



Statement of Accounts
Fareham Borough Council
2015/16

FAREHAM
BOROUGH COUNCIL

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1. Written Statements and Narrative Report

Narrative Report

An introduction to Fareham

Fareham is located in an area of some 30 square miles along the south coast of Hampshire between Portsmouth and Southampton. It is well connected to the M27 motorway, has good rail links to London and other major centres and easy access to the ferry ports and Southampton international airport.

With the town at its centre, the Borough covers the wards of Fareham, Portchester, Stubbington, Hill Head, Titchfield, Park Gate, Warsash, Locks Heath and Sarisbury.

Fareham has a proud heritage of being a market town and has the enviable position of the seafront to the south and open countryside to the north both within close proximity which opens up many leisure opportunities for residents and visitors.



What does the Council do?

Fareham Borough Council's aim is to make Fareham a prosperous, safe and attractive place to live and work by promoting economic, social and environmental well-being and sustaining the quality of life that Fareham residents have come to enjoy.

The Chief Executive Officer is responsible for the overall co-ordination and management of Fareham Borough Council's services. He is supported by three departments which all carry

out a wide range of services. The majority of the departments are located in the Civic Offices, at the heart of the town centre.

Political issues

The Council is currently made up of 31 councillors. The Borough is divided into 15 wards and there are 2 councillors representing each of them, except Portchester East which has 3 councillors as it has a larger population.

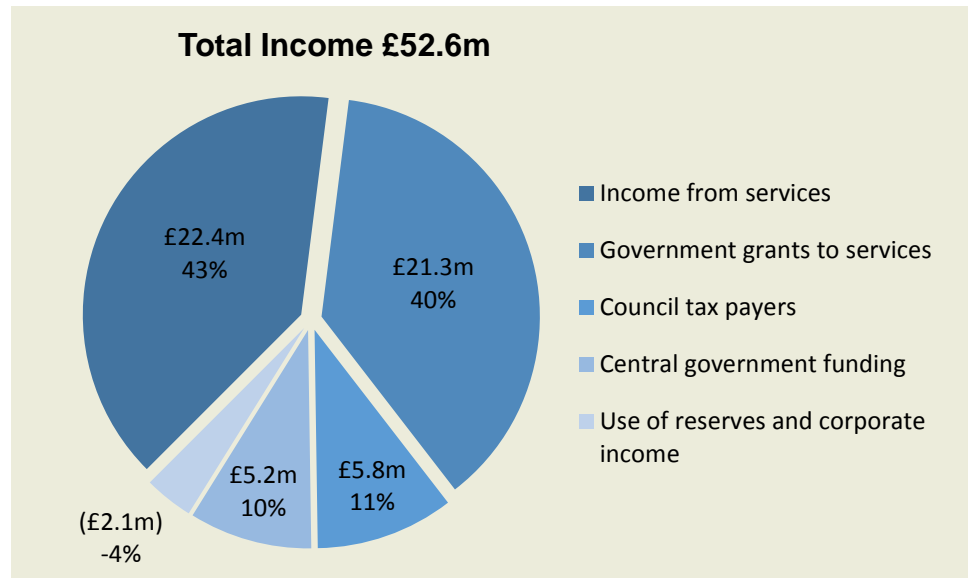
Each councillor is elected for a 4 year term of office. Elections are held every two years, with one half of the Council seats elected each time. There are currently three political groups within Fareham Borough Council; Conservative, Liberal Democrats and United Kingdom Independence Party and one Independent councillor.

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This Narrative Report provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The charts on the following pages show in broad terms where the Council's money comes from, what it is spent on and what services it provides.

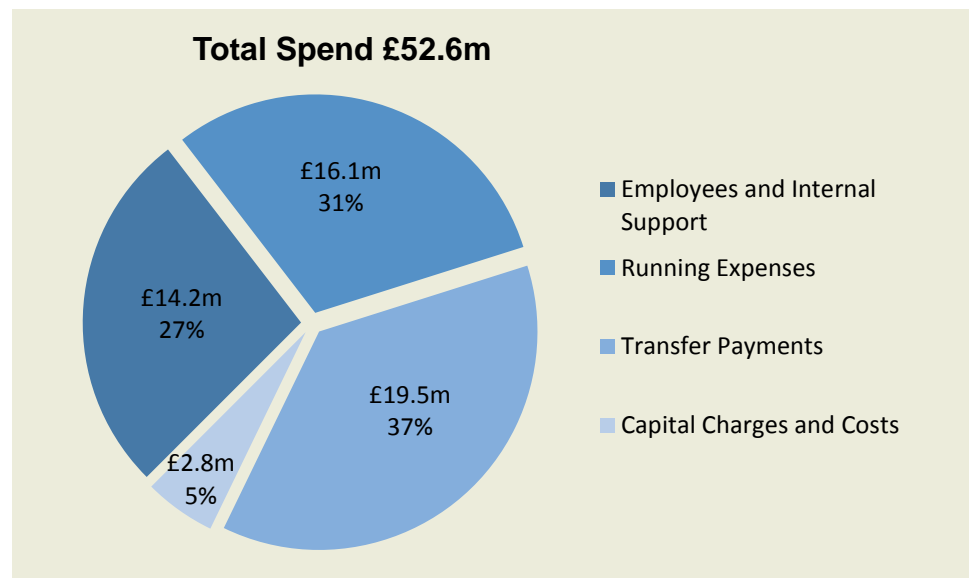
Where the money comes from

The main sources of the Council's income to pay for services.



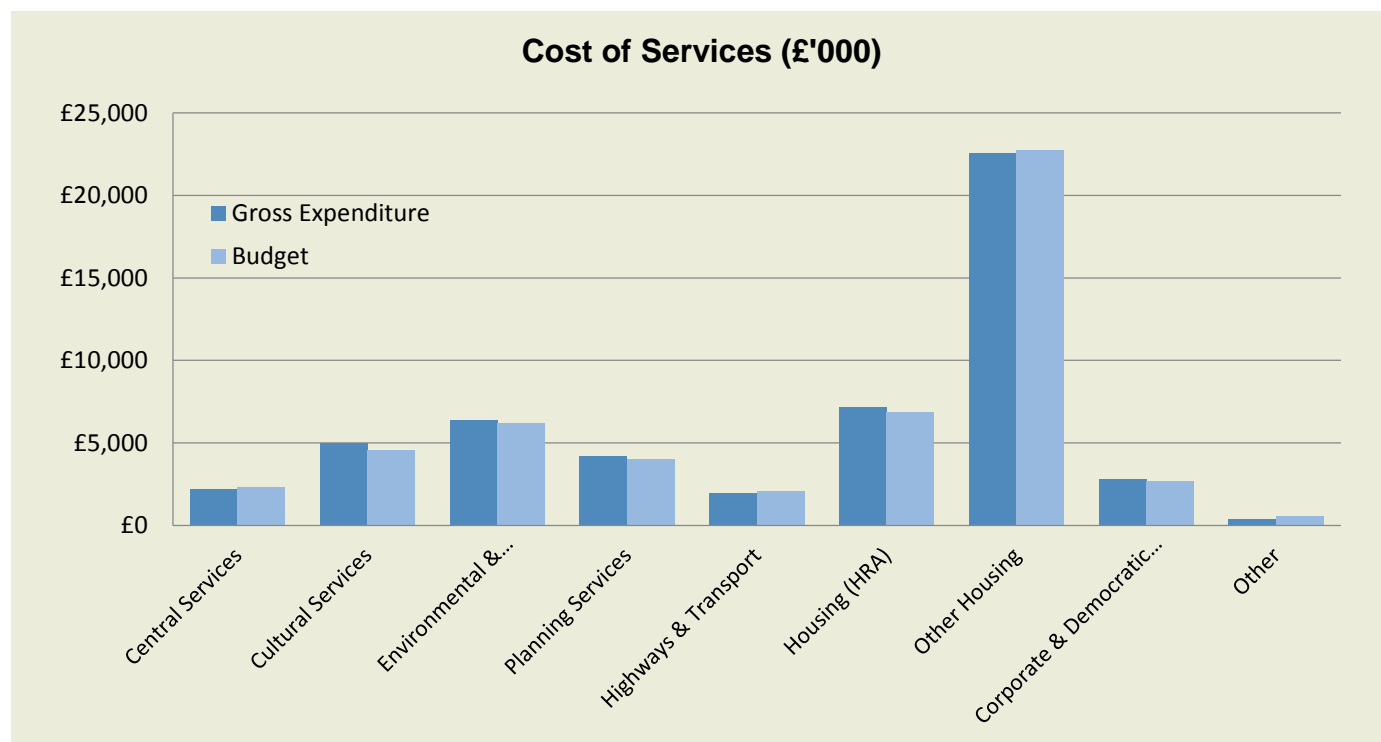
What the money is spent on

The main types of expenditure on services.



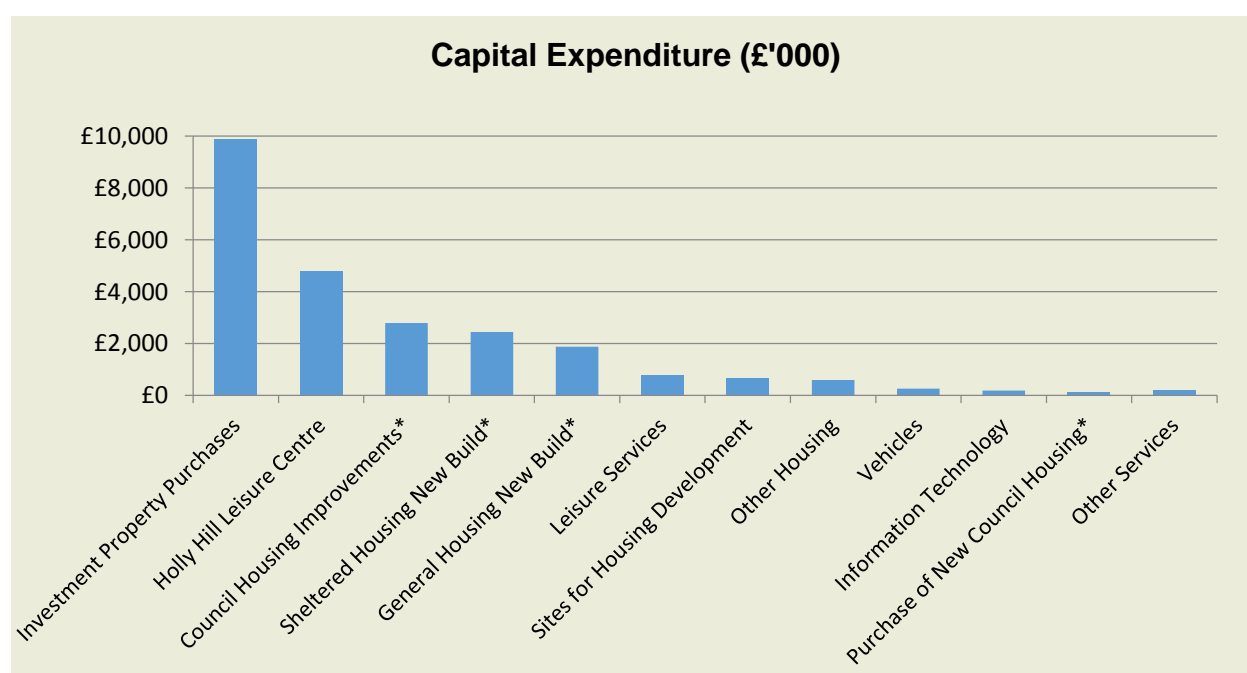
Services provided

The gross expenditure of the main services provided by the Council and the revised budget for 2015/16.



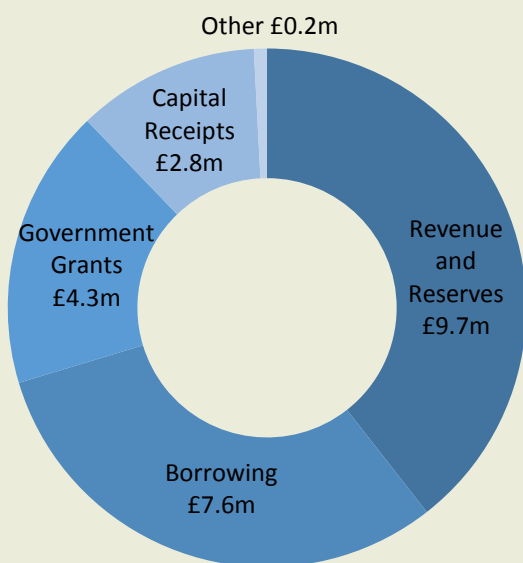
Capital

In 2015/16, the Council spent £24.6 million on projects in the capital programme, compared with a revised budget of £31.3 million. The net under spending of £6.7 million was mainly the result of the phasing of budgets for the building of Holly Hill Leisure Centre and the new housing schemes.



*Council Housing capital expenditure was financed by the Housing Revenue Account revenue and reserves (£6.2 million), capital receipts (£0.04 million) and government grants (£1.03 million).

Capital Expenditure Financing



£0.8 million of the total capital expenditure was not capitalised and was charged to revenue.

Assets are shown on the Balance Sheet net of depreciation. The net book value of the Council's non-current assets at 31 March 2016 was £207 million (2014/15 £186 million).

Reserves

The Council's total usable reserves at 31 March 2016 amounted to £35.7 million (2014/15 £37.7 million). Against this, the actuarial valuation of the Council's share of pension fund assets and liabilities at 31 March 2016 indicated a £49.2 million (2014/15 £52 million) deficiency of assets compared with future liabilities to current members of the pension scheme. This liability has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. The actuarial valuation will be reviewed each year, and will reflect further payments into the fund, and movements in the value of investments of which a large proportion is held in equities. The deficiency could increase, decrease, or become a surplus before the majority of liabilities (pension benefits) become payable.

Significant developments during the year

There were a number of significant developments during 2015/16.

Building Control Partnership

The Fareham and Gosport Building Control Partnership expanded during 2015/16 to incorporate Portsmouth City Council. The Partnership will deliver efficiencies and savings to all three councils in the way the service is operated and delivered. The staff will continue to be employed by each individual authority. The fees earned by the Partnership will be retained by the Partnership while statutory building control work for the authorities will be carried out through a Service Level Agreement and costs charged to each relevant authority dependant on which area the work is carried out.



Holly Hill Leisure Centre

Work on the new Holly Hill Leisure Centre, located in Sarisbury Green, began during 2015/16. The £9 million capital scheme is progressing well and is on track to open late summer 2016. Everyone Active, who currently manages Fareham Leisure Centre, will manage the leisure centre on the Council's behalf. There will also be two new junior football pitches, a children's play area and a multi-use games area on the site.



Housing Developments

Six new homes, constructed to Passivhaus Certification Standards, were built during 2015/16 with assistance from a grant from the Homes and Communities Agency. The focus of the standard is to reduce the requirement for space heating and cooling whilst also creating excellent indoor air quality and comfort levels.

Explanation to accounting statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. It comprises core supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards.

The **Core Financial Statements** are:

Comprehensive Income and Expenditure Statement

- Records all of the Council's income and expenditure for the year.
- Top half of the statement provides an analysis by service area.
- Bottom half deals with corporate transactions and funding.

Balance Sheet

- A "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

Movement in Reserves Statement

- A summary of changes to the Council's reserves over the course of the year.
- Reserves are divided into "usable" which can be invested in capital projects or service improvement and "unusable" which must be set aside for specific purposes.

Cash Flow Statement

- Shows the reason for changes in the Council's cash balances during the year and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

The **Supplementary Financial Statements** are:

Housing Revenue Account

- Separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

Collection Fund

- Summarises the collection of council tax and business rates, and the redistribution of some of that money to central government, Hampshire County Council, Hampshire Fire and Rescue Authority, Police and Crime Commissioner for Hampshire.

A **Glossary of key terms** can be found at the end of this publication.

Statement of Responsibility for the Statement of Accounts

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, in line with statute this is the Directors of Finance and Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

THE DIRECTOR OF FINANCE AND RESOURCES' RESPONSIBILITIES

The Director of Finance and Resources is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the Council at the accounting date and the income and expenditure for the year then ended.

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

- Selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Director of Finance and Resources has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities,



Andrew Wannell CPFA

Director of Finance and Resources

Date: 19 September 2016

APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by Fareham Borough Council's Audit and Governance Committee.



Councillor Tiffany Harper

Chairman of the Audit and Governance Committee

Date: 19 September 2016



2. Core Financial Statements

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Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement in note 6.

2014/15			2015/16			
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Note	Gross Exp £'000	Gross Income £'000	Net Exp £'000
1,988	(796)	1,192		2,183	(864)	1,319
2,917	(2,444)	473		5,012	(2,070)	2,942
6,144	(1,962)	4,182		6,384	(1,885)	4,499
8,635	(634)	8,001		4,206	(2,261)	1,945
1,839	(2,928)	(1,089)		1,960	(3,114)	(1,154)
(1,016)	(12,257)	(13,273)		7,189	(12,315)	(5,126)
21,988	(21,108)	880		22,554	(20,984)	1,570
2,712	(259)	2,453		2,777	(182)	2,595
11	-	11		372	(51)	321
45,218	(42,388)	2,830		52,637	(43,726)	8,911
Other Operating Expenditure						
		(247)				(811)
		174				199
Financing and Investment Income and Expenditure						
		1,399				1,405
		(392)				(382)
		1,890	14			1,620
		1,286	16			(482)
		(1,974)	16			(2,451)
Taxation and Non-Specific Grant Income						
		(5,806)				(5,867)
		(1,865)				(2,003)
		(11,808)	8			(5,908)
		(14,513)				(5,769)
(Surplus)/deficit on revaluation of property, plant and equipment assets						
		(7,101)				(482)
		4,991	14			(4,752)
		(2,110)				(5,234)
		(16,623)				(11,003)

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Balance Sheet

The Balance Sheet shows the values of assets and liabilities held by the Council. The net assets are matched by the reserves. The reserves are presented within two categories, usable and unusable reserves. Usable reserves may be used to provide services subject to statutory limitations on their use and the need to maintain prudent level of reserves for financial stability. Unusable reserves cannot be used to fund Council services.

31 March 2015			31 March 2016
£'000		Note	£'000
	Property, Plant and Equipment	15	
91,617	- Council dwellings		99,386
50,949	- Other land and buildings		50,939
496	- Infrastructure		435
2,885	- Vehicles, plant and equipment		2,942
350	- Community assets		348
187	Heritage assets		187
33,958	Investment properties	16	44,335
5,351	Assets under construction		7,999
10	Surplus assets held for disposal		-
87	Intangible assets		57
4,000	Long term investments	28	3,000
79	Long term debtors		72
189,969	Total long term assets		209,700
23,159	Short term investments	28	27,229
48	Assets held for sale	17	341
27	Inventories		75
7,050	Short term debtors	21	4,417
133	Payments in advance		178
16,186	Cash and cash equivalents	20, 28	2,861
46,603	Current assets		35,101
-	Bank overdraft	20	(669)
(1,582)	Short term borrowing	28	(4,826)
(10,111)	Short term creditors	22	(6,488)
(188)	Depositors		(33)
(3,021)	Provisions	23	(4,057)
(14,902)	Current liabilities		16,073
(6,706)	Receipts in advance - capital grants	24	(6,517)
(2,090)	Receipts in advance - revenue grants	24	(1,163)
(40,200)	Long term borrowing	28	(40,000)
(3,200)	Long term creditors		(3,369)
(51,992)	Pension scheme liability	14	(49,194)
(104,188)	Long term liabilities		(100,243)
117,482	Net assets		128,485
37,706	Usable reserves	6, 25	35,705
79,776	Unusable reserves	27	92,780
117,482	Total Reserves		128,485

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Movement in Reserves Statement

The statement shows the movement in year on reserve balances held by the authority. Usable reserves may be used to fund expenditure or reduce local taxation. Unusable reserves are other reserve balances and together with usable collectively represent total reserve balances held by the Council. The deficit on provision of services represents the true economic cost of providing the Council's services. Detailed analysis of these costs is presented within the Council's Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement figures are different from the statutory amounts required to be charged to the General Fund and HRA Accounts for Council Tax and Dwelling Rent setting purposes. The new increase/decrease before transfers to Earmarked Reserves shows the statutory balance prior to any discretionary transfers taken to other specific reserve balances held by Council.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2015	6,544	17,676	4,870	82	5,887	2,647	37,706	79,776	117,482
Movement in reserves during year									
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	5,234	5,234
Total Comprehensive Income and Expenditure	1,176	-	4,593	-	-	-	5,769	5,234	11,003
Adjustments between accounting basis and funding basis under regulations	1,374	-	(6,507)	(82)	(1,256)	(1,299)	(7,770)	7,770	-
Transfers to/(from) earmarked reserves	(3,056)	2,324	732	-	-	-	-	-	-
Increase/(decrease) in year	(506)	2,324	(1,182)	(82)	(1,256)	(1,299)	(2,001)	13,004	11,003
Balance at 31 March 2016	6,038	20,000	3,688	-	4,631	1,348	35,705	92,780	128,485

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	General Fund Balance £'000	Ear- marked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2014	6,200	17,376	4,118	3,048	6,951	267	37,960	62,899	100,859
Movement in reserves during year									
Surplus/(deficit) on provision of services	3,162	-	11,351	-	-	-	14,513	-	14,513
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	2,110	2,110
Total Comprehensive Income and Expenditure	3,162	-	11,351	-	-	-	14,513	2,110	16,623
Adjustments between accounting basis and funding basis under regulations	(3,544)	(356)	(9,217)	(2,966)	(1,064)	2,380	(14,767)	14,767	-
Net increase/ (decrease) before transfers to earmarked reserves	(382)	(356)	2,134	(2,966)	(1,064)	2,380	(254)	16,877	16,623
Transfers to/(from) earmarked reserves	726	656	(1,382)	-	-	-	-	-	-
Increase/ (decrease) in year	344	300	752	(2,966)	(1,064)	2,380	(254)	16,877	16,623
Balance at 31 March 2015	6,544	17,676	4,870	82	5,887	2,647	37,706	79,776	117,482

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 by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of 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 (i.e. borrowing by the Council).

2014/15 £'000		Note	2015/16 £'000
14,513	Net surplus/(deficit) on the provision of services		5,769
1,593	Adjustments to surplus/(deficit) on the provision of services for non-cash movements	34	7,620
(8,090)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	35	(4,531)
8,016	Net Cash Flows from Operating Activities		8,858
	Investing Activities		
(19,950)	Purchase of property, plant and equipment, investment property and intangible assets		(23,188)
(30,000)	Purchase of short and long term investments		(22,000)
1,843	Proceeds from property, plant and equipment, investment property and intangible assets		1,685
31,000	Proceeds from short and long term investments		19,000
10,170	Other receipts from investing activities		1,686
(6,937)	Net Cash Flows from Investing Activities		(22,817)
	Financing Activities		
152	Cash receipts of short and long term borrowing		3,244
2,830	Other receipts from financing activities		(3,079)
(200)	Repayments of short and long term borrowing		(200)
2,782	Net Cash Flows from Financing Activities		(35)
3,861	Net increase/(decrease) in cash and cash equivalents		(13,994)
12,325	Cash and cash equivalents at the beginning of the reporting period	20	16,186
16,186	Cash and cash equivalents at the end of the reporting period		2,192



3. Notes to the Accounts

Note 1 Accounting Policies

This note sets out the accounting policies followed in compiling the Council's accounts. The aim of the statement is to explain the basis of the figures in the accounts and to disclose policies that are significant and relevant to the Council.

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, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 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.

ACCRUALS OF INCOME AND EXPENDITURE

With the exception of the Cash Flow Statement the accounts are drawn up on the basis that financial transactions are accounted for in the year that it takes place, not necessarily when cash payments are made or received. In particular:

- Fees, charges and rents are due from customers and income from the provision of services are accounted for as income at the date the Council provides the relevant goods or services i.e. when it is probable that the economic benefits associated with the transaction will flow to the Council.
- Supplies and services expenditure is recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Capital works are charged as expenditure when they are completed, and are carried as Assets under Construction on the Balance Sheet until the asset is brought into use.
- Interest receivable on investments and payable on borrowings is accounted for 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 and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Exceptions to this relate to utility bills and other similar payments which do not vary significantly between years and are charged at the date of payment rather than being apportioned between financial years. Also, small amounts outstanding at year end are treated on a payments basis. In total, these do not have a material effect on the year's accounts.
- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

CASH AND CASH EQUIVALENTS

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

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

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.

PRIOR PERIOD ADJUSTMENTS IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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 corrected retrospectively by amending opening balances and comparative amounts for the prior period.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These amounts are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserve Statement for the difference between the two.

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 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 and accrued flexible working hours earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Post-Employment Benefits (Retirement Pensions)

Most employees of the Council are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council and other relevant bodies.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet based on an actuarial valuation. Full details of the valuation method are shown in note 14 to the core financial statements.

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:** This is 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **Net interest on the net defined benefit liability, i.e. net interest expense for the Council:** The change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This 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 at the beginning of the period. Taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- **The return on plan assets:** Excluding amounts included in net interest on the net defined benefit liability charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **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 County Council pension fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The 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.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the date of the Balance Sheet and the date when the Statement of Accounts is authorised for issue. There are two types of event:

- Adjusting events - those that provide evidence of conditions that existed at the Balance Sheet date - for this type of event the accounts are adjusted to reflect such events.
- Non-adjusting events - those that are indicative of conditions that arose after the Balance Sheet date - for this type of event the accounts are not adjusted to reflect such events. However, where the event 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 authorised for issue are not reflected in the Statement of Accounts.

FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities 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. In most cases the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year.

Financial Assets

Financial assets are classified as loans and receivables which 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 rate of interest 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 credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

GRANTS AND CONTRIBUTIONS

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 Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

HERITAGE ASSETS

Heritage Assets are assets which have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

Heritage assets shall normally be recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where there is no historical cost information, it will not be recognised in the Balance Sheet but, where material, will be described in the notes to the accounts.

An assessment is made as to whether the asset has an infinite or limited economic life. If it is a limited economic life then it is depreciated on a straight line basis over that term.

The Council does not have a programme to dispose of Heritage Assets as they are being held and maintained for the benefit of future generations.

INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are not re-valued, as the fair value (i.e. estimated market value) of the assets cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at cost as this is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

INVESTMENT PROPERTIES

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

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions. 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 respect of leases on 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

LEASES

Leases are classified as either finance leases or operating leases. A finance lease is any arrangement where substantially all the risks and rewards incidental to ownership of the property, plant or equipment transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risks and rewards are classified as operating leases.

Where an arrangement includes both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee – Finance Leases

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

Lease payments are apportioned between:

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

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

The Council as Lessee – Operating Leases

The Council does not have any material operating leases where the Council is lessee.

The Council as Lessor – Finance Leases

The Council does not have any finance leases where the Council is lessor.

The Council as Lessor – 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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 CIPFA's Service Reporting Code of Practice 2015/16 (SERCOP), with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, 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 the net cost of services.

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 and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimus level of £10,000 is applied to capital expenditure. Any expenditure on property, plant or equipment below this amount is not recorded as an asset.

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

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

- Land and buildings are measured at current value. This means Existing Use Value (EUV) for non-specialised properties or Depreciated Replacement Cost (DRC) for specialised properties.
- Infrastructure assets are measured at depreciated historical cost.
- Community assets and assets under construction are measured at historical cost.
- Council dwellings are measured at current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited 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).

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

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

Impairment

Assets are assessed at each year-end for impairment. Where there is impairment and the amount is estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- council dwellings – calculated on a straight-line basis over the useful life of the property (excluding land value) as estimated by the valuer
- other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over individually assessed life for each asset.

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.

Componentisation of an asset will be considered where:

- The carrying value of an asset is greater than £1 million and
- A component is at least 20% of the carrying value of the asset.

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

Disposals and Non-current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to a housing disposal is 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. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the Council a financial obligation that probably requires settlement but where the timing and amount of settlement is uncertain. 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.

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.

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.

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 and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant disclosure notes.

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, is 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 Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged, so there is no impact on the level of council tax.

VAT

Income and expenditure excludes any amounts related to VAT to the extent that they are recoverable from Her Majesty's Revenue and Customs.

Note 2 New Accounting Standards yet to be adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards in the 2016/17 Code:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board Disclosure Initiative 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.

Other minor changes due to Annual Improvements to IFRSs cycles, IFRS 11 Joint Arrangements, to IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

Note 3 Critical Judgements in Applying Accounting Policies

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

Asset Reclassifications - The Council has made judgements on whether assets are classified as Investment Property, Heritage Asset or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be Property, Plant and Equipment assets. If the asset has historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture it is deemed to be a Heritage Asset. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

Lease Classifications - The Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken "in the round" and 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.

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 it is not yet necessary to consider the impairment of any assets for this reason, which would otherwise be necessary if facilities were required to close.

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 judgments are based on historical experience of debtor defaults and what the Council believes to be a prudent but realistic level.

Group Accounts - The Council has made a judgement not to produce Group Accounts. The Portchester Crematorium Joint Committee (PCJC) is classified as a jointly controlled operation of the Council and under the Code the Council would normally recognise in its financial statements its share of PCJC's assets, liabilities, expenses and income. Group Accounts have not been produced as the differences between the Council's group and single entity accounts would be very minor.

Note 4 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 19 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 5 Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are explained in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the service being delivered by the asset and the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases resulting in a fall in the carrying value of assets. It is estimated that the annual depreciation charge for all assets would increase by £244,469 for every year that useful lives had to be reduced.
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 can be measured. Note 14 provides details of the impact of changes to the key assumptions.
Financial Assets and Liabilities	Estimation of fair values for financial assets and liabilities are based on current lending rates for equivalent loans and investments. These are provided by the Council's treasury advisors.	Fair value estimates do not apply to instruments which mature with the next 12 months. The values are disclosed as a note to the accounts and do not impact on the primary statements.
Bad Debt Provision	The Council has made allowances for doubtful debts of £1.7 million in 2015/16 (2014/15 £1.6 million) based on what it believes to be a prudent but realistic level.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the allowance of £85,000 (2014/15 £80,000).
Provisions	The Council has made provisions for outstanding insurance claims, accumulated absences and land charges. The calculation for accumulated absences is based on an average of annual leave accrued over the past 4 years and the total of flexi leave at year end.	A 10% increase or decrease in provisions would require an adjustment of £28,300 (2014/15 £37,900).
Business Rates Appeals Provision	Under the new business rates retention scheme, which came into effect on 1 April 2013, the Council has assumed some liability for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. The estimate for the provision is based on software modelling and the latest list of outstanding rating list proposals provided by the Valuation Office Agency. The estimate looks at changes in comparable properties market trends and other valuation issues including the potential for certain proposals to be withdrawn.	The Council has made an allowance of £9.4 million (2014/15 £6.6 million) for these refunds within the Collection Fund. The Council's share of the provision is £3.76 million (2014/15 £2.64 million) which has reduced the amount of income that is distributed from the Collection Fund to the Council's General Fund. A 10% increase or decrease in the Council's share of the provision would require an adjustment of £376,000 (2014/15 £264,000).

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulation

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	General Fund Balance £'000	Ear-marked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Capital Adjustment Account Adjustments							
Depreciation and impairment of non-current assets	1,957	-	1,408	-	-	-	(3,365)
Revaluation losses on property, plant and equipment	(337)	-	(788)	-	-	-	1,125
Revaluation of investment properties	(482)	-	-	-	-	-	482
Amortisation of intangible assets	25	-	5	-	-	-	(30)
Capital grants and contributions applied	(943)	-	(1,033)	-	-	(2,400)	4,376
Revenue Expenditure funded from capital under statute	579	-	-	-	-	-	(579)
Property written out on disposal	64	-	810	-	-	-	(874)
Capital expenditure charged to the General Fund and HRA Balances	(3,090)	-	(4,429)	-	-	-	7,519
Capital Grants Unapplied Account Adjustments							
Capital grants and contributions unapplied	(1,101)	-	-	-	-	1,101	-
Capital Receipts Reserve Adjustments							
Proceeds from disposal of property	(300)	-	(1,384)	-	1,684	-	-
Capital receipts applied	-	-	-	-	(2,776)	-	2,776
Housing capital receipts	(29)	-	-	-	35	-	(6)
Payments to the Government housing capital receipts pool	199	-	-	-	(199)	-	-
Major Repairs Reserve Adjustments							
Depreciation re-credited to HRA Major Repairs Reserve to finance new capital expenditure	-	-	(1,407)	1,407	-	-	-
	-	-	-	(1,489)	-	-	1,489
Pension Reserve Adjustments							
Net charges for retirement benefits	3,886	-	714	-	-	-	(4,600)
Employer's contribution to Pension Fund/directly to pensioners	(2,242)	-	(404)	-	-	-	2,646
Collection Fund Adjustment Account							
Collection Fund adjustment	3,180	-	-	-	-	-	(3,180)
Accumulated Absences Adjustment Account							
Accumulated Absences adjustment	8	-	1	-	-	-	(9)
Total Adjustments	1,374	-	(6,507)	(82)	(1,256)	(1,299)	7,770

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2014/15	General Fund Balance £'000	Ear-marked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Capital Adjustment Account Adjustments							
Depreciation and impairment of non-current assets	1,349	-	1,324	-	-	-	(2,673)
Revaluation losses on property, plant and equipment	2,224	-	(7,766)	-	-	-	5,542
Revaluation of investment properties	1,286	-	-	-	-	-	(1,286)
Amortisation of intangible assets	26	-	5	-	-	-	(31)
Capital grants and contributions applied	(5,851)	-	(1,033)	-	-	-	5,851
Revenue Expenditure funded from capital under statute	2,190	-	-	-	-	-	(2,190)
Property written out on disposal	1,287	-	306	-	-	-	(1,593)
Capital expenditure charged to the General Fund and HRA Balances	(3,734)	(356)	(1,516)	-	-	-	5,606
Capital Grants Unapplied Account Adjustments							
Capital grants and contributions unapplied	(2,379)	-	-	-	-	2,379	-
Capital Receipts Reserve Adjustments							
Proceeds from disposal of property	(1,362)	-	(480)	-	1,842	-	-
Capital receipts applied	-	-	-	-	(2,776)	-	2,776
Housing capital receipts	(40)	-	-	-	44	-	(4)
Payments to the Government housing capital receipts pool	174	-	-	-	(174)	-	-
Major Repairs Reserve Adjustments							
Depreciation re-credited to HRA	-	-	(1,323)	1,323	-	-	-
Major Repairs Reserve to finance new capital expenditure	-	-	-	(4,289)	-	-	4,289
Pension Reserve Adjustments							
Net charges for retirement benefits	3,855	-	505	-	-	-	(4,360)
Employer's contribution to Pension Fund/directly to pensioners	(2,314)	-	(264)	-	-	-	2,578
Collection Fund Adjustment Account							
Collection Fund adjustment	(177)	-	-	-	-	-	177
Accumulated Absences Adjustment Account							
Accumulated Absences adjustment	(79)	-	(8)	-	-	-	87
Total Adjustments	(3,545)	(356)	(9,217)	(2,966)	(1,064)	2,379	14,769

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Note 7 Amounts Reported for Resource Allocation Decisions

The purpose of this note is to reconcile the financial information reported internally to that reported in the Comprehensive Income and Expenditure Statement.

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement (page 16) is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed by Services. The most significant differences between these reports are:

- Internal budget reports exclude charges in relation to impairments to assets but these are charged in the Comprehensive Income and Expenditure Statement.
- Income earned from the Council's property portfolio is shown as service income in Policy and Resources when reporting to the Executive, but this is excluded from the cost of services in the Comprehensive Income and Expenditure Statement.

The tables below reconcile the revenue outturn reports presented to the Executive on 11 July 2016 for year ended 31 March 2016 and 13 July 2015 for year ended 31 March 2015 to the net cost of services shown in the Comprehensive Income and Expenditure Account.

For Year ended 31 March 2016	LRAC £'000	LC £'000	HH £'000	PP £'000	PR £'000	SS £'000	PD £'000	PC £'000	HRA £'000	Total £'000
Fees, charges and other service income	(348)	(1,569)	(555)	(522)	(4,536)	(2,077)	(2,935)	(499)	(12,304)	(25,345)
Government grants	-	-	(699)	-	(20,473)	-	(124)	-	(5)	(21,301)
Total Income	(348)	(1,569)	(1,254)	(522)	(25,009)	(2,077)	(3,059)	(499)	(12,309)	(46,646)
Employee Expenses	232	958	699	788	3,019	2,519	677	722	1,208	10,822
Other operating expenses	445	3,093	1,537	1,281	21,679	3,438	1,108	198	7,406	40,185
Support service recharges	59	334	201	235	1,129	465	301	164	783	3,671
Total Operating Expenses	736	4,385	2,437	2,304	25,827	6,422	2,086	1,084	9,397	54,678
Net Cost to Services	388	2,816	1,183	1,782	818	4,345	(973)	585	(2,912)	8,032

For Year ended 31 March 2015	LRAC £'000	LC £'000	HH £'000	PP £'000	PR £'000	SS £'000	PD £'000	PC £'000	HRA £'000	Total £'000
Fees, charges and other service income	(276)	(1,446)	(1,065)	(508)	(3,672)	(2,354)	(2,634)	(382)	(12,035)	(24,372)
Government grants	-	(3)	(623)	-	(19,556)	-	(60)	-	(222)	(20,464)
Total Income	(276)	(1,449)	(1,688)	(508)	(23,228)	(2,354)	(2,694)	(382)	(12,257)	(44,836)
Employee Expenses	236	846	625	770	2,488	2,280	674	707	1,235	9,861
Other operating expenses	460	771	1,538	1,370	27,533	3,483	947	293	6,900	43,295
Support service recharges	56	302	172	257	1,053	500	228	152	735	3,455
Total Operating Expenses	752	1,919	2,335	2,397	31,074	6,263	1,849	1,152	8,870	56,611
Net Cost to Services	476	470	647	1,889	7,846	3,909	(845)	770	(3,387)	11,775

LRAC = Licencing and Regulatory Affairs Committee
 LC = Leisure and Community
 HH = Health and Housing
 PP = Public Protection
 PR = Policy and Resources

SS = Streetscene
 PD = Planning and Development
 PC = Planning Committee
 HRA = Housing Revenue Account

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The following table reconciles the net cost of services identified above to the net cost of service shown in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2015/16	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Mgt £'000	Not included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(25,345)	(125)	-	3,052	(212)	(22,630)	(2,489)	(25,119)
Interest and investment income	-	-	-	-	-	-	(705)	(705)
Income from Council Tax	-	-	-	-	-	-	(5,867)	(5,867)
Government grants	(21,301)	-	-	-	-	(21,301)	(7,911)	(29,212)
Total Income	(46,646)	(125)	-	3,052	(212)	(43,931)	(16,972)	(60,903)
Employee Expenses	10,822	-	-	-	3,032	13,854	-	13,854
Other operating expenses	40,185	-	162	132	1,616	42,095	1,176	43,271
Support service recharges	3,671	-	-	-	(4,436)	(765)	-	(765)
Depreciation, amortisation and impairment	-	-	(131)	(2,211)	-	(2,342)	1,728	(614)
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	574	574
Gain/Loss on disposal of non-current assets	-	-	-	-	-	-	(1,186)	(1,186)
Total Operating Expenses	54,678	-	31	(2,079)	212	52,842	2,292	55,134
Surplus /Deficit on the provision of services	8,032	(125)	31	973	-	8,911	(14,680)	(5,769)

Reconciliation to Subjective Analysis 2014/15	Service Analysis £'000	Services not in Analysis £'000	Not included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(24,372)	(150)	2,604	(298)	(22,216)	(1,974)	(24,190)
Interest and investment income	-	-	-	-	-	(850)	(850)
Income from Council Tax	-	-	-	-	-	(5,806)	(5,806)
Government grants	(20,464)	-	-	-	(20,464)	(13,681)	(34,145)
Total Income	(44,836)	(150)	2,604	(298)	(42,680)	(22,311)	(64,991)
Employee Expenses	9,861	-	-	2,881	12,742	-	12,742
Other operating expenses	43,294	14	(3,632)	2,017	41,693	5,041	46,734
Support service recharges	3,455	-	-	(4,600)	(1,145)	-	(1,145)
Depreciation, amortisation and impairment	-	-	(7,780)	-	(7,780)	-	(7,780)
Payments to Housing Capital Receipts Pool	-	-	-	-	-	174	174
Gain/Loss on disposal of non-current assets	-	-	-	-	-	(247)	(247)
Total Operating Expenses	56,610	14	(11,412)	298	45,510	4,968	50,478
Surplus /Deficit on the provision of services	11,774	(136)	(8,808)	-	2,830	(17,343)	(14,513)

Note 8 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

Service Specific Revenue Grants and Contributions (included in Cost of Services)	2015/16 £'000	2014/15 £'000
Department for Works and Pensions		
Rent Allowances Subsidy	13,049	12,772
Rent Rebates	6,699	6,537
Housing and Council Tax Benefit Administration	254	316
Discretionary Housing Payments	57	74
Department for Communities and Local Government		
Disabled Facilities Grant	331	264
NNDR Collection Allowance	142	142
Land Charges New Burdens Grant	105	-
Council Tax Support Administration	69	78
New Burdens Local Council Tax Support Scheme	16	65
Homes and Communities Agency		
Daedalus Development	99	38
Hampshire County Council		
Community Development Grants	65	31
Supporting Troubled Families	7	56
Environment Agency		
Coast Monitoring Grant	145	118
Wallington River Emergency Works	-	91
Other		
Other Developer Contributions	418	31
S106 Developer Contributions	181	105
Portchester Crematorium	125	150
Whiteley Joint Fund	89	79
First Wessex	-	521
Total	21,851	21,468
Credited to Taxation and Non Specific Grant Income		
	2015/16 £'000	2014/15 £'000
Department for Communities and Local Government		
New Homes Bonus	1,654	1,422
Revenue Support Grant	1,449	1,992
Council Tax Freeze Grant	62	61
Other Local Services Grant	4	35
Capacity Funding – Welborne Planning	-	375
Homes and Communities Agency		
National Affordable Housing Programme	1,032	-
Daedalus Development	47	4,934
Other		
Community Infrastructure Levy	1,102	2,379
Developer Contributions	558	610
Total	5,908	11,808

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Note 9 Audit Fees Payable

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditor, Ernst & Young LLP.

	2015/16 £'000	2014/15 £'000
External audit services	48	64
Certification of grant claims and returns	16	15
Total	64	79

Note 10 Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

	2015/16 £'000	2014/15 £'000
Basic Allowances	209	205
Special Responsibility Allowances	158	169
Superannuation and National Insurance	26	29
Travelling and Subsistence Allowances	6	6
Conference Expenses	1	2
Internet Rental Allowance	1	1
Total	401	412

Details of individual allowances including travel and subsistence are published in full on the Council's website at www.fareham.gov.uk.

Note 11 Remuneration of Staff

The number of employees, including senior officers (see note 12), whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was.

Remuneration Band	2015/16 Number of Employees	2014/15 Number of Employees
£50,000 - £54,999	6	2
£55,000 - £59,999	3	7
£60,000 - £64,999	5	3
£65,000 - £69,999	3	-
£80,000 - £84,999	1	4
£85,000 - £89,999	3	2
£90,000 - £94,999	1	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	1

Note 12 Senior Officer Emoluments

Post Title	Salary inc fees and allowances £	Expense Allowances £	Compensation for loss of office £	Total remuneration excl pension contributions £	Pension contributions £	Total remuneration incl pension contributions £
2015/16						
Chief Executive Officer (1)	128,710	744	-	129,454	16,375	145,829
Director of Planning and Regulation (2)	84,934	166	-	85,100	11,126	96,226
Director of Community (3)	49,545	2,350	38,539	90,434	297,107	387,541
Director of Finance and Resources	88,015	568	-	88,583	11,595	100,178
Director of Operations (4)	88,015	157	-	88,172	11,530	99,702
	439,219	3,985	38,539	481,743	347,733	829,476
2014/15						
Chief Executive Officer (1)	131,741	345	-	132,086	15,540	147,626
Director of Planning and Development (2)	80,881	230	-	81,111	10,595	91,706
Director of Regulatory and Democratic Services	-	-	3,214	3,214	-	3,214
Director of Community	80,881	292	-	81,173	10,595	91,768
Director of Finance and Resources	84,628	411	-	85,039	11,086	96,125
Director of Environmental Services (4)	80,881	295	-	81,176	10,595	91,771
	459,012	1,573	3,214	463,799	58,411	522,210

Notes:

A Senior Officer is defined as an employee whose salary is more than £50,000 per year and undertakes a statutory role or has the power to direct or control the major activities of the Council. Senior Officers in this note relate to the Chief Executive Officer and his direct reports. Roles and responsibilities can be found on the Council's website at www.fareham.go.uk

- (1) Includes pay in respect of the Returning Officer role in elections.
- (2) Post renamed from Director of Planning and Development to Director of Planning and Regulation in 2015/16.
- (3) Pension contributions relate to an early retirement charge and additional personal contribution as part of the compensation for loss of office.
- (4) Post renamed from Director of Environmental Services to Director of Operations in 2015/16.

Note 13 Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £943,128 (£318,858 in 2014/15). The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below.

	Number of compulsory redundancies		Number of other departures		Total number of exit packages		Total cost of exit packages	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	-	-	19	15	19	15	£163,164	£73,905
£20,001 - £40,000	3	-	6	4	9	4	£248,746	£105,588
£40,001 - £60,000	1	-	3	3	4	3	£202,063	£139,365
£320,001 - £340,000	-	-	1	-	1	-	£329,155	-
Total	4	-	29	22	33	22	£943,128	£318,858

Note 14 Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, 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 disclosures below relate to the following schemes:

- The Hampshire County Council Pension Fund (Fund) which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007. The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The contributions to be paid until the date the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate. The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.
- Unfunded pension arrangements established by the Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute.

Contributions for the Accounting Period Ending 31 March 2017

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2017 are estimated to be £2.20m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period. For the unfunded benefits scheme, for the accounting period ending 31 March 2017, the Employer expects to pay £0.21m directly to beneficiaries.

Transactions Relating to Post-Employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and Housing Revenue Account Balances via the Movement in Reserves Statement during the year:

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	Funded Benefits		Unfunded Benefits	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
- Current service cost	2,650	2,020	-	-
- Past service cost	330	450	-	-
Financing and Investment Income and Expenditure				
- Interest net defined benefit liability	1,520	1,760	100	130
(Surplus)/deficit on the provision of services	4,500	4,230	100	130
Other Charges to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising				
- Return on plan assets (in excess of)/below that recognised in net interest	1,547	(7,921)	-	-
Actuarial (gains)/losses due to				
- Changes in financial assumptions	(4,730)	13,570	(58)	172
- Changes in demographic assumptions	-	-	-	-
- Liability experience	(1,460)	(800)	(50)	(30)
Total amount recognised in Other Comprehensive Income and Expenditure	(4,643)	4,849	(108)	142
Total Amount Recognised	(143)	9,079	(8)	272
Movement in Reserves Statement:				
Reversal of net charges made to the surplus/(deficit) in accordance with the Code	(4,500)	(4,230)	(100)	(130)
Actual amount charged against the General Fund				
Balance for pensions in year:				
Employers' contribution payable to scheme	(2,432)	(2,367)	-	-
Retirement benefits payable to pensioners	-	-	(213)	(212)

Pension 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:

	Funded Benefits		Unfunded Benefits	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Fair value of assets	88,512	89,067	-	-
Present value of defined benefit obligation	134,740	137,870	2,967	3,188
Funded status	(46,228)	(48,803)	-	-
Liability recognised on the Balance Sheet	(46,228)	(48,803)	(2,967)	(3,188)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	29%
Deferred Pensioners	14%
Pensioners	57%

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

	Funded Benefits		Unfunded Benefits	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Opening balance at 1 April	89,067	79,199	-	-
Interest income	2,820	3,380	-	-
Remeasurement gains and (losses)				
- Return on plan assets, excluding amount included in net interest expense	(1,547)	7,921	-	-
Contributions by the employer	2,432	2,367	213	212
Contributions by participants	690	670	-	-
Benefits paid	(4,950)	(4,470)	(213)	(212)
Closing balance at 31 March	88,512	89,067	-	-

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

	Funded Benefits		Unfunded Benefits	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Opening balance at 1 April	137,870	121,290	3,188	3,128
Current service cost	2,650	2,020	-	-
Interest expense	4,340	5,140	100	130
Contribution by participants	690	670	-	-
Remeasurement gains and (losses) on liabilities				
- Financial assumptions	(4,730)	13,570	(58)	172
- Demographic assumptions	-	-	-	-
- Experience	(1,460)	(800)	(50)	(30)
Benefits paid	(4,950)	(4,470)	(213)	(212)
Past service cost	330	450	-	-
Closing balance at 31 March	134,740	137,870	2,967	3,188

Local Government Pension Scheme Assets Comprised

The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

The Administering Authority, Hampshire County Council, does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund, if it forms part of their balanced investment strategy.

	Asset split at 31 March 2016			Asset split at 31 March 2015
	% Quoted	% Unquoted	% Total	%
Equities	52.9	3.4	56.3	57.8
Property	0.9	7.3	8.2	8.0
Government Bonds	25.7	-	25.7	25.4
Corporate Bonds	2.0	0.1	2.1	1.6
Cash	4.7	-	4.7	3.7
Other	-0.2	3.2	3	3.5
Total	86.0	14.0	100.0	100.0

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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.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Hampshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013 for funded benefits and 31 March 2014 for unfunded benefits.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	Funded Benefits 31 March		Unfunded Benefits 31 March	
	2016 % p.a	2015 % p.a	2016 % p.a	2015 % p.a
Mortality assumptions:				
Future lifetime from age 65 (aged 65 at accounting date)	24.6	24.5	24.6	24.5
Men	26.4	26.3	26.4	26.3
Women				
Future lifetime from age 65 (aged 45 at accounting date)				
Men	26.7	26.6	n/a	n/a
Women	28.7	28.6	n/a	n/a
Principal financial assumptions (% per annum)				
Discount rate	3.4	3.2	3.4	3.2
RPI inflation	2.9	2.9	2.9	2.9
CPI inflation	1.8	1.8	1.8	1.8
Pension increases	1.8	1.8	1.8	1.8
Pension accounts revaluation rate	1.8	1.8	n/a	n/a
Salary increases	3.3	3.3	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2016 and the projected service cost for the year ending 31 March 2017 is set out in the table below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same. The sensitivity of unfunded benefits is not included on materiality grounds.

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Discount rate assumption			
	+0.1% p.a.	Base Figure	-0.1% p.a.
Adjustment to discount rate			
Present value of total obligation (£M)	132.43	134.74	137.09
% change in present value of total obligation	-1.70		1.70
Projected service cost (£M)	2.50	2.58	2.66
Approximate % change in projected service cost	-3.20		3.30

Rate of general increase in salaries			
	+0.1% p.a.	Base Figure	-0.1% p.a.
Adjustment to salary increase rate			
Present value of total obligation (£M)	135.15	134.74	134.34
% change in present value of total obligation	0.30		-0.30
Projected service cost (£M)	2.58	2.58	2.58
Approximate % change in projected service cost	-		-

Rate of increase to pensions in payment and deferred pension assumptions			
	+0.1% p.a.	Base Figure	-0.1% p.a.
Adjustment to pension rate increase			
Present value of total obligation (£M)	136.68	134.74	132.83
% change in present value of total obligation	1.40		1.40
Projected service cost (£M)	2.66	2.58	2.50
Approximate % change in projected service cost	3.30		-3.20

Post retirement mortality assumption			
	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption			
Present value of total obligation (£M)	138.16	134.74	131.30
% change in present value of total obligation	2.50		-2.50
Projected service cost (£M)	2.66	2.58	2.50
Approximate % change in projected service cost	3.30		-3.30

Note 15 Property, Plant and Equipment

Valuation information

The Council's property portfolio has been revalued in accordance with the statement of accounting policies and to reflect the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The portfolio was completely re-valued in 1998/99 by the Council's own valuer, D. M. Quinton BSc (Hons) FRICS. Since then it has been revalued on a rolling basis by the Council's own valuers K. Boothroyd BSc (Hons) MRICS, F. Johns MRICS, F Mackenzie MRICS and G. Lloyd FRICS; except for Council dwellings which were revalued as at April 2012 by Hellier Langston, chartered surveyors and have since then been revalued to 1 April 2015 by K. Boothroyd BSc (Hons) MRICS.

The table below shows the dates of the revaluation of non-current assets. Vehicles, plant, equipment and non-operational assets are valued at historic cost:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Historic	-	1,064	9,192	10,256
2011/12	-	10	-	10
2012/13	-	1,629	-	1,629
2013/14	-	2,690	-	2,690
2014/15	-	18,886	-	18,886
2015/16	100,695	28,407	-	129,102
	100,695	52,686	9,192	162,573

The movement in non-currents assets are shown on page 47. The figure for additions includes capital expenditure which substantially lengthens the life of the assets or substantially increases the market value.

Council dwellings were re-valued as at 1 April 2015 (the previous valuation was as at 1 April 2014). The valuation takes into account the use for social housing, and assumes social housing tenanted value is 32% of vacant possession value.

Depreciation

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

Council Dwellings	50 years
Other Land and Buildings	3 to 60 years
Vehicles and Plant	2 to 10 years
Furniture and Equipment	3 to 20 years
Infrastructure	5 to 50 years

The Council calculates depreciation for dwellings by basing the calculation on the Existing Use Value for Social Housing and writing down the value of the buildings on a straight-line basis over the useful life of 50 years.

Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £8.7 million. Similar commitments at 31 March 2015 were £5.99 million. The major commitments are Works to Council Dwellings £4.2 million and the construction of the new Holly Hill Leisure Centre £3.9 million.

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Movement in Non-Current Assets 2015/16

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2015	92,855	52,046	9,112	1,281	377	10	5,351	161,032
Additions	2,594	791	850	-	-	-	9,087	13,322
Revaluation increases/(decreases) to RR	-	(71)	-	-	-	-	-	(71)
Revaluation increases/(decreases) to SDPS	(373)	261	-	-	-	-	-	(112)
Derecognition – Disposals	(820)	-	(770)	-	-	-	-	(1,590)
Reclassified to/from Held for Sale	-	(341)	-	-	-	-	-	(341)
Other movements	6,439	-	-	-	-	(10)	(6,439)	(10)
At 31 March 2016	100,695	52,686	9,192	1,281	377	-	7,999	172,230
Depreciation and impairment								
At 1 April 2015	1,238	1,097	6,227	786	26	-	-	9,374
Depreciation Charge	1,319	1,205	778	60	3	-	-	3,365
Depreciation written out to RR	-	(554)	-	-	-	-	-	(554)
Depreciation written out to SDPS	(1,238)	-	-	-	-	-	-	(1,238)
Derecognition – Disposals	(10)	-	(755)	-	-	-	-	(765)
At 31 March 2016	1,309	1,748	6,250	846	29	-	-	10,182
Net Book Value								
At 31 March 2016	99,386	50,938	2,942	435	348	-	7,999	162,048
At 31 March 2015	91,617	50,949	2,885	495	351	10	5,351	151,658

Movement in Non-Current Assets 2014/15

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation								
At 1 April 2014	85,228	37,379	8,932	1,281	377	10	1,200	134,407
Additions	2,529	10,285	314	-	-	-	4,227	17,355
Revaluation increases/(decreases) to RR	-	6,611	-	-	-	-	-	6,611
Revaluation increases/(decreases) to SDPS	5,409	(2,257)	-	-	-	-	-	3,152
Derecognition – Disposals	(311)	-	(134)	-	-	-	-	(445)
Reclassified to/from Held for Sale	-	(48)	-	-	-	-	-	(48)
Other movements	-	76	-	-	-	-	(76)	-
At 31 March 2015	92,855	52,046	9,112	1,281	377	10	5,351	161,032
Depreciation and impairment								
At 1 April 2014	2,358	1,156	5,443	725	24	-	-	9,706
Depreciation Charge	1,242	466	896	60	3	-	-	2,667
Depreciation written out to RR	-	(491)	-	-	-	-	-	(491)
Depreciation written out to SDPS	(2,358)	(34)	-	-	-	-	-	(2,392)
Derecognition – Disposals	(4)	-	(112)	-	-	-	-	(116)
At 31 March 2015	1,238	1,097	6,227	785	27	-	-	9,374
Net Book Value								
At 31 March 2015	91,617	50,949	2,885	495	350	10	5,351	151,658
At 31 March 2014	82,870	36,223	3,489	556	353	10	1,200	124,701

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

The figures for Other Land & Buildings, Vehicles Plant & Equipment and Assets Under Construction include assets owned by the Housing Revenue Account. Details for these can be found on page 64 note 2.

Note 16 Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The Council's Investment Property portfolio has been re-valued in accordance with the statement of accounting policies by K. Boothroyd BSc (Hons) MRICS.

	2015/16 £'000	2014/15 £'000
Rental, sales income and service charges	(3,051)	(2,604)
Direct operating expenses	600	630
Net (gain)/loss	(2,451)	(1,974)

Movement in Fair Value of Investment Properties

	Value at 31 March 2015 £'000	Acquisitions £'000	Change in Value £'000	Re- classifications £'000	Value at 31 March 2016 £'000
Commercial	8,037	-	76	-	8,113
Leisure	996	-	28	-	1,024
Office	3,638	-	(386)	-	3,252
Other	675	1,964	(26)	10	2,623
Retail	20,612	7,922	789	-	29,323
Total	33,958	9,886	481	10	44,335

	Value at 31 March 2014 £'000	Acquisitions £'000	Change in Value £'000	Re- classifications £'000	Value at 31 March 2015 £'000
Commercial	7,986	-	51	-	8,037
Leisure	905	-	91	-	996
Office	3,736	-	(98)	-	3,638
Other	657	-	18	-	675
Retail	19,786	2,174	(1,348)	-	20,612
Total	33,070	2,174	(1,286)	-	33,958

Fair Value Measurement of Investment Properties

	Quoted prices in active markets Level 1 £'000	Other significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	Fair Value at 31 March 2016 £'000
Commercial	-	-	8,113	8,113
Leisure	-	-	1,024	1,024
Office	-	-	3,252	3,252
Other	-	-	2,623	2,623
Retail	-	-	29,323	29,323
Total	-	-	44,335	44,335

There has been no change in valuation techniques used during the year for investment properties.

Note 17 Assets Held for Sale

	2015/16 £'000	2014/15 £'000
Balance at 1 April	48	1,265
Assets newly classified as held for sale:		
- Property, Plant and Equipment	341	48
Assets sold	(48)	(1,265)
Balance at 31 March	341	48

The asset currently held for sale is land in West Street, formerly used as a car park.

Note 18 Impairment Losses

During 2015/16, the Council de-recognised impairment losses incurred and charged to the Surplus or Deficit on Provision of Services in earlier years of £712,479. This primarily relates to the increased revaluation of some car parks and the Daedalus Innovation Centre.

The Council also recognised impairment losses of £375,357. This related to the downward revaluation of other car parks.

Note 19 Leases

Council as Lessee – Finance Leases

The Council has some assets under finance leases which are carried as Property, Plant and Equipment and Investment Property in the Balance Sheet at the following net amounts:

	31 March 2016 £'000	31 March 2015 £'000
Property, Plant and Equipment	8,122	8,221
Investment Property	5,243	5,273
Total	13,365	13,494

All properties are subject to the Council making peppercorn minimum lease payments. There are no contingent rents payable. None of the properties are subject to finance lease liabilities as premiums were paid at the inception of the lease.

Council as Lessor – Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of leisure facilities
- To provide accommodation for local businesses
- For income generation and capital appreciation

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

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	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	2,669	2,216
Later than one year and not later than five years	9,525	7,135
Later than five years	40,681	39,775
Total	52,875	49,126

The minimum lease payments receivable do not include rents that are contingent rents on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16, contingent rents of £0.926 million were receivable by the Council (2014/15 £0.81 million).

Note 20 Cash and Cash Equivalents

	31 March 2016 £'000	31 March 2015 £'000
Cash held by the Council	4	4
Bank current accounts	-	15
Short-term deposits with banks	2,857	16,167
Total cash and cash equivalent	2,861	16,186
Bank overdraft	(669)	-
Net cash and cash equivalent	2,192	16,186

Note 21 Short Term Debtors

	31 March 2016 £'000	31 March 2015 £'000
Central government bodies	1,369	1,945
Other local authorities	605	555
Other entities and individuals	4,148	6,219
Total	6,122	8,719
Provision for doubtful debts	(1,705)	(1,669)
Total	4,417	7,050

Note 22 Short Term Creditors

	31 March 2016 £'000	31 March 2015 £'000
Central government bodies	1,943	4,565
Other local authorities	1,464	2,608
Other entities and individuals	3,081	2,938
Total	6,488	10,111

Note 23 Provisions

	Balance at 1 April £'000	Provision in year £'000	Applied in year £'000	Balance at 31 March £'000
Business rate appeals	2,642	1,221	100	3,763
Insurance	51	45	21	75
Employee related	178	188	178	188
Land charges	150	0	119	31
Total 2015/16	3,021	1,454	418	4,057
Total 2014/15	1,828	1,782	589	3,021

The business rate appeals provision is for refunding ratepayers who successfully appeal against the rateable value of their properties. The insurance provision is set up to meet certain known liabilities in respect of risks e.g. fire, explosion, storm, flood, burst pipes, impact. The employee related provision is used for accumulated absences due and the land charges provision is for personal searches litigation.

Note 24 Receipts in Advance

The Council has received a number of 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. These mainly relate to developer contributions that have conditions in the form of time limits on them. The balances and movement on these are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Balance at 1 April	8,796	4,972
Movements in year:		
Amounts received (with conditions)	1,731	10,079
Amounts recognised as income (conditions subsequently met):		
- Within Cost of Services	(1,226)	(703)
- Within Taxation and Non-Specific Grants	(1,621)	(5,552)
Balance at 31 March	7,680	8,796

	31 March 2016 £'000	31 March 2015 £'000
Receipts in Advance (Capital Grants)		
Leisure developer contributions	3,197	3,695
Affordable housing developer contributions	215	30
Other developer contributions	388	401
Homes and Communities Agency	2,717	2,580
	6,517	6,706
Receipts in Advance (Revenue Grants)		
Homes and Communities Agency	860	1,632
Whiteley developer contributions	82	171
Other developer contributions	221	287
	1,163	2,090
Total Receipts in Advance	7,680	8,796

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Note 25 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	1 April 2014 £'000	Transfers Out £'000	Transfers In £'000	31 March 2015 £'000	Transfers Out £'000	Transfers In £'000	31 March 2016 £'000
General Fund							
Major Repairs and Renewals	1,302	-	-	1,302	-	-	1,302
Other Earmarked Reserves	2,218	(3,91)	946	2,773	(295)	4,017	6,495
Earmarked Capital Reserve	7,546	(4,000)	2,719	6,265	(3,400)	2,772	5,597
	11,066	(4,391)	3,665	10,340	(3,735)	6,789	13,394
HRA							
Housing Repairs Account	1,800	(818)	18	1,000	-	500	1,500
Capital Development Fund	4,328	(356)	2,164	6,136	(3,400)	2,164	4,900
Leaseholder Repairs	182	-	18	200	-	3	203
	6,310	(1,174)	2,200	7,366	(3,400)	2,667	6,603
Total	17,376	(5,564)	5,865	17,676	(7,135)	9,456	19,997

Note 26 Capital Expenditure and Capital Financing

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

The main items of capital expenditure on non-current assets during the year are shown below. Only a proportion of this expenditure led to an increase in the value of assets. Capital expenditure and financing for the year were as follows:

2014/15 £'000		2015/16 £'000
51,050	Opening Capital Finance Requirement	54,250
	Capital Investment	
17,355	Property, Plant and Equipment	13,322
2,174	Investment Properties	9,886
2,190	Revenue Expenditure Funded from Capital under Statute	579
	Sources of Finance	
(2,775)	Capital Receipts	(2,776)
(5,850)	Government Grants and Other Contributions	(4,375)
	Sums set aside from revenue:	
(4,289)	HRA Major Repairs Reserve	(1,489)
(5,605)	Direct revenue contributions	(7,519)
54,250	Closing Capital Finance Requirement	61,878
	Explanation of movements in year	
-	Increase in underlying need to borrow	7,628
-		7,628

Note 27 Unusable Reserves

	31 March	
	2016 £'000	2015 £'000
Revaluation Reserve	15,990	15,783
Capital Adjustment Account	129,086	115,894
Deferred Capital Receipts Account	-	3
Pensions Reserve	(49,194)	(51,992)
Collection Fund Adjustment Account	(2,914)	267
Accumulated Absences Account	(188)	(179)
	92,780	79,776

a) Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2014/15 £'000		2015/16 £'000
9,652	Balance at 1 April	15,783
7,285	Upward revaluation of assets	1,299
(184)	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	(817)
7,101		482
(20)	Difference between fair value depreciation and historical cost depreciation	(265)
(950)	Accumulated gains on assets disposed or reclassified to Investment Properties	(10)
(970)	Amount written off to the Capital Adjustment Account	(275)
15,783	Balance at 31 March	15,990

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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2014/15 £'000		2015/16 £'000
98,637	Balance at 1 April	115,894
Reversal of items relating to capital expenditure in the Comprehensive Income and Expenditure Statement		
(2,673)	Charges for depreciation and impairment of non-current assets	(3,365)
5,542	Revaluation losses on property, plant and equipment	1,125
(31)	Amortisation of intangible assets	(30)
(2,190)	Revenue expenditure funded from capital under statute	(579)
(1,594)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(873)
97,691		112,172
(3)	Amount credited to Capital Receipts Reserve relating to part repayment of principal on long term debtor	(3)
950	Cumulative (gains)/losses on assets sold or reclassified as Investment Properties	11
20	Adjustment amounts written out of the Revaluation Reserve	265
98,658	Net written out amount of the cost of non-current assets consumed in the year	112,445
Capital financing applied in the year		
2,776	Use of the Capital Receipts Reserve to finance new capital expenditure	2,776
4,289	Use of the Major Repairs Reserve to finance new capital expenditure	1,489
5,851	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,375
5,606	Capital expenditure charged against the General Fund and HRA balances	7,519
18,522		16,159
(1,286)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	482
115,894	Balance at 31 March	129,086

c) 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees however, statutory arrangements require that benefits are financed as the Council makes contributions to pension fund.

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

2014/15 £'000		2015/16 £'000
(45,219)	Balance at 1 April	(51,992)
(4,991)	Actuarial gains or losses on pension assets and liabilities	4,752
(4,360)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,600)
2,578	Employers' pension contributions and direct payments to pensioners payable in the year	2,646
(51,992)	Balance at 31 March	(49,194)

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d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due from the Council Tax and NDR payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15 £'000	2015/16 £'000
90 Balance at 1 April	267
61 Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(46)
116 Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR calculated for the year in accordance with statutory requirements	(3,135)
267 Balance at 31 March	(2,914)

Note 28 Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Borrowing at Amortised Cost	40,000	40,200	4,826	1,582
Trade Creditors	-	-	2,879	3,452
Financial Liabilities	40,000	40,200	7,705	5,034
Loans and Receivables	3,000	4,000	29,421	39,345
Mortgages	72	78	-	-
Trade Debtors	-	-	2,025	3,895
Financial Assets	3,072	4,078	31,446	43,240

All borrowing is on fixed terms and shown at amortised cost. A 5 year interest free loan of £1 million was received from Hampshire County Council during 2012/13. The remaining balance of £200,000 is shown within short term borrowing.

All investments and cash and cash equivalents are classified as Loans and Receivables carried in the Balance Sheet at amortised cost. The accrued interest at 31 March 2016 of £235,425 is included within the current total investment outstanding of £29,421,000.

Debtors and creditors and other balance sheet items that arise under contract from the Council's powers and duties are classified as financial instruments and carried at amortised cost, although debtors and creditors arising from council tax, NDR, government grants etc. are excluded.

Fair Values of Assets and Liabilities

The fair value of each class of financial instrument is carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

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The fair values of long term financial instruments are as follows:

	31 March 2016		31 March 2015	
	Balance Sheet £'000	Fair Value £'000	Balance Sheet £'000	Fair Value £'000
Borrowing	40,000	45,193	40,200	44,049
Loans and Receivables	3,000	3,045	4,000	4,050

The fair value of the borrowing is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of the loans and receivables is higher than the carrying amount because the Council's portfolio of investments includes fixed rate loans where the rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest above current market rates.

Movements in the fair value during the life of mortgages are not recognised.

Nature and Extent of Risks Arising from Financial Instruments

Liquidity Risk

The Council manages its liquidity position through the setting and approval of prudential indicators and the treasury and investment strategy (approved by full Council on 23 April 2015) and through cash flow management which seeks to ensure that cash is available when needed.

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. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

Maturity of Investments	As at 31 March 2016 £'000	As at 31 March 2015 £'000
	Less than 3 months	18,316
3 to 6 months	7,070	6,041
6 months to 1 year	4,017	4,017
1 to 2 years	3,018	4,021
Total	32,421	43,345

All other trade debtors are due to be received in less than one year.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. It also considers maximum amounts and time limits in respect of each financial institution.

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The following analysis shows the gross credit exposure by credit rating of the Council's investments as at 31 March 2016.

Rating Category	£'000
AA or equivalent	-
A or equivalent	18,138
BBB or equivalent	14,283
Total	32,421

The Council's financial liabilities and assets, other than investments, all relate to non-rated organisations.

The Council's maximum exposure to credit risk in relation to its £32.4 million investments in financial institutions 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 as at the 31 March 2016 that this was likely to crystallise.

Although the fair value of trade debtors is taken to be the billed amount as they are receivable within 12 months, the Council does make significant provision for unpaid debts (£306,430 as at 31 March 2016, £342,000 as at 31 March 2015). Trade debtors include outstanding sundry debts and other trade debts. Based on the age of outstanding sundry debts, the bad debt provision is as shown in the following table:

Sundry Debtors Age Analysis	Amount Outstanding as at 31 March 2016		Bad Debt Provision		Amount Outstanding as at 31 March 2015		Bad Debt Provision	
	£'000	%	£'000	%	£'000	%	£'000	
Less than 1 year old	681	1	6		2,660	3	78	
1 and 2 years old	75	30	22		136	15	21	
2 and 3 years old	50	60	30		45	57	26	
More than 3 years old	261	95	248		229	95	217	
Total	1,067		306		3,070		342	

Market Risk

The Council does not have any variable rate investments or borrowings and is therefore not prone to any gains or losses arising from movements in interest rates or market prices.

Note 30 Trust Funds

The Council administers a trust fund in relation to a legacy left by Miss W. N. Cocks. The terms of the charity scheme provide that income from the Cocks bequest can be used to further the work of Westbury Manor Museum and for such other charitable purposes for the benefit of the inhabitants of Fareham as the trustee (the Council) shall from time to time think fit.

The fund is invested with the Council. It does not represent assets of the Council and is not included in the Balance Sheet. The capital value of the fund is £286,146 at 31 March 2016.

In 2015/16, the fund's income was £1,327 and there was no expenditure. (In 2014/15, the fund's income was £820 and there was no expenditure). The fund's only asset was investments with the Council of £286,146 and it had no liabilities.

Further details of the fund can be obtained from the Council's Director of Finance and Resources at the Civic Offices.

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The Council also administers six minor charity funds of which it is sole trustee. Details most recently reported to the Charities Commission are shown in the table below. A significant proportion of the income is contributed by the Council.

	Income £'000	Expenditure £'000	Assets
Sarisbury Recreation Ground	11	11	Land
Swanwick Lane Recreation Ground	3	3	Land
King George V Playing Fields	3	3	Land
Crofton Recreation Ground	19	19	Land
Titchfield Recreation Ground	16	16	Land
Hook and Warsash Allotments	-	-	Land

The Reporting Accountant for the Cocks Bequest and Sarisbury, Crofton and Titchfield recreation grounds is Mr N R Wood ACMA CGMA.

Note 31 Related Party Transactions

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 operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 7 on reporting for resource allocation decisions and shown in the Grant Income note in note 8.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16, there were no material related party transactions between the Council and Council Members. Any declarations of interest are recorded in the Register of Member's Interests which is open to public inspection. The total of members' allowances paid in 2015/16 is shown in note 10.

Chief Officers

Chief Officers have the ability to influence the Council. During 2015/16, there were no material related party transactions between the Council and Chief Officers.

Portchester Crematorium Joint Committee

The Portchester Crematorium Joint Committee (PCJC) is a jointly controlled operation of the Council. The PCJC manages the operations of Portchester Crematorium. The Joint Committee is represented equally by the four constituent authorities, Fareham Borough Council, Gosport Borough Council, Havant Borough Council and Portsmouth City Council.

Fareham Borough Council's share of the net assets of PCJC is £1,904,500 (2014/15 £1,931,000). In 2015/16, PCJC paid a contribution of £125,000 to the Council (£150,000 in 2014/15). The PCJC has an investment policy of placing all surplus funds with the Council. At 31 March 2016, £1,332,800 was invested with the Council (£1,091,400 at 31 March 2015).

Fareham and Gosport Building Control Partnership

The Fareham and Gosport Building Control Partnership provides building control services to Fareham and Gosport Borough Council and Portsmouth City Council. The Partnership between Fareham and Gosport has been in operation since 2003, with Portsmouth coming into the Partnership in 2015/16. During 2015/16, the Partnership charged Gosport Borough Council £132,923 (2014/15 £132,465) and Portsmouth City Council £82,986 for statutory building control services. The Partnership has a policy of dividing generated surpluses between the authorities based on fee generating work in each Authority area. At 31 March 2016, the balance of retained surpluses for future investment in the service was £93,381 for Fareham Borough Council, £64,833 for Gosport Borough Council and £9,562 for Portsmouth City Council.

Fareham and Gosport Environmental Health Partnership

The Fareham and Gosport Environmental Health Partnership provides environmental health services to both Fareham and Gosport Borough Council. The Partnership came into operation in 2014/15. During 2015/16, the Partnership charged Gosport Borough Council £674,679 (2014/15 £688,876) for statutory environmental health services. The Partnership has a policy of sharing expenditure (excluding internal recharges) on a 50/50 basis. All income is retained by the relevant authority.

Note 32 Contingent Liabilities

During 1992/93, the Council's insurers MMI Limited ceased taking new business. In November 2012, the decision was made to trigger the Scheme of Arrangement whereby a proportion of claims paid may be clawed back. The Scheme Administrator, Ernst & Young LLP, determined that a Levy rate of 15% of the value of outstanding claims of £148,000 was required. A £22,000 levy was paid during 2013/14 and a further 10% levy of £15,000 was paid in 2015/16. There is a contingent liability of £111,000 for the remaining balance.

Note 33 Cash Flow Statement - Operating Activities (Interest)

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

2014/15 £'000		2015/16 £'000
382	Interest Received	312
(1,399)	Interest Paid	(1,405)
(1,017)		(1,093)

Note 34 Cash Flow Statement - Adjust net surplus or deficit on the provision of services for non-cash movements

2014/15 £'000		2015/16 £'000
2,673	Depreciation and Impairment	3,365
(5,541)	Downward Valuations	(1,125)
31	Amortisation of Intangible Assets	30
1,958	Increase/Decrease in Creditors	(552)
-	Increase/Decrease in Interest Debtors	(70)
(3,383)	Increase/Decrease in Debtors	2,648
-	Increase/Decrease in Inventories	(48)
1,782	Movement in pension liability	1,954
1,594	Carrying amount of non-current assets and non-current assets held for sale, sold, or derecognised	873
2,479	Other non-cash items charged to the net surplus or deficit on the provision of services	545
1,593		7,620

Note 35 Cash Flow Statement - Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

2014/15 £'000		2015/16 £'000
(6,248)	Capital grants credited to surplus/deficit on the provision of services	(2,847)
(1,842)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,684)
(8,090)		(4,531)



4. Supplementary Accounts and Explanatory Notes

60 STATEMENT OF ACCOUNTS 2015/16 – HOUSING REVENUE ACCOUNT

Housing Revenue Account - Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2015/16 £'000	2014/15 £'000
Income		
Gross rent income		
- Dwellings	(11,197)	(10,836)
- Other	(273)	(274)
Charges for services and facilities	(820)	(925)
Contributions towards expenditure	(25)	(222)
Total income from service	(12,315)	(12,257)
Expenditure		
Repairs and maintenance	4,027	2,929
Supervision and management	2,511	2,489
Rents, rates, taxes and other charges	35	31
Depreciation and impairment of non-current assets (note 7)	624	(6,436)
Debt management expenses	34	40
Provision for doubtful debts	(42)	(69)
Total expenditure on service	7,189	(1,016)
Net Expenditure or Income of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement	(5,126)	(13,273)
HRA service share of corporate and democratic core	160	130
Net Expenditure for HRA Services	(4,966)	(13,143)
Gain on sale of HRA non-current assets	(574)	(174)
Interest payable	1,857	1,860
Interest receivable	(129)	(137)
Pension interest cost	252	243
Capital grants and contributions receivable	(1,033)	-
(Surplus) or Deficit for Year on HRA Services	(4,593)	(11,351)

61 STATEMENT OF ACCOUNTS 2015/16 – HOUSING REVENUE ACCOUNT

Movement on the HRA Statement

	2015/16 £'000	2014/15 £'000
Balance on the HRA at the end of previous year	(4,870)	(4,118)
(Surplus) or Deficit for year on HRA I&E Statement	(4,593)	(11,351)
Remove gain on sale of HRA non-current assets	574	174
Pension reserve contributions	(310)	(239)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(1)	7
Capital expenditure charged to revenue	4,429	1,516
Transfers to/from Major Repairs Reserve	1,407	1,323
Transfers to/from Capital Adjustment Account	408	6,436
Adjustments between accounting basis and funding basis under statute	6,507	9,217
Net (increase) or decrease before transfers to or from the reserves	(1,914)	(2,134)
Transfer to/(from) reserves	(732)	1,382
Increase or (decrease) in year on the HRA	1,182	(752)
Surplus Carried Forward	(3,688)	(4,870)

The total surplus carried forward excludes balances of:

- Repairs Account
- Leaseholder Repairs Reserve
- HRA Capital Grants Unapplied
- Capital Development Fund

These are included within the Movement in Reserves Statement.

62 STATEMENT OF ACCOUNTS 2015/16 – HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

Note 1 Housing Stock

The Council's housing stock, including shared ownership properties, was made up as follows:

	31 March 2016	31 March 2015
Houses	799.75	804.75
Flats	1,414.00	1,378.00
Bungalows	166.00	166.00
	2,379.75	2,348.75

During the year 15 homes were sold under the right to buy scheme and two shared-owner properties were fully acquired by the owner. 2015/16 also saw the completion of the new 40 bed Collingwood Court Sheltered Housing scheme and 6 new homes in Allotment Road.

Note 2 Value of Housing Revenue Account Property

Council dwellings have been valued in their current use with an allowance for the right to buy. The vacant possession value at 1 April 2015 is £307.4 million. The difference in valuation is the economic cost to the government of providing council housing at less than open market rents.

The table below details the opening and closing values of the various classes of HRA assets. It also shows the various movements in values resulting from additions, disposals, revaluations, impairments and reclassification of the assets.

Movement in Values 2015/16	Council Dwellings £'000	Other Land and Buildings £'000	Plant and Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation					
At 1 April 2015	92,855	4,513	38	4,917	102,323
Additions	2,594	31	49	4,314	6,988
Revaluation Increases/(decreases) to RR	-	292	-	-	292
Revaluation Increases/(decreases) to SDPS	(373)	(76)	-	-	(449)
Derecognition - Disposals	(820)	-	-	-	(820)
Other reclassifications	6,439	-	-	(6,439)	-
At 31 March 2016	100,695	4,760	87	2,792	108,334
Depreciation and Impairment					
At 1 April 2015	1,238	82	-	-	1,323
Depreciation Charge	1,319	87	3	-	1,407
Depreciation written out to RR	-	(82)	1	-	(82)
Depreciation written out to SDPS	(1,238)	-	-	-	(1,238)
Derecognition - Disposals	(10)	-	-	-	(10)
At 31 March 2016	1,309	87	4	-	1,400
Net Book Value					
At 31 March 2016	99,386	4,673	83	2,792	106,394
At 31 March 2015	91,617	4,431	35	4,917	101,000

63 STATEMENT OF ACCOUNTS 2015/16 – HOUSING REVENUE ACCOUNT

Movement in Values 2014/15	Council Dwellings £'000	Other Land and Buildings £'000	Plant and Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation					
At 1 April 2014	85,228	3,498	38	1,124	89,888
Additions	2,529	-	-	3,793	6,322
Revaluation Increases/(decreases) to RR	-	583	-	-	583
Revaluation Increases/(decreases) to SDPS	5,409	-	-	-	5,409
Derecognition - Disposals	(311)	-	-	-	(311)
Other reclassifications	-	432	-	-	432
At 31 March 2015	92,855	4,513	38	4,917	102,323
Depreciation and Impairment					
At 1 April 2014	2,358	140	2	-	2,500
Depreciation Charge	1,242	82	1	-	1,325
Depreciation written out to SDPS	(2,358)	(140)	-	-	(2,498)
Derecognition - Disposals	(4)	-	-	-	(4)
At 31 March 2015	1,238	82	3	-	1,323
Net Book Value					
At 31 March 2015	91,617	4,431	35	4,917	101,000
At 31 March 2014	82,870	3,358	36	1,124	87,388

RR = Revaluation Reserve
SDPS = Surplus/Deficit on the Provision of Services

Note 3 Major Repairs Reserve

	2015/16 £'000	2014/15 £'000
Balance at 1 April	82	3,048
Receipts in year	1,408	1,242
Used in year:		
- Houses and flats	(1,490)	(4,208)
Balance at 31 March	-	82

Note 4 Housing Repairs Account

	2015/16 £'000	2014/15 £'000
Balance at 1 April	1,000	1,800
Contribution from HRA	3,944	2,030
Other Income	4	48
Expenditure	(3,945)	(2,878)
Transfer from HRA	500	-
Transfer to Reserve	(3)	-
Balance at 31 March	1,500	1,000

64 STATEMENT OF ACCOUNTS 2015/16 – HOUSING REVENUE ACCOUNT

Note 5 Capital Financing

The financing of capital expenditure on HRA property during the year is shown below. Only a proportion of this expenditure led to an increase in the value of assets and the remainder maintains the value of assets by keeping them in good repair.

	Houses and Flats £'000	Plant and Equipment £'000	Assets Under Construction £'000	Total £'000
Capital Receipts	38	-	-	38
Government Grants	-	-	1,033	1,033
Major Repairs Reserve	1,489	-	-	1,489
Revenue Contributions	1,098	49	3,281	4,428
Expenditure in 2015/16	2,625	49	4,314	6,988

Note 6 Capital Receipts

Capital receipts from the sale of HRA property in 2015/16 were £1,383,860 (£480,000 in 2014/15).

Note 7 Depreciation and Impairment

		2015/16 £'000	2014/15 £'000
Depreciation	Dwellings	1,319	1,242
	Garages	87	82
	Plant and Equipment	1	1
	Total	1,407	1,325
Amortisation	Intangible Asset	5	5
Impairment	Dwellings	4,062	-
Revaluation Gain	Dwellings	(4,850)	(7,766)
Total Charge		624	(6,436)

For 2015/16, there has been no change to the 32% adjustment factor applied to the market value of properties to derive the Existing Use-Social Housing Valuation but there has been an increase in market values. This is represented by the revaluation gain.

Note 8 Arrears

At 31 March 2016, arrears were 3.04% of the gross income due in the year. 2015/16 was a 52 week rent year and 2014/15 a 52 week rent year. The arrears figures are as follows:

	2015/16 £'000	2014/15 £'000
Arrears as at 31 March	367	326
Gross Income	12,083	11,744
Provision for Uncollectable Rents	294	117
Arrears as a percentage of gross income	3.04%	2.78%

65 STATEMENT OF ACCOUNTS 2015/16 – COLLECTION FUND

Collection Fund

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

	Council Tax £'000	2015/16 Business Rates £'000	Total £'000	2014/15 Total £'000
Income				
Council Tax (notes 1 and 2)				
Billed to Taxpayers	58,486	-	58,486	57,756
Non-Domestic Rates - Due (note 3)	-	41,540	41,540	41,651
Transitional Protection Payments	-	(24)	(24)	(165)
Family Annexes Grant	-	-	-	2
	58,486	41,516	100,002	99,244
Expenditure				
Collection Fund Surplus/(Deficit) in Previous Year				
Central Government	-	1,769	1,769	(1,784)
Fareham Borough Council	76	1,415	1,491	(1,427)
Hampshire County Council	561	318	879	(321)
Police and Crime Commissioner for Hampshire	84	-	84	-
Hampshire Fire and Rescue	33	35	68	(36)
	754	3,537	4,291	(3,568)
Precepts, Demands and Shares				
Central Government	-	21,360	21,360	20,647
Fareham Borough Council	5,837	17,088	22,925	22,262
Hampshire County Council	43,207	3,844	47,051	46,243
Police and Crime Commissioner for Hampshire	6,550	-	6,550	6,321
Hampshire Fire and Rescue	2,555	427	2,982	2,928
	58,149	42,719	100,868	98,401
Charges to the Collection Fund				
Cost of Collection Allowance	-	142	142	142
Increase/(Decrease) in Appeals Provision	-	2,804	2,804	3,226
Increase/(Decrease) in Bad Debt Provision	40	141	181	268
	40	3,087	3,127	3,636
	58,943	49,343	108,286	98,469
Fund balance brought forward at 1 April	1,357	316	1,673	898
Surplus/(Deficit) for the Year	(457)	(7,827)	(8,284)	775
Fund balance carried forward at 31 March	900	(7,511)	(6,611)	1,673

NOTES TO THE COLLECTION FUND

Note 1 Council Tax

Council Tax income derives from the charges raised according to the value of residential properties, classified into eight valuation bands estimating 1 April 1991 values for this purpose. Individual charges are calculated by estimating the amount of income required from the Collection Fund by Hampshire County Council, the Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts 41,630 for 2015/16 (40,974 for 2014/15). This basic amount of council tax for a Band D property is multiplied by the proportion specified for the particular band to give an individual amount due.

The basic amount of Council Tax for a Band D property was:

	2015/16 £'000	2014/15 £'000
Fareham Borough Council	140.22	140.22
Police and Crime Commissioner for Hampshire	157.33	154.26
Hampshire Fire and Rescue	61.38	61.38
Hampshire County Council	1,037.88	1,037.88
Total	1,396.81	1,393.74

Note 2 Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Government specifies a rate in the £ (in 2015/16, 48.0p for small businesses and 49.3p for large; in 2014/15, 47.1p for small businesses and 48.2p for large) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area. The rateable value at 31 March 2016 was £100,268,147 (£102,134,522 as at 31 March 2015). This rateable value is based on the valuation list effective from 1 April 2010.

Until 2012/13 the proceeds were paid into an NDR pool administered by the Government. The Government re-distributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

In 2013/14 a new system of Retained Business Rates was introduced, changing the way in which this funding stream is received. The Council collects business rates due in the usual way, but instead of paying it all over to the national pool, 50% is paid to Central Government, 9% to Hampshire County Council, 1% to Hampshire Fire and Rescue Authority and 40% is retained by the Council.

At the end of the year the Council compares its 40% retained rates income with the Business Rates Baseline set at the start of the system (based on rates collected up to 2011/12) and the Baseline funding level for the financial year. For 2015/16, the Business Rates Baseline was £16,898,945 (2014/15 £16,582,089) and the Baseline funding level was £1,750,447 (2014/15 £1,717,625).

Note 3 Collection Fund Balance

The Collection Fund balance for 2015/16 was a deficit of £6.611 million (a surplus of £1.673 million in 2014/15) which is included within the Balance Sheet. The amounts in respect of Fareham Borough Council are contained within the reserves section of the Balance Sheet and amounts due to the other major preceptors are shown within creditors.

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arises because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Amortised Cost

The amortised cost of a financial instrument is the amount at which the instrument is measured at initial recognition (usually cost) less any repayments of principal or reduction for impairment, or any adjustment for the difference between the initial amount and the maturity amount. Examples include adjustments for transaction costs or deferred interest payments that are required to be spread over the life of the instrument.

Carrying Amount

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate and Democratic Core

The Corporate and Democratic Core is comprised of Democratic Representation and Management which includes corporate policy making and all other member-based activities and Corporate Management which includes activities and costs that related to the general running of the Council.

Current Service Costs (Pensions)

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

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of contributions payable, and the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful amount.

68 STATEMENT OF ACCOUNTS 2015/16 – GLOSSARY OF TERMS

Depreciated Replacement Cost (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and relevant forms of obsolescence and optimisation.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual, or constructive obligation to award and which are awarded under the Council's discretionary powers.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected rate of return on pensions assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the assets held by the scheme.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date

Finance Lease

A lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historical Cost

The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

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

Investments (Non Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. That is, where the intention is to hold the investment is for the long term, or where the Council's ability to dispose of the investment is restricted. Investments, other than those related to the pension fund, that do not meet the above criteria are classified as current assets.

69 STATEMENT OF ACCOUNTS 2015/16 – GLOSSARY OF TERMS

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements for that Fund. However, authorities participating in the fund are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

Investment Properties

Interest in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

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

Non-Current Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non-Operational Asset

Non-current assets held by a Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases

A lease other than a finance lease.

Operational Assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs

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

Post Balance Sheet Events

Those events, favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Prior Year Adjustments

Material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

70 STATEMENT OF ACCOUNTS 2015/16 – GLOSSARY OF TERMS

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Property, Plant and Equipment

Non-current assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples are expenditure on renovation grants and assistance to Housing Associations enabling them to provide accommodation.

Related Parties

Related parties include Central Government, elected members of the Council and certain senior officers. For individuals identified as related parties the following are also related parties: members of their close family or of the same household and partnerships, trusts, or other entities in which they have a controlling interest.

Retirement Benefits

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

Scheme Liabilities

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

Useful Life

The period which an asset is expected to be available for use by the Council.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAREHAM BOROUGH COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Fareham Borough 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 the related notes 1 to 35,
- the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and notes 1 to 8,
- and Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities set out on page 9, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 'Statements of Accounts for the financial year 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.

72 STATEMENT OF ACCOUNTS 2015/16 – INDEPENDENT AUDITORS' REPORT

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Fareham Borough 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 the 'Statements of Accounts for the financial year 2015/16' 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 Fareham Borough 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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Fareham Borough 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 Fareham Borough 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, Fareham Borough 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 C&AG in November 2015, we are satisfied that, in all significant respects, Fareham Borough 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 Fareham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kate Handy (Executive Director)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
21/09/2016

HOW TO CONTACT US

This Statement and a Summary of Accounts can be viewed via the Council's website at www.fareham.gov.uk.

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