058	19,709	44,187	36,124

NOTES TO THE ACCOUNTS

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets (Trade Debtors), based on experience of default, adjusted to reflect current market conditions. The Council also receives income and holds debts from Council Tax, Business Rates and for Housing Benefit overpayments. However, these are statutory debts and whilst the Council endeavours to collect this income, it cannot choose who its counterparties are in relation to these debts. Such statutory debts are not classified as financial instruments, and for this reason no reference to statutory debts is contained within the following tables.

Bond Ratings	Amount at 31 March 2016	Historical experience of default	Market Conditions at 31 March 2016	Estimated maximum exposure to default
	£000	%	%	£000
Trade Debtors	3,634	0.64%	1.24%	45
Total	3,634			45

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

NOTES TO THE ACCOUNTS

Trade Debtors

The Council does not generally allow credit for its trade debtors. The amount that is past its due date can be analysed by age as follows:

	31 March 2015	31 March 2016
	£000	£000
Less than three months	2,404	2,568
Three months to one year	393	528
More than one year	517	538
Total	3,314	3,634

The Council initiates a legal charge on property where tenants have amounts due on a Council mortgage used for the purchase of their Council dwelling. The total collateral at 31 March 2016 was £5,312.

Sundry Debtors bad debt provisions are based upon service areas for invoices that are still unpaid one year after they fall due, then adjusted for known changes and experience. Housing Rents bad debt provisions are based on percentages of the value of arrears for current and former tenants.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), also through cash flow management procedures required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The maturity analysis of financial assets excluding accrued interest and sums due from customers is as follows:

	31 March 2015	31 March 2016
	£000	£000
Less than one year	44,108	36,091
Between one and two years	0	8,745
Between two and three years	4,000	5,238
Between three and four years	0	2,502
No fixed maturity date	2,040	3,192
Total	50,148	55,768

All trade and other payables (£3.634 million) are due to be paid in less than one year and are not shown in the table above.

NOTES TO THE ACCOUNTS

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it may need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans, limiting the amount of the Council's borrowing that matures in any one financial year.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period as approved by Council in the Revised Treasury Management Strategy:

	Approved maximum limits 2015/16		Actual 31 March 2015		Actual 31 March 2016	
	£m	%	£m	%	£m	%
Less than one year	41	25	0.2	0	0.2	0
Between one and two years	41	25	0.2	0	4.3	3
Between two and five years	41	25	12.9	9	12.9	9
Between five and ten years	41	25	21.3	15	21.1	15
Between ten and twenty years	163	100	41.0	28	41.0	28
Between twenty and thirty years	163	100	41.0	28	41.0	28
Over thirty but not over forty years	163	100	27.9	20	23.8	17
Total			144.5	100	144.3	100

The minimum limits have been set at zero and the maximum limit for more than 10 years at 100%. This is to facilitate the premature repayment and replacement of all PWLB loans with a longer maturity profile should this be required. The 25% maximum limit on the other periods of less than 10 years is to ensure an even maturity profile of short and medium term borrowing.

Market Risk

Interest rate risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have an impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest charged to the Comprehensive Income and Expenditure Statement will rise. This Council undertook no short term cash flow borrowing in 2015/16 therefore applying the 1% variation would make no difference to the interest paid;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

NOTES TO THE ACCOUNTS

Investments classed as 'loans and receivables' and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as 'available for sale' will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2016, all of the £144.310 million of principal borrowed was at fixed rates. The Council's investments with less than one year to maturity (£35.97 million including accrued interest at 31 March 2016) are classed as being held at variable rates and exposed to interest rate risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2014/15	2015/16
	£000	£000
Increase in interest receivable on variable rate investments	(442)	(432)
Impact on Surplus or Deficit on the Provision of Services	(442)	(432)
Decrease in fair value of available for sale financial assets	71	41
Impact on Comprehensive Income and Expenditure Account	71	41
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	18,925	18,710

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk – The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's investment strategy. A fall in commercial property prices would result in a charge to Other Comprehensive Income and Expenditure but this would have no impact on the General Fund until the investment was sold.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Guarantor Risk – The Council acts as a guarantor to a loan held by the New Forest Enterprise Centre Ltd at Rushington. The current estimated guarantee is £1.627 million and has 5 years remaining on the initial 30 year guarantee. The Enterprise Centre's financial position is currently healthy, no payment has been made to date under the guarantee and the value of the building more than offsets the current loan liability. The Council therefore considers the guarantee risk to be very low and has made no charge against its Comprehensive Income and Expenditure Account.

NOTES TO THE ACCOUNTS

Fair value of Assets and Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost (in long-term assets/liabilities with accrued interest in current assets/liabilities). Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following assumptions:

- The fair values of loans from the PWLB as at 31 March 2016 have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans; the fair value figure quoted for 31 March 2015 was based on the published interest rates for PWLB certainty rate loans with an identical remaining time to maturity arranged on 31 March. The fair value at 31 March 2015 based on contractual cash flows would have been £158.706 million. The Council's Treasury Advisors advised that the new methodology gives a more accurate representation of fair value as defined in the Code.
- No early repayment or impairment is recognised.
- The fair value of short-term investments, including available for sale assets and trade payables and receivables is assumed to approximate to the carrying amount.
- The fair values of long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

The fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, eg bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, eg interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, eg non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value Level	31/03/2015		31/03/2016	
		Carrying £000	Fair value £000	Carrying £000	Fair value £000
PWLB debt	2	(144,510)	(152,287)	(144,310)	(155,428)
Accrued Interest		(51)	(51)	(50)	(50)
Trade Creditors		(6,546)	(6,546)	(5,285)	(5,285)
Total Financial Liabilities		(151,107)	(158,884)	(149,645)	(160,763)
Money Market Funds	1	14,476	14,476	11,014	11,014
Bond, Equity and Property Funds	1	2,040	2,040	3,192	3,192
Certificates of Deposit	2	8,029	8,029	5,512	5,512
Corporate, Covered and Government Bonds	2	7,118	7,118	18,306	18,306
Long-Term Loans to Local Authorities	2	4,018	4,046	7,031	7,094
Assets for which fair value is not disclosed		14,563	14,563	10,777	10,777
Total Investments		50,244	50,272	55,832	55,895
Other Cash and Cash Equivalents		479	479	(1,333)	(1,333)
Trade Debtors		3,314	3,314	3,634	3,634
Short-Term Debtors		246	246	245	245
Long-Term Debtors	2	2,157	2,146	1,956	2,050
Total Financial Assets		56,440	56,457	60,334	60,491

NOTES TO THE ACCOUNTS

The fair value of financial liabilities held at amortised cost is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

The fair value of financial assets held at amortised cost is higher than the balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

The fair value of short-term financial assets, including trade receivables, is assumed to approximate to the carrying amount.

The fair value adjustment is a note to the accounts only; no accounting entry is required.

49. OFFICERS' REMUNERATION

Following the new Chief Executive commencing on 24 October 2015 there has been a senior management review. The table below gives details of the annualised salaries for all the posts in both the old and new structures.

Previous Structure:		Post End Date	Annualised Salary £
Chief Executive	a	23/10/2015	122,370
Executive Director	b	04/01/2016	94,351
Executive Director	c	23/10/2015	94,351
Head of Communities and Employment	d	19/01/2016	66,938
Head of Environment Services	e	13/12/2015	66,938
Head of Housing and Customer Services	f	07/04/2016	68,736
Head of Human Resources	g	13/12/2015	66,938
Head of Information and Communication Technology	h	03/12/2015	66,938
Head of Legal and Democratic Services	i	13/12/2015	68,736
Head of Planning and Transportation	j	13/12/2015	66,938
Head of Property Services	k	31/03/2016	66,938
Head of Public Health and Community Safety	l	29/01/2016	66,938
			917,110
New Structure:		Post Commencement Date	
Chief Executive	m	24/10/2015	104,721
Executive Head - Economy, Planning and Housing	n	14/12/2015	76,076
Executive Head - Governance and Regulation	o	14/12/2015	76,076
Executive Head - Operations (Deputy Chief Executive)	p	14/12/2015	82,076
Executive Head - Resources	q	14/12/2015	76,076
			415,025

NOTES TO THE ACCOUNTS

The senior employees whose salary exceeded £50,000 per annum for 2015/16 are shown in the table below. The previous management structure is shown towards the top of the table with the new one below.

2015/16	Notes	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£
Chief Executive	a	100,782	0	100,782	0	100,782
Chief Executive	m	45,965	0	45,965	6,011	51,976
Executive Director	b	49,788	57,100	106,888	6,979	113,867
Executive Director	c	53,009	0	53,009	6,673	59,682
Head of Communities and Employment	d	57,123	65,229	122,352	6,735	129,087
Head of Environment Services	e	46,965	0	46,965	5,898	52,863
Head of Housing and Customer Services	f	68,736	0	68,736	8,642	77,378
Head of Human Resources	g	46,965	0	46,965	5,898	52,863
Head of Information and Communication Technology	h	47,771	17,769	65,540	142,040	207,580
Head of Legal and Democratic Services	i	48,226	0	48,226	6,064	54,290
Head of Planning and Transportation	j	46,965	0	46,965	5,898	52,863
Head of Property Services	k	66,938	0	66,938	8,407	75,345
Head of Public Health and Community Safety	l	57,130	55,383	112,513	6,961	119,474
Executive Head - Economy, Planning and Housing	n	22,700	0	22,700	2,974	25,674
Executive Head - Governance and Regulation	o	22,700	0	22,700	2,974	25,674
Executive Head - Operations (Deputy Chief Executive)	p	24,409	0	24,409	3,198	27,607
Executive Head - Resources	q	22,700	0	22,700	2,974	25,674
		828,872	195,481	1,024,353	228,326	1,252,679

Note:

In 2015/16 and 2014/15 the Employer's Pension Contributions were 13.10%.
There were no Bonuses or Benefits in Kind paid in 2015/16.

- a) The former Chief Executive figures include the Returning Officer salary of £27,494.
- b) This Executive Director worked 22.5 of the 37 hours full-time equivalent.
- a-q) The table on page 84 gives details of the annualised salaries and relevant dates with regard to the posts in the table above.

NOTES TO THE ACCOUNTS

For 2014/15 the comparative figures for those senior officers were:

2014/15	Notes	Salary (including fees and allowances)	Bonuses	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive	r	128,154	0	0	0	128,154	14,036	142,190
Executive Director	s	58,165	0	0	0	58,165	7,137	65,302
Executive Director		93,276	0	0	0	93,276	11,737	105,013
Head of Communities and Employment		65,238	0	0	1,359	66,597	8,307	74,904
Head of Housing and Customer Services		67,048	0	0	1,165	68,213	8,540	76,753
Head of Environment Services		66,178	0	0	0	66,178	8,307	74,485
Head of Human Resources		66,178	0	0	0	66,178	8,307	74,485
Head of Information and Communication Technology		66,428	0	0	0	66,428	8,307	74,735
Head of Legal and Democratic Services		67,605	0	0	925	68,530	8,540	77,070
Head of Planning and Transportation		65,896	0	0	379	66,275	8,307	74,582
Head of Property Services		63,414	0	0	0	63,414	8,307	71,721
Head of Public Health and Community Safety		66,178	0	0	0	66,178	8,307	74,485
		873,758	0	0	3,828	877,586	108,139	985,725

r) The Chief Executive figures include the Returning Officer salary of £7,186.

s) One of the Executive Directors reduced his hours to 22.5 out of 37 from 1 December 2013. The annual salary for the post was £89,594.

The other officers whose remuneration, including termination benefit costs but excluding pension contributions, was above £50,000 were:

Remuneration Band	Number of Employees			
	2014/15		2015/16	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	0	7	0	13
£ 55,000 - £ 59,999	0	3	0	2
£ 60,000 - £ 64,999	0	0	1	1
	0	10	1	16

NOTES TO THE ACCOUNTS

50. TERMINATION BENEFITS

The Council terminated the contracts of 26 employees in 2015/16, incurring costs of £496,537 (9 employees, £67,109 in 2014/15). Further provision at 31 March 2016 has been made for 8 terminations costing £295,000 which have been committed to but payments for which will be incurred in 2016/17.

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band £
2015/16				
£0 - £20,000	10	9	19	56,917
£20,001 - £40,000	1	1	2	61,714
£40,001 - £60,000	3	0	3	158,541
£60,001 - £200,000	0	2	2	219,365
Total	14	12	26	496,537
2014/15				
£0 - £60,000	3	6	9	67,109
Total	3	6	9	67,109

51. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to limit another party's ability to bargain freely with 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 the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in note 44 to the Accounts.

During 2015/16 the Council provided office accommodation, financial services and human resources support to New Forest National Park Authority, including the roles of S151 Officer and Internal Audit and commenced providing geographical information system support. The total revenue for this for 2015/16 was £367,000 (£276,000 in 2014/15). The New Forest National Park Authority provided Trees and Ecology Services, other miscellaneous services and commenced providing Building Design and Conservation and Ranger services to the Council which cost £242,000 (£116,000 in 2014/15).

NOTES TO THE ACCOUNTS

Members of the Council have direct control over the Council's financing and operating policies. The total of members' allowances paid is shown in note 46. During 2015/16 £11,000 (2014/15 £500) was paid to companies in which 3 members (2014/15 2 members) had an interest. In addition, payments of £11,500 (2014/15 £17,800) were paid to organisations in which members have an interest, but on which there is no Council representative. One member elected in May 2015 is employed by the Council's bank; this contract was tendered and commenced in December 2014. There were no material transactions with any chief officers during the year.

52. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This note relates to capital expenditure that does not result in the Council owning tangible fixed assets. Such expenditure is required to be treated as revenue expenditure in accordance with the SORP but under statute can be funded from capital resources.

	Charged to revenue 2015/16 £000	Capital resource funding 2015/16 £000
Housing		
- Improvement Grants	740	740
- Housing Associations	24	24
General Fund		
- Leisure Schemes	871	871
- Transportation	289	289
- Economic Development	115	115
	2,039	2,039

53. HERITAGE ASSETS

The Code of Practice on Local Authority Accounting in the United Kingdom adopted FRS 30 Heritage Assets in 2011/12. The Council considered its assets and identified 51 paintings and 37 other items of civic regalia which could fall within the definition of Heritage Assets. The Council believes that the value of these assets, which are insured for a sum up to £269,700, would not be material to the financial statements and that obtaining actual valuations for the assets would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. The assets have therefore not been recognised on the Balance Sheet. The Council has no intention of selling any of these assets.

54. ASSETS HELD FOR SALE

Land, which previously was used for the Cussens Centre, has been included in Assets held for Disposal as the site has been cleared and is due to be sold within the 12 months up to 31 March 2017.

55. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts was authorised for issue on 23 September 2016 by Cllr A O'Sullivan and Mr A Bethune. It replaces the unaudited Financial Statements certified by Mr R Jackson, Responsible Financial (s151) Officer, on 28 June 2016. There have been no known material events after the Balance Sheet date.

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT**

2014/15		Notes	2015/16
£000			£000
	Income		
(25,842)	Dwelling rents		(26,518)
(718)	Non-dwelling rents		(699)
(721)	Charges for services and facilities		(735)
(401)	Contributions towards expenditure		(328)
(27,682)			(28,280)
	Expenditure		
4,227	Repairs and maintenance	3	4,220
4,824	Supervision and management		5,193
7	Rents, rates, taxes and other charges		36
(22,831)	Depreciation, impairment and revaluation of non-current assets	4	6,503
20	Debt Management Costs		18
78	Movement in the allowance for bad debts		61
(13,675)			16,031
(41,357)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(12,249)
74	HRA services' share of Corporate and Democratic Core		74
(41,283)	Net Expenditure for HRA Services		(12,175)
	HRA share of the Operating Income and Expenditure included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services		
(1,307)	(Gain) / Loss on sale of HRA non-current assets		(1,346)
4,467	Interest payable and similar charges		4,466
(51)	Interest and investment income		(64)
485	Net interest on the net defined benefit liability / (asset)	5	451
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(389)	Capital Grants and Contributions Receivable		(1,260)
(38,091)	(Surplus) or Deficit for the year on HRA services		(9,941)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING REVENUE ACCOUNT ASSETS

a) Categorised by type of accommodation

31 March 2016	Houses	Bungalows	Flats	Total
Bedsits	0	0	194	194
1 Bedroom	1	363	760	1,124
2 Bedrooms	714	498	408	1,620
3 Bedrooms	1,947	18	6	1,971
4+ Bedrooms	132	1	0	133
Total	2,794	880	1,368	5,042

31 March 2015	Houses	Bungalows	Flats	Total
Bedsits	0	0	195	195
1 Bedroom	1	363	757	1,121
2 Bedrooms	718	499	406	1,623
3 Bedrooms	1,943	18	5	1,966
4+ Bedrooms	132	1	0	133
Total	2,794	881	1,363	5,038

b) Open Market Value with vacant possession

The following analysis shows the value of dwellings within the HRA if they were sold on the open market with vacant possession.

	1 April 2014 £000	1 April 2015 £000
Council Housing Assets		
Standard Dwellings	786,832	888,292
Restricted Housing	61,206	67,499
Special Housing	2,738	3,093
Garages	8,972	8,928
	859,748	967,812
Other Assets		
Investment Property	183	183
Land and Other Buildings	430	595
Community Centre	57	57
	670	835
	860,418	968,647

NOTES TO THE HOUSING REVENUE ACCOUNT

c) Gross Value and Number by Type of HRA Assets

This analysis shows the gross value and number by types of dwelling within the HRA. The Balance Sheet value is less than the open market value as it reflects the economic cost to government of providing council housing at less than open market rents.

	1 April 2015		31 March 2016	
	Number of Units	Value £000	Number of Units	Value £000
Council Housing Assets				
Standard Dwellings	4,451	284,253	4,455	288,608
Restricted Housing	568	21,600	568	21,874
Special Housing	19	3,093	19	3,017
Garages	1,844	8,928	1,800	8,715
	6,882	317,874	6,842	322,214
Other Assets				
Investment Property	1	183	1	183
Land and Other Buildings	9	595	10	595
Community Centre	1	57	1	57
	11	835	12	835
Total	6,893	318,709	6,854	323,049

d) Capital Expenditure

Housing Revenue Account capital expenditure in 2015/16 amounted to £13.095 million and was applied to:

	2014/15 £000	2015/16 £000
Planned Maintenance of Housing Revenue Account Properties	4,801	4,279
Environmental Enhancements	468	630
New Build	769	1,125
New Standard Housing	7,632	7,061
Total	13,670	13,095

e) Funding of HRA Capital Expenditure

	2014/15 £000	2015/16 £000
Revenue Contributions	5,871	4,897
Major Repairs Reserve	5,262	5,346
Developers' Contributions/Grant	316	1,248
Capital Receipts	2,221	1,604
Total	13,670	13,095

NOTES TO THE HOUSING REVENUE ACCOUNT

2. RENT ARREARS

	31 March 2015	31 March 2016
	£000	£000
Rent Arrears	336	325
- current tenants	332	352
- former tenants	668	677
Less provision for bad debts	(458)	(463)
Anticipated collectable arrears of rent	210	214

3. HOUSING REPAIRS

The following table shows expenditure for the different categories of work undertaken on housing repairs:

	2014/15	2015/16
	£000	£000
Cyclical Maintenance	1,158	1,073
Reactive Maintenance	2,568	2,539
Disabled Facilities Grants	501	608
Total	4,227	4,220

The Council also undertook £4.279 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, roof replacement and kitchen and bathroom modernisations.

NOTES TO THE HOUSING REVENUE ACCOUNT

4. HRA DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

a) Depreciation

The figures below show the depreciation charged to the Housing Revenue Account analysed over type of asset.

	2014/15 £000	2015/16 £000
Standard Accommodation	4,710	4,913
Restricted Accommodation	366	373
Special Housing	51	53
	5,127	5,339
Garages	128	0
Other Buildings	6	6
	5,261	5,345
Offices (included in Supervision and Management costs)	1	1
Total	5,262	5,346

b) Impairment

In 2015/16 there was a net increase in Housing asset values credited to the Housing Revenue Account of £9.815 million but these were offset by capital expenditure not enhancing value of £10.973 million, to arrive at a net impairment debit of £1.158 million. This compares to a net credit of £28.093 million in 2014/15. In 2015/16 other net Housing asset valuation increases credited to the Revaluation Reserve were £111,000 (£422,000 in 2014/15).

	2014/15 £000	2015/16 £000
Housing Revenue Account/Capital Adjustment Account		
Revaluation Increases	(39,302)	(9,891)
Revaluation Decreases	0	76
Net Revaluation (Increases)/Decreases	(39,302)	(9,815)
Capital Expenditure not enhancing asset value	11,209	10,973
Total Housing Revenue Account Impairment	(28,093)	1,158
Revaluation Reserve		
Revaluation Increases	(422)	(111)
Total Revaluation Reserve	(422)	(111)
Total HRA Impairments/Revaluations	(28,515)	1,047

NOTES TO THE HOUSING REVENUE ACCOUNT

5. HRA CONTRIBUTION TO/FROM THE PENSION RESERVE

The Council has applied IAS19 to the Housing Revenue Account. This means that service expenditure reflects the appropriate allocation of retirement costs earned in the year rather than actual employer's contributions made. An appropriation has been made from the Pensions Reserve to negate the impact on the Housing Revenue Account balance of all items. The following transactions have been made in the HRA:

	2014/15	2015/16
	£000	£000
Net Cost of Services:		
Current service cost	673	856
Past service cost	24	24
Net Operating Expenditure:		
Net Interest Expense	485	451
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	(559)	(661)
Actual amount charged against dwelling rents for pensions in the year:		
Employers' contributions payable to scheme	623	670

NOTES TO THE HOUSING REVENUE ACCOUNT

6. MAJOR REPAIRS RESERVE

The following table shows the movements on the Major Repairs Reserve.

	2014/15 £000	2015/16 £000
Balance 1 April	0	0
Transferred to Reserve	5,262	5,346
Debits in respect of capital expenditure on land, houses and other property	(5,262)	(5,346)
Balance 31 March	0	0

7. CAPITAL RECEIPTS

Total Capital Receipts in respect of the Housing Revenue Account in 2015/16 amounted to £3.556 million (2013/14 was £3.217 million) after adjusting for administration and other costs.

The amount that was due to be paid over to the DCLG under the Local Government Act 2003, and included in this total, amounted to £0.584 million (2014/15 was £0.561 million), leaving Usable Capital Receipts of £2.972 million (2014/15 was £2.656 million).

	2014/15 £000	2015/16 £000
Sale of Land	16	309
Sale of Council Houses	3,134	3,247
Discount Repaid	19	0
Mortgages Repaid	1	0
Rent to Mortgage	47	0
Total Capital Receipts	3,217	3,556
Payments due to DCLG (Local Government Act 2003)	(561)	(584)
Usable Capital Receipts	2,656	2,972

COLLECTION FUND

The Collection Fund is an agent's statement that shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements have been shown for council tax and non-domestic rates due to the additional complexity of non-domestic rates transactions following the introduction of the Retention Scheme in 2013/14.

COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and local town and parish councils.

2014/15		COUNCIL TAX	2015/16	
£000	£000		£000	£000
	(102,829)	Income		
		Income from Council Tax		(103,945)
		Transfers to / (from) General Fund:		
(37)		Flood Relief	(9)	
(29)		Family Annex Relief	(39)	
1	(65)	Transitional Relief	1	(47)
	(102,894)	Total Income		(103,992)
		Expenditure		
		Precepts:		
71,179		Hampshire County Council	71,815	
10,579		Police and Crime Commissioner for Hampshire	10,886	
4,210		Hampshire Fire And Rescue Authority	4,247	
15,380		New Forest District Council (including town and parish council requirements)	15,618	
	101,348			102,566
		Bad and Doubtful Debts		
125		Write-offs	183	
130	255	Increase / (decrease) in provisions	(2)	181
		Contributions:		
	1,866	Previous year's estimated council tax surplus		1,546
	103,469	Total Expenditure		104,293
	575	Movement on fund balance		301
(1,839)		Surplus at 1 April		(1,264)
575		Movement on fund balance for year		301
	(1,264)	Surplus at 31 March		(963)

COLLECTION FUND

COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire Fire and Rescue Authority.

2014/15		BUSINESS RATES	2015/16	
£000	£000		£000	£000
		Income		
	(64,930)	Income collectable from Business Ratepayers		(63,593)
	(55)	Current System		0
		Old System		
	(306)	Transitional Protection Payments		(1,614)
	(65,291)	Total Income		(65,207)
		Expenditure		
(95)		Payments to/(from) National Pool (Old System)	0	
30,719		Payments to DCLG - Business Rates Retention	31,865	
24,576		New Forest District Council	25,492	
5,529		Hampshire County Council	5,735	
614		Hampshire Fire And Rescue Authority	637	
286		Costs of Collection	280	
19		NFDC - Renewable Energy Schemes	35	
	61,648			64,044
		Bad and Doubtful Debts		
379		Write-offs	168	
(142)		Increase / (decrease) in provisions	18	
3,151		Appeals Provision	1,725	
	3,388			1,911
		Contributions:		
	0	Previous year's estimated business rates surplus		41
	65,036	Total Expenditure		65,996
	(255)	Movement on fund balance		789
503		(Surplus) / Deficit at 1 April		248
(255)		Movement on fund balance for year		789
0		Government safety net contribution - New Forest District Council		335
	248	(Surplus) / Deficit at 31 March		1,372

NOTES TO THE COLLECTION FUND

1. GENERAL

Any surplus or deficit in respect of Council Tax at the end of the year is, during the next year distributed between the billing authority and major precepting authorities in proportion to their precepts in the year the surplus or deficit occurred.

Any surplus or deficit in respect of Business Rates at the end of the year is distributed in accordance with the percentage allocations set out in note 5.

2. CALCULATION OF THE TAX BASE

The Council Tax charge for the year is calculated by dividing the Council's budget requirement by the Council's tax base.

The tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

New Forest District Council's tax base for tax setting purposes was calculated as follows:

Band	Estimated number of Taxable Properties *	Ratio	Number of Band D Equivalent Properties
Disabled A	22.75	5/9	12.60
A	5,531.06	6/9	3,687.50
B	10,479.94	7/9	8,151.20
C	16,166.87	8/9	14,370.80
D	17,478.62	9/9	17,479.10
E	12,313.31	11/9	15,049.80
F	6,290.50	13/9	9,086.30
G	4,147.24	15/9	6,912.00
H	532.17	18/9	1,064.30
Total	72,962.46		75,813.60
Less: Adjustment for collection rates			829.65
Less: Council Tax Reduction Scheme			5,789.95
Council Tax Base			69,194.00

* after adjusting for the effects of discounts and anticipated changes during the year for new properties, demolitions, disabled persons relief, exempt properties and successful appeals against valuations.

3. ACCOUNTING FOR THE COLLECTION FUND BALANCE – COUNCIL TAX

The opening balance on the Collection Fund for 2015/16 was a £1,264,000 surplus. The surplus at the end of the year is split between Hampshire County Council, New Forest District Council, Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority.

In the Balance Sheet at 31 March 2016, the Council included the £963,000 surplus on a disaggregated basis as a creditor of £816,000 and a £147,000 attributable surplus within the Collection Fund Adjustment Account balance.

NOTES TO THE COLLECTION FUND

4. PRECEPTS AND DEMANDS ON THE COLLECTION FUND – COUNCIL TAX

2014/15				2015/16		
Precept	Share of Surplus	Total		Precept	Share of Surplus	Total
£000	£000	£000		£000	£000	£000
71,179	888	72,067	Hampshire County Council	71,815	674	72,489
10,579	131	10,710	Police and Crime Commissioner for Hampshire	10,886	102	10,988
4,210	53	4,263	Hampshire Fire and Rescue Authority	4,247	40	4,287
15,380	192	15,572	New Forest District Council (including town and parish council requirements)	15,618	147	15,765
101,348	1,264	102,612		102,566	963	103,529

5. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate determined by the Government. The total amount, less certain reliefs and other reductions, is paid into the Collection Fund before being distributed to Central Government (50%), New Forest District Council (40%), Hampshire County Council (9%) and Hampshire Fire and Rescue Authority (1%).

The total non-domestic rateable value at 31 March 2016 was £156.040 million. The national non-domestic multiplier was 49.3p. This gave a potential business rate yield of £76.928 million. After allowing for items such as rateable value amendments, empty properties, small property reductions and transitional and charitable reliefs, the net amount of business rates collectable was £63.593 million.

6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2015/16 year end deficit balance on the Collection Fund was £1,372,000. The Council's share is a deficit of £549,000 and Central Government, Hampshire County Council and Hampshire Fire and Rescue Authority share a deficit balance of £823,000. Within the balance sheet the Council's share is shown within the Collection Fund Adjustment Account balance and the partners share is netted off within creditors.

7. DEMANDS ON THE COLLECTION FUND – BUSINESS RATES

2014/15				2015/16		
Demand	Share of Deficit	Total		Demand	Share of Deficit	Total
£000	£000	£000		£000	£000	£000
30,719	(292)	30,427	Central Government	31,885	(686)	31,199
5,529	(52)	5,477	Hampshire County Council	5,739	(123)	5,616
614	(6)	608	Hampshire Fire and Rescue Authority	638	(14)	624
24,576	102	24,678	New Forest District Council	25,508	(549)	24,959
61,438	(248)	61,190		63,770	(1,372)	62,398

GLOSSARY OF TERMS

Budget

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared, and are used to control and monitor expenditure and performance.

Capital Expenditure

Expenditure on the purchase of assets, which will be of use or benefit to the Council/Community for longer than one year.

Capital Financing

The raising of money to pay for capital expenditure.

Capital Receipts

Proceeds from the sale of long-term assets e.g. land or buildings.

Direct Revenue Financing

Financing of capital expenditure by a direct charge to a revenue account. This method of finance avoids borrowing.

Financial Reporting Standards (FRS)

Accounting practices recommended by the major accounting bodies.

General Fund

The section of the Council's accounts that covers services paid for by the Council Tax, Non-Domestic Rate and Revenue Support Grant.

Housing Revenue Account

The account, which records all of the income and expenditure relating to the provision of council housing.

Impairment

At the end of each year each asset is reviewed. Impairment is accounted for if there is evidence that there has been a reduction in value.

Lease

A method of financing capital expenditure where a rental charge is paid for the use of an asset over a specified period of time. This rental covers a proportion of the capital cost of the asset, together with a return on the finance provided by the leasing company.

Long- term Assets

An asset that has a life of more than one year.

GLOSSARY OF TERMS

Long-term Investments

Loans that the Council has given that are repayable after 364 days of the start of the financial year.

PWLB Debt

Borrowing that is raised from the Public Works Loan Board, a UK Central Government organisation.

Revenue Support Grant (RSG)

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the council tax would be the same across the country.

Revenue Expenditure/Income

The costs or income relating to the day-to-day provision of services.

Short-term Investments

Investments that the Council has made that are repayable within 364 days from the date of the original investment.

Short-term Loans

Loans that the Council has raised that are repayable within 364 days of the start of the financial year.

Support Services

The costs of professional, administrative and technical support given to the departments that provides services to the public.

Independent auditor's report to the members of New Forest District Council

Opinion on the New Forest District Council's financial statements

We have audited the financial statements of New Forest District Council for the year ended 31 March 2016 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, and
- related notes 1 to 55.
- Housing Revenue Account and related notes 1 to 7.
- Collection Fund and related notes 1 to 7.

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 2015/16.

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

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of the Responsibilities set out on page 3, the Responsible Financial Officer is responsible for the preparation of the Council's Annual Financial Report 2015/16, 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council; and the circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of New Forest District Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in Annual Financial Report 2015/16 that the financial statements are published in for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement 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.

Conclusion on New Forest District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

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.

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 in November 2015, as to whether New Forest District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether New Forest District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, New Forest District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, we are satisfied that, in all significant respects, New Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Helen Thompson (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Southampton

27 September 2016

**THE ANNUAL GOVERNANCE STATEMENT
NEW FOREST DISTRICT COUNCIL
2015/16**

1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It 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 best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the Governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a code of good governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This statement explains how New Forest District Council has complied with the code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective service.

The system of internal control is a significant part of that framework and 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 of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The Local Code of Corporate Governance describes the Council's governance framework in relation to the six core principles below. A review of compliance against this Local Code has been reported separately, with opportunities for improvement recorded within a separate action plan.

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Council's overarching vision, values and strategy for the year 2015/16 was contained in the Corporate Plan "Delivering for our Communities" which set out what the Council aimed to achieve for the period 2012 - 2016. 2015/16 is the last year for this plan and the development of the Council's new Corporate plan 2016-2020 has been undertaken and is effective from April 2016.

The Council has in place a delivery plan of corporate plan aims, for which responsibility rested with Heads of Service during 2015/16 to deliver with their teams. The Executive Management Team oversees the performance and progress made against the delivery plan.

The Council is concerned to ensure quality of service delivery and uses a variety of mechanisms to assess this, including consultation. This helps inform future service delivery.

The Council has Medium Term Financial Plan (MTFP) which sets out the Council's spending plans, on a rolling basis.

The Council has also developed over the years a number of successful joint or collaborative working arrangements with the public and other agencies. This has continued into 2015/16, for example, with the New Forest National Park Authority (with regards to financial services, IT services, HR and Payroll, and continued joint working and assets sharing arrangements at the Ringwood Gateway (which includes Hampshire County Council and Ringwood Town Council) and continued management arrangements for Internal Audit within three Dorset Councils.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers (Delegations) in respect of policy and decision-making processes. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution is reviewed and updated where opportunities for improvement are identified.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes.

During 2014 the Local Code of Good Governance framework was reviewed and updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFAC). Following further consultations it was identified that CIPFA and SOLACE would also develop a further joint Good Governance Framework for the Public Sector during 2015. This has now been completed however this was not published until April 2016. The Council's Good Governance Framework will be reviewed and updated in line with the 2016 edition of the Good Governance Framework.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

The review concluded;

1. The Constitution and other Council Policies were reviewed and improvements made including;
 - Updating Procurement Rules following the Public Contract Regulation 2015.
 - Development of the Local Plan
 - Developed new Corporate Plan 2016-2020
 - Introduced the Respect Campaign
 - Updated the Capability Procedure for employees
2. The Chief Executive has undertaken a review of the senior management team, including the roles of the Executive Management Team and Heads of Service. The relevant issues that formed the basis of the review are:
 - Ensuring service continuity and resilience following staffing changes in senior management.
 - Establishing a structure which is coherent, with clear lines of accountability and that works cross-service to achieve a shared direction.
 - Helping ensure the New Forest as a special “place” is reflected within the operations of the Council.
 - Contributing towards the requirements of the Medium Term Financial Plan. Helping to improve capacity within the leadership team.
 - Seeking to locate services in places where they can have the best effect and where existing synergies can be exploited.

This has resulted in a new team comprising of 4 Executive Heads with 18 Service Manager posts with the deletion of a number of senior posts within the Council. An update of Financial Authorisations, Roles and Responsibilities to reflect the new structure is now required following the completion of this review.

3. The Council’s arrangements for financial management and reporting are sound and are well documented. All proposals for expenditure and income are supported by a business case. These are scrutinised initially by the service Portfolio Holder prior to inclusion as a formal bid to Cabinet and the Council. The planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final proposals and the council tax levels are considered and approved by the Council each year. It is recognised that the Councils Financial Regulations need to be reviewed, this has been included within the action plan.
4. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and the Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements in place with an annual report published to Cabinet.
5. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively. Formal training for Members was provided following the elections in May 2015.

6. Following appointment in October the responsibility of S151 (Responsible Financial Officer) remained with the Chief Executive. This responsibility will be changing during 16/17 with the new appointment of the Finance and Audit Service Manager. The Executive Head of Governance and Regulation is the Monitoring Officer. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Executive Head of Governance and Regulation also the Councils Solicitor, prior to any decisions being made. This safeguards the Council to ensure legal decisions are taken and that decisions consider the Council's corporate priorities and risks.
7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
8. The Performance Management framework ensures strategic monitoring with a focus on organisational indicators and the achievement of the Corporate Plan. Performance indicators are reviewed during the year.
9. The Audit Committee met regularly and training has been provided. Training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.
10. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer following consultation with the Heads of Service. The Committee has also received reports and updates from the External Auditor.
11. The Internal Audit team operates to the Standards as set out in the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.
12. The Principal Auditors annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall opinion that;
 - Arrangements are in place to ensure there is an adequate and effective framework of governance, risk management and control in place
 - Systems and internal control arrangements continue to be effective and agreed policies and regulations have been complied with in the majority cases. There have been weaknesses identified during the year; however recommendations have been made to address these with progress of their implementation monitored. Internal Audit is content that management are implementing the required actions to strengthen controls. These actions have been taken into account whilst forming the overall opinion. Where delay of high priority audit recommendation implementation is identified these are reported regularly to Audit Committee.
 - Managers are therefore aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls
 - Arrangements are in place to deter and detect fraud however these need to be improved to comply with the CIPFA Counter Fraud Code of Practice.

This Opinion report, presented to the Executive Management Team and Audit Committee further comments on the control environment against the agreed Assurance Framework.

13. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.
14. There has been no significant governance or internal control issues raised by Senior Management.
15. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. ICT and Internal Audit will work together to review and develop the ICT Security Policy to include emerging Cyber Security risks.
16. Internal Audit has reported an adequate opinion on the overall control environment, however the following audit areas have received high priority recommendations that have not been resolved promptly.
 - Payment Card Industry Data Security Standard Accreditation
To ensure compliance with the Data Security Standards.
The Council's Executive Management Team is due to receive a report detailing the work that the Council needs to put in place in order to meet the Data Security Standards
 - Asset Management.
It was recommended that the service (Estates and Valuations) undertake a reconciliation to ensure all expected leases had been charged and that the charges had been raised correctly.
This is now in hand and work is progressing to ensure this is actioned.
 - Business Continuity
To ensure that all business units, that are deemed to have Critical Activities, have up to date Business Continuity and Disaster Recovery Plan.
The Service Manager responsible for Business Continuity will now progress this recommendation.

5. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following areas will be included in the action plan:

1. Completion of the Financial Regulations review (Section 4, point 3)
2. Implementation of uncompleted high priority audit recommendations (Section 4, point 16)
3. That the Council's Good Governance Framework be reviewed and updated in line with the 2016 edition of the Good Governance Framework (Section 3)
4. To update Financial Authorisations, Roles and Responsibilities to reflect the new Management structure of the Council (Section 4, point 2)
5. Improvements to Counter Fraud arrangements (Section 4, point 12)
6. Review and develop the ICT Security Policy to include emerging Cyber Security risks. (Section 4, point 16)

6. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31st March 2016 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed: **Cllr B Rickman**
Leader of the Council

Signed: **Mr R Jackson**
Chief Executive

Date: **23 September 2016**

Date: **23 September 2016**

Annual Governance Statement 2015/16 Action Plan

Financial Regulations	To review and update Financial Regulations.	Financial Services Manager (S151 Officer)	Dec 2016
Audit Recommendations	Implementation of uncompleted high priority audit recommendations	Service Managers	Sep 2016
Governance Framework	That the Council's Good Governance Framework be reviewed and updated in line with the 2016 edition of the Good Governance Framework.	Executive Head of Governance & Regulation (Monitoring Officer) Principal Auditor	Mar 2017
Management Structure	To update Financial Authorisations, Roles and Responsibilities to reflect the new Management structure of the Council	Financial Services Manager (S151 Officer) Executive Head of Governance & Regulation Principal Auditor	Dec 2016
Improve Counter Fraud Arrangements	To review and update Counter Fraud and Whistleblowing Policies	Principal Auditor	Mar 2017
ICT Security Policy/ Cyber Risk	Review and develop the ICT Security Policy to include emerging Cyber Security risks.	ICT Security Manager Principal Auditor	Mar 2017