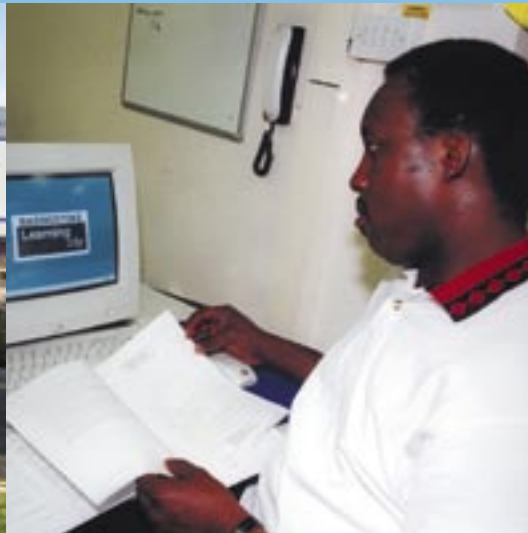




*Basingstoke  
and Deane*

# Statement of Accounts



## Statement of Accounts

for year ended 31st March 2004

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## EXPLANATORY FOREWORD

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### 1. Introduction

This document contains Basingstoke and Deane Borough Council's statement of accounts for the year ended 31 March 2004. The format of the presentation of the statement is laid down by a code of practice, which the Borough Council is legally required to follow.

This foreword contains a summary of the various statements that make up the 2003/04 accounts, a guide for the reader to the significant changes during the year and a summary of revenue expenditure and capital expenditure for the year.

### 2. Summary of Statement of Accounts

The Council's accounts for the year 2003/04 consist of the following statements:

- **Statement of Accounting Policies** - A statement that explains how the figures are calculated.
- **Statement of Responsibilities** - A statement setting out the Council's and the Corporate Director and Returning Officer's responsibility for the statement of accounts.
- **Statement on the System of Internal Control** - A statement setting out the Council's responsibilities for internal control, the level of assurance the system can give and the main features of the system including internal audit arrangements. The statement also identifies any material weaknesses in the system and what corrective action is being taken.
- **Consolidated Revenue Account** - A statement covering all the Council's revenue activities during the year.
- **Consolidated Balance Sheet** - A statement incorporating all of the Council's assets and liabilities at the end of the financial year.
- **Statement of Total Movements in Reserves** - A statement which explains all movements on reserves in the year. The total balance on this statement represents the Total Equity (Net Worth) as shown in the Consolidated Balance Sheet.
- **Consolidated Cash Flow Statement** - A statement incorporating all of the Council's revenue and capital activities during the year showing all cash movements between the Council and third parties. In the notes to this statement, there is a reconciliation that shows the relationship between the three main consolidated statements.
- **Collection Fund Revenue Account** - A separate statement for council tax and business rate income collected for the Borough, County, the Hampshire Police Authority and Central Government. Summary figures are not included in the Consolidated Revenue Account.

### 3. Significant changes during 2003/04 that have affected the Accounts

The most significant change during 2003/04 affecting the accounts is the full implementation of Financial Reporting Standard (FRS) 17 – Accounting for Pension Costs. This standard requires the Council's Statements to incorporate the estimated future assets/liabilities from the Pension Fund administered by Hampshire County Council on behalf of the Council's employees. This change requires a significant prior year adjustment and restatement of last years figures for comparison reasons. Details of the change in accounting policy and its impact can be seen in the Accounting Policy section on page 8.

The introduction of FRS17 has also meant that a real provision that the Council had started to create in order to meet future liabilities for early retirement costs was no longer required as the whole of the Council's future liability has been recognised in the accounts. The pension provision of approx £1.5m was therefore written back to the cost of services (Corporate and Democratic Core – Non Distributed Costs).

The Council is no longer responsible for the administration of Social Housing Grants this has led to a reduction in the Council's capital expenditure and deferred charges of £16m.

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## EXPLANATORY FOREWORD

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### 3. Significant changes during 2003/04 (Continued)

The notional interest rate used to calculate capital charges to the services is decided by Central Government and was changed from 6.0% to 3.5% or 4.625% depending on the type of asset. This has resulted in a reduction in the reported net cost of services of approx £4m.

During the year there was a comprehensive review of the Council's earmarked revenue reserves and balances which lead to the creation of some new reserves and closure of some old reserves. Details of the effects of these changes can be seen in the notes to the statement of total movement in reserves on page 30.

During the year there were also significant changes in the Council's Treasury Management Strategy relating to the Council's investments. The main changes were:

- The liquidating of the Council's externally managed Gilt Fund (approx £24m).
- The sale of the equities held by the Council. This generated a capital profit of approx £2m.
- An increase in the amount of longer term investments of approx £10m matched by a reduction in the amount of short term investments.

Included in the accounts is a large capital debtor of approx £8.5m. This relates to the proceeds from the sale of the equities as they were sold on 31<sup>st</sup> March 2004.

### 4. Overall Finances of the Council

The Council has a net worth of over £350m consisting mainly of a commercial property portfolio of over £200m, cash investments of over £100m and other fixed assets of over £50m.

The Council has no long term borrowing but does have a potential future liability of £30m in its employees pension fund.

The main areas of revenue expenditure include housing benefit payments of £24m, employee costs of £17m and notional charges for the use of capital assets of £11m.

The main sources of income include government reimbursement of Housing Benefits of £24m, commercial rents of £11m from the property portfolio and £8m of interest income from the investments. The balance is made up from Government Grants, reserves and through the Council Tax.

The Council has significant revenue reserves that are earmarked to fund the current capital programme and provide protection against the main risks to the Council's finances (e.g. a fall in interest rates and the level of commercial rents).

### 5. Summary of Capital Expenditure for the Year

Capital expenditure is spent on items that have a value to the Council or the community for more than a year, and is generally met from revenue, grants and contributions or the proceeds of the sale of capital assets.

The Council's capital spending was £13.2m which included expenditure of £5.6m on the purchase of non-approved investments (bonds). The balance of capital expenditure of £7.5m was £11.0m less than the planned £18.5m. The shortfall was mainly due to difficulties in progressing schemes causing them to be rescheduled into the following financial year.

Capital expenditure during the year was financed from capital reserves (40%), revenue contributions (35%) and grants and contributions (25%).

The Council is making a very significant investment for the future and has a capital programme of £23.2 million for the three years from 2004/05 to 2006/07. It is intended that this will continue to be resourced from capital receipts, revenue and capital reserves and specific grants and contributions.

## EXPLANATORY FOREWORD

### 6. Summary of Revenue Expenditure for the Year

Revenue expenditure is generally spent on running cost items used during the year, and is paid for by Council Tax, Government Grants, other income and transfers from balances.

During the year the net operating expenditure of the Council, before transfers to and from reserves, was £15.5m which compared to an original estimate of £17.8m a variance of £2.3m. This was mainly due to a gain on the revaluation of investments of £1.5m and minor underspends on services of £0.8m.

Contributions to Capital Reserves were £1.5m higher than anticipated reflecting the revaluation gain on investments. Contributions to other reserves were £0.8m more than anticipated due to the Council's policy of making contributions to the Revenue Reserve for Capital Purposes for the outturn surplus.

	<b>Original Estimate 2003/04 £'000</b>	<b>Actual 2003/04 £'000</b>	<b>Variation 2003/04 £'000</b>
Service Costs (excl Capital Charges)	18,530	17,704	(826)
Pension Provision (Change in Accounting Policy)		(1,516)	(1,516)
Capital Charges	14,788	13,778	(1,010)
<b>Net Cost of Services</b>	<b>33,318</b>	<b>29,966</b>	<b>(3,352)</b>
Interest & Investment Income	(6,233)	(6,193)	40
Revaluation of Investments		(1,453)	(1,453)
Pension Fund Return on Assets & Interest Costs		1,510	1,510
Reversal of Capital Charges	(14,788)	(13,778)	1,010
Other Operating Income & Expenditure	5,485	5,454	(31)
<b>Net Operating Expenditure</b>	<b>17,782</b>	<b>15,506</b>	<b>(2,276)</b>
Net contribution to/(from) Revenue Reserves	2,713	4,963	2,250
Net contribution to/(from) Capital Reserves	(4,789)	(3,336)	1,453
Net contribution to/(from) Pension Fund Reserve		(1,284)	(1,284)
Contribution to/(from) General Fund Balances	(493)	(636)	(143)
<b>To be Met from Grants &amp; Local Taxation</b>	<b>15,213</b>	<b>15,213</b>	<b>0</b>
<b>Met By:</b>			
Government Grants	9,463	9,463	0
Collection Fund	10	10	0
Parish Precepts	696	696	0
Council Tax	5,044	5,044	0
	<b>15,213</b>	<b>15,213</b>	<b>0</b>

The General Fund balance now stands at £1.5 million and is used as a working balance and to support future spending plans. Further details showing the movement between the Consolidated Revenue Account and earmarked reserves is shown on page 16 and in the Statement of Total Movements in Reserves on page 28.

### 7. Borrowing

The Council is "debt free" and there is no requirement to make a Minimum Revenue Provision (MRP) to reserve proportions of future capital receipts in order to repay external loans.

### 8. Further Information

Further information about the Council's finances is published in the Budget Book which is available from the Head of Financial Services at the Civic Offices, London Road, Basingstoke RG21 4AH, or by visiting the Council's website [www.basingstoke.gov.uk](http://www.basingstoke.gov.uk)

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## STATEMENT OF ACCOUNTING POLICIES

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The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain, which is recognised by statute as representing proper accounting practices.

### **1. Recognition of Fixed Assets**

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

### **2. Valuation of Fixed Assets**

Infrastructure assets, community assets and vehicles, plant, furniture and equipment have been included in the balance sheet at historical cost, net of depreciation, where appropriate.

Other operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value (usually open market value in existing use) net of depreciation where appropriate.

Non-operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value (for investment properties this is the open market value) net of depreciation where appropriate.

The land and building asset values in the accounts are based upon a valuation certificate issued on 31st March 2004 by the Council's Head of Property Services and are measured in accordance with the RICS Code of Measuring Practice.

All fixed assets have been valued in accordance with Financial Reporting Standard (FRS11- Impairment of Fixed Assets).

### **3. Revaluations**

The accounting code of practice requires a minimum 5-year rolling programme for the revaluation of assets held at current value. Revaluations may also occur when there has been a significant change during the year.

When assets are revalued, the fixed assets figure in the Balance Sheet is adjusted accordingly, with a corresponding adjustment being made in a revaluation reserve known as the Fixed Asset Restatement Account.

All revaluations have been done in accordance with FRS11 – Impairment of Fixed Assets.

### **4. Disposal of Fixed Assets**

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserve. Upon disposal, the assets are removed from the Balance Sheet by crediting the Fixed Assets Account and debiting the Fixed Asset Restatement Account.

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## STATEMENT OF ACCOUNTING POLICIES

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### 5. Depreciation of Fixed Assets

In accordance with the Code of Practice depreciation is considered for all fixed assets other than freehold land. Currently depreciation is not charged on non-operational properties. These properties are re-valued to current market value on a regular basis.

Where depreciation is provided for it has been calculated on the basis of equal amounts each year over the assets useful life (straight-line method).

For depreciation purposes, assets are estimated to have the following useful lives:

Infrastructure	10 to 20 years
Plant, vehicles and equipment	up to 8 years
Operational properties	up to 80 years

Depreciation has been accounted for in accordance with Financial Reporting Standard (FRS15).

### 6. Charges to Revenue for Fixed Assets

All of the Council's services and support services, are charged with a capital charge for the use of fixed assets.

The charges cover an annual provision for depreciation (where applicable), plus a notional interest charge (calculated as a percentage of the net book value of the asset recorded in the balance sheet).

The notional interest charge was 3.5% or 4.625% depending on the type of the asset (in 2002/03 the charge was 6%).

The amounts charged (debited) to the service accounts are reversed in the Asset Management Revenue Account which is not part of the net cost of services but is part of the net operating expenditure. This means that although the net cost of services is inflated by the capital charges there is no effect on the net operating expenditure and therefore no impact on council tax levels.

### 7. Leasing

The Council has acquired the use of a variety of vehicles, plant and equipment by means of operating leases. These assets do not appear in the balance sheet, as the Council does not own them. The revenue accounts are charged with the annual rentals when they become due.

### 8. Investments

All of the Council's investments are recorded at the lower of cost or market value. It is the Council's policy to hold long term investments until maturity.

The Council's short term investments with fund managers are shown at market value excluding any unrealised gains on investments held at the balance sheet date but including any accrued interest.

The Council's share of assets/investments held in the pension fund is valued at fair market value.

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## STATEMENT OF ACCOUNTING POLICIES

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### 9. Deferred Charges

Deferred charges represent spending which may properly be capitalised, but where no tangible fixed asset is created such as improvement grants. Where this type of spending does not provide a continuing benefit to the authority over an extended period, it is not kept in the balance sheet, being written out in the year to revenue accounts. The deferred charges written out to revenue services have been met by a contribution from the Capital Financing Account so that there is no impact on council tax levels (see page 29 note 2).

### 10. Accruals (Debtors and Creditors)

The Council accrues for revenue and capital, both for expenditure and income. Consequently, included in the accounts are amounts for both incomes due (debtors) and outstanding liabilities (creditors) at 31 March 2004.

### 11. Stocks and Work in Progress

Stocks and work in progress are recorded in the accounts at cost.

### 12. Provisions

The Council sets aside amounts for specific liabilities or losses which are certain or highly likely to be incurred but the amount or date (or both) cannot yet be determined accurately.

Provisions are included within creditors in accordance with the Code of Practice. The exceptions to this are the provisions for bad and doubtful debts which are off set against debtors, the corporate bonds depreciation provision which reduces the value of long term investments and the provision for depreciation which is off set against fixed assets.

### 13. Reserves

Amounts set aside for purposes other than provisions are treated as reserves. The purpose and use of all individual reserves is clearly shown in the Statement of Total Movements in Reserves and explanatory notes (pages 28 to 31).

### 14. Pensions

Pension costs have been charged to the accounts in accordance with Financial Reporting Standard 17 – Accounting for Retirement Benefits.

Movements on the Council's share of the pension fund is based on information supplied by the fund's actuaries (who use the projected unit method), adjusted for known contributions and discretionary contributions made by the Council.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities only when contributions became payable to the pension fund or pensioners.

The effects of the change on prior and current periods are: the overall amount to be met from Government Grants and local taxation has remained unchanged; the disclosed costs of services are 0.75% lower after replacing contributions made with current and past service costs; the net operating expenditure is 9% higher than it would otherwise have been; the recognition of the pension fund liability in the balance sheet has reduced the reported net worth of the Council by 7.7% from £382.3m to £352.9m.

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## STATEMENT OF ACCOUNTING POLICIES

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### **15. Overheads**

Charges for central and departmental support have been apportioned to services in accordance with the Best Value Accounting Code of Practice.

### **16. Grants**

Revenue grants received have been credited to the appropriate revenue account during the period to which they relate.

### **17. VAT**

All of the amounts in the statement of accounts are shown net of VAT.

### **18. Post Balance Sheet Events**

Any material post balance sheet events would require the restatement of previous year's figures and the recalculation of related information such as Performance Indicators.

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## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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### **The Council's Responsibilities**

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director and Returning Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts and Accounting Policies.

### **Responsibilities of the Corporate Director and Returning Officer**

The Corporate Director and Returning Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.

In preparing this Statement of Accounts, the Corporate Director and Returning Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are responsible and prudent;
- Complied with the Code of Practice (any significant non-compliance being fully disclosed).

The Corporate Director and Returning Officer has also:

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

The Statement of Accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2004.

**Dorcas Bunton CPFA  
Corporate Director and Returning Officer**

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## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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### 1. **Scope of Responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### 2. **Level of Assurance**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Council for the year ended 31 March 2004 and up to the date of approval of the annual accounts.

### 3. **The Internal Control Environment**

The key elements of an internal control environment are:

- Establishing and monitoring the achievement of the Council's objectives
- The facilitation of policy and decision-making
- Ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the Council, how leadership is given to the risk management process and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- The financial management of the authority and the reporting of financial management, and
- The performance management of the authority and the reporting of performance management

The Council has adopted a constitution with Cabinet and Leader. The Cabinet comprises the Leader, Deputy Leader and six portfolio holders. The portfolio holders have responsibility for the following areas:

- Forward Planning
- Communities and Regeneration
- Recreation and Culture
- Housing, Health and Homes
- Environmental Sustainability
- Employment, Skills and Learning

The Cabinet oversees all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under the Constitution.

The Council has adopted a scheme of delegation to Officers.

The Council has three overview committees and one scrutiny committee.

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## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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The Council has its own Standards Committee, which among its functions, promotes and maintains high standards of conduct by councillors and co-opted members, including the monitoring of the operation of the Code of Conduct.

The Council's Head of Legal Services advises the Cabinet, the Corporate Directors and the Heads of Service of new legislation and case law. The Council's Monitoring Officer is responsible for the legality of significant financial transactions. Compliance with operational policies rests with the Heads of Service.

The Council has a nominated section 151 Officer whose principal responsibilities include:

- The administration of the financial affairs of the Council
- The provision of advice on financial probity and budget and policy framework issues
- Compliance with the Accounts and Audit Regulations 2003
- Compliance with the CIPFA Statement on the Role of the Chief Finance Officer in Financial Administration in Local Government.

The Council's system of internal control during the year covered the requirements above with the exception of risk management. There were arrangements for the management of risks involved in the capital programme through the Capital Appraisal Scheme. In addition, the assessment of risk was identified in the Budget Strategy and the IEG Strategy. However, although a risk management strategy and draft risk register had been prepared during the financial year, it had not been approved by Cabinet by the year end.

An assessment of the Council's Corporate Governance arrangements in accordance with the framework issued by CIPFA/SOLACE was in progress at the year-end.

Disaster recovery arrangements are documented by each Business Unit. However, there was no corporate approach in place to co-ordinate these individual arrangements. A Corporate approach will be devised in 2004/05.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

##### **Management**

Business Unit Managers are responsible for the routine monitoring and review of the internal controls operating within their services. They should regularly report on the operation of internal controls to the Council's Cabinet through the Strategic Management Team.

During the year there were adequate arrangements for the monitoring and review of internal financial controls. However, the monitoring and review arrangements for operational risks had not been adopted by the year end. To ensure that risk management is embedded in the organisation it is being led by the Chief Executive.

##### **Internal Audit**

The responsibility for maintaining and reviewing the system of internal control rests with the Council. In practice, however, the Council is likely to take assurance from the work of Internal Audit.

During the year, the work of Internal Audit included reviews of the system of internal financial control.

Now that there is a risk management strategy in place it is now included in the audit plan for 2004/05.

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## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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### **External Auditors**

The external auditors are not required to form an opinion on the effectiveness of the Council's corporate governance and risk management procedures in their reports and management letters. The external auditors are not part of the internal control environment.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Council and a plan to address weaknesses and ensure continuous improvement of the system in place.

### **5. Significant Internal Control Issues**

There have been no significant internal financial control issues identified. The following action plan has been prepared for the implementation of risk management procedures:

Approval of the Risk Management Strategy by Cabinet	- June 2004
Incorporate risk considerations into Cabinet and Management reports	- June 2004
Fully integrate risk management into service planning	- October 2004
Internal Audit of Strategic Risk Register and Operational risks as identified in Service Plans	- March 2005
Annual review of strategy, risk register and action plan for approval by Cabinet and SMT and consideration by Scrutiny Committee	- June 2005
Ensure that risk management is integrated into the culture of the Organisation	- March 2006
Completion of the assessment of the Council's Corporate Governance arrangements in accordance with the CIPFA/SOLACE framework	- September 2004
Document corporate disaster recovery arrangements	- March 2005

**Signed:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Gordon Holdcroft**  
**Chief Executive**

**Signed:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**The Worshipful the Mayor of Basingstoke and Deane**

## CONSOLIDATED REVENUE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2004

2002/03 NET £'000		2003/04 Expenditure £'000	2003/04 Income £'000	2003/04 NET £'000	Note
	<b>SERVICE AREAS</b>				
3,406	Central Services to the Public	7,911	(5,189)	2,722	1
4,221	Corporate & Democratic Core	3,168	(21)	3,147	1
9,678	Cultural & Related Services	10,255	(963)	9,292	1
6,592	Environmental Services	7,466	(933)	6,533	1
4,287	Housing Services	26,437	(21,583)	4,854	1
3,961	Highways, Roads & Transport Services	5,128	(1,417)	3,711	1
3,690	Planning & Development Services	14,115	(14,408)	(293)	1
<b>35,835</b>	<b>NET COST OF SERVICES</b>	<b>74,480</b>	<b>(44,514)</b>	<b>29,966</b>	3
	<b>OTHER OPERATING INCOME &amp; EXPENDITURE</b>				
659	Precepts collected on behalf of Parish Councils	695		695	
(11)	Net (Surplus)/Deficit on Internal Insurance Account	525	(555)	(30)	4
(13,496)	Net (Income)/Expenditure on Asset Management Revenue Account	2,664	(11,635)	(8,971)	5
(6,991)	Interest & Investment Income	671	(8,335)	(7,664)	6
4,690	Pension Fund Interest Cost	4,710		4,710	14
(4,710)	Return on Pension Fund Assets		(3,200)	(3,200)	14
<b>15,976</b>	<b>NET OPERATING EXPENDITURE</b>	<b>83,745</b>	<b>(68,239)</b>	<b>15,506</b>	
	<b>APPROPRIATIONS</b>				
5,860	To/(from) Revenue Reserves			4,963	7
(6,031)	To/(from) Capital Reserves			(3,337)	8
7,294	Revenue Contributions to Capital Outlay (RCCO's)			4,976	9
(7,294)	From Revenue Reserves to Finance RCCO's			(4,976)	9
(190)	To/(from) Pension Reserve			(1,284)	14
<b>15,615</b>	<b>TO BE MET FROM GRANTS &amp; LOCAL TAXATION</b>			<b>15,848</b>	
	<b>SOURCES OF FINANCE</b>				
(3,130)	Revenue Support Grant			(4,138)	
(6,311)	Distribution from NNDR pool			(5,325)	
(4,887)	From Collection Fund for this year's precept excluding parishes			(5,044)	
(659)	From Collection Fund for this year's precept in respect of parishes			(695)	
(125)	From Collection Fund for previous year's surplus			(10)	
<b>503</b>	<b>GENERAL FUND (SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>636</b>	

2002/03 NET £'000	MOVEMENT ON GENERAL FUND BALANCE	2003/04 NET £'000
2,639	Balance at the beginning of the year	2,136
(503)	Surplus/(deficit) for the year	(636)
<b>2,136</b>	<b>BALANCE AT THE END OF THE YEAR</b>	<b>1,500</b>

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**1. Analysis of Service Areas**

<b>2002/03 NET £'000</b>		<b>2003/04 Expenditure £'000</b>	<b>2003/04 Income £'000</b>	<b>2003/04 NET £'000</b>
	<b>Central Services to the Public</b>			
459	Elections	487	(17)	470
36	Emergency Planning	17		17
1,101	General Grants	1,000		1,000
(218)	Local Land Searches	234	(476)	(242)
2,028	Local Tax Collection	6,173	(4,696)	1,477
<b>3,406</b>		<b>7,911</b>	<b>(5,189)</b>	<b>2,722</b>
	<b>Corporate &amp; Democratic Core</b>			
1,084	Corporate Management	1,029		1,029
2,711	Democratic Representation & Management	2,927	(21)	2,906
426	Non Distributed Costs	(788)		(788)
<b>4,221</b>		<b>3,168</b>	<b>(21)</b>	<b>3,147</b>
	<b>Cultural &amp; Related Services</b>			
2,438	Culture & Heritage	2,921	(116)	2,805
4,133	Open Spaces	4,181	(254)	3,927
3,010	Recreation & Sport	3,069	(593)	2,476
97	Tourism	84		84
<b>9,678</b>		<b>10,255</b>	<b>(963)</b>	<b>9,292</b>
	<b>Environmental Services</b>			
192	Cemetery & Cremation Services	270	(76)	194
88	Community Safety	139	(1)	138
187	Crime Reduction	40		40
1,872	Environmental Health	2,085	(340)	1,745
222	Land Drainage	230		230
982	Street Cleansing	1,261	(75)	1,186
3,049	Waste Collection	3,441	(441)	3,000
<b>6,592</b>		<b>7,466</b>	<b>(933)</b>	<b>6,533</b>
	<b>Housing Services</b>			
332	Homelessness	661	(120)	541
(103)	Housing Advances	40	(140)	(100)
361	Housing Advice	398	(13)	385
327	Housing Benefit Administration	1,503	(770)	733
1,174	Housing Benefits Payments	21,854	(20,443)	1,411
284	Housing Strategy	185		185
(29)	Other Council Property	62	(97)	(35)
1,499	Private Sector Renewal	1,270		1,270
442	Registered Social Landlords	464		464
<b>4,287</b>		<b>26,437</b>	<b>(21,583)</b>	<b>4,854</b>
	<b>Highways, Roads &amp; Transport Services</b>			
1,874	Highways (Routine Maintenance)	1,294		1,294
(104)	Parking Services	1,010	(1,307)	(297)
1,665	Public Transport	2,397	(107)	2,290
526	Transport Planning Policy & Strategy	427	(3)	424
<b>3,961</b>		<b>5,128</b>	<b>(1,417)</b>	<b>3,711</b>
	<b>Planning &amp; Development Services</b>			
134	Building Control (See below)	602	(513)	89
1,173	Development Control	2,210	(895)	1,315
98	Community Development (Partnerships etc.)	208		208
748	Economic Development (see below)	9,757	(12,951)	(3,194)
398	Environmental Initiatives	344		344
1,139	Planning Policy	994	(49)	945
<b>3,690</b>		<b>14,115</b>	<b>(14,408)</b>	<b>(293)</b>
<b>35,835</b>	<b>NET COST OF SERVICES</b>	<b>74,480</b>	<b>(44,514)</b>	<b>29,966</b>

The 2002/03 figures have been restated due to a change in accounting policy (see page 7) to enable comparisons to be made between years.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. Analysis of Service Areas (Continued)

A further breakdown of the Economic Development Service is detailed below:

2002/03 NET £'000		2003/04 Expenditure £'000	2003/04 Income £'000	2003/04 NET £'000
65	Industrial & Commercial Portfolio	7,685	(11,194)	(3,509)
31	Markets	69	(38)	31
(118)	Town Centre Development	1,210	(1,699)	(489)
213	Promotion of the Area	321	(23)	298
212	Supporting Local Businesses	141	3	144
345	Research & General Economic Development	331		331
<b>748</b>	<b>Total Economic Development</b>	<b>9,757</b>	<b>(12,951)</b>	<b>(3,194)</b>

### 2. Building Control

Building Control charges are set in accordance with regulatory requirements so that the income derived over a three-year period should not be less than the cost of the fee earning service. As some of the activities are non-fee earning a breakdown can be seen below:

2002/03 NET £'000		2003/04 Expenditure £'000	2003/04 Income £'000	2003/04 NET £'000
35	Fee Earning Service	430	(500)	(70)
99	Non-Fee Earning Service	172	(13)	159
<b>134</b>	<b>Total Building Control</b>	<b>602</b>	<b>(513)</b>	<b>89</b>

### 3. Net Cost of Services

The net cost of services includes capital charges for the use of fixed assets which are subsequently reversed within the Asset Management Revenue Account (see note 5) and estimated future years pension liabilities which are also reversed by a contribution to or from a new pension fund reserve. Both of these notional costs are reversed so that the net effect on the amount to be met from Government Grants and Council Tax is nil.

### 4. Surplus on Internal Insurance Account

In 2003/04 insurance charges of £555,000 were made to Services and Departments and are included in the Consolidated Revenue Account (£388,000 in 2002/03). These charges are used to off set payments made of £525,000 in 2003/04 (£377,000 in 2002/03) for settling insurance claims and paying insurance premiums to external insurance companies. These transactions resulted in a surplus for 2003/04 of £30,000 (£11,000 in 2002/03).

### 5. Asset Management Revenue Account

The purpose of this account is to reverse the effect of notional capital charges to services and replace it with the actual capital charges, so that there is no impact upon the council tax levied. The significant movements on this account were:

2002/03 £'000		2003/04 £'000
(15,570)	Reversal of Capital Charges (Interest and Depreciation)	(11,635)
2,028	Depreciation	2,646
46	External Interest Payable	18
<b>(13,496)</b>	<b>Net Income/Expenditure</b>	<b>(8,971)</b>

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**6. Interest & Investment Income**

During 2003/04, the Council had investments, which were managed internally and by two external fund managers. The interest credited to the Consolidated Revenue Account from these investments is shown below:

2002/03 £'000		2003/04 £'000
(5,027)	Interest Income from Council Managed Funds	(4,964)
1,650	Revaluation of Non-Approved Investments	671
(287)	(Profit)/Loss on disposal of Non-Approved Investments	(1,893)
(3,327)	Investment Income from Externally Managed Funds	(1,478)
<b>(6,991)</b>	<b>Total Interest &amp; Investment Income</b>	<b>(7,664)</b>

**7. Contributions to/(from) Revenue Reserves**

During 2003/04 the Council made a net contribution to earmarked reserves of £4.963 million as detailed below:

2002/03 NET £'000		To Reserve £'000	From Reserve £'000	2003/04 NET £'000
3,889	Revenue Reserve for Capital Purposes	1,912		1,912
	Capital Priorities Reserve for Capital Purposes	8,196		8,196
	Asset & Infrastructure Reserve for Capital Purposes	8,990		8,990
11	Insurance Reserve			0
1,702	Development Purposes Reserve		(8,292)	(8,292)
(191)	New Market Square Redevelopment Reserve		(158)	(158)
(72)	Budget Carry Forwards Reserve	344	(676)	(332)
(50)	Arts Festival Reserve		(58)	(58)
200	Pension Reserve	250		250
	Rent Risk Reserve	500		500
	Interest Rate Risk Reserve	1,000		1,000
	Modernisation Reserve		(31)	(31)
511	Information & Communication Technology Reserve		(1,632)	(1,632)
(1,025)	Reserve for Members' Future Decision			0
885	Revenue Reserve for Reinvestment		(5,382)	(5,382)
<b>5,860</b>	<b>Total Revenue Reserves</b>	<b>21,192</b>	<b>(16,229)</b>	<b>4,963</b>

**8. Contributions to/(from) Capital Reserves**

During 2003/04 the Council made a net contribution from Capital Reserves of £3.337 million as detailed below:

2002/03 NET £'000		To Reserve £'000	From Reserve £'000	2003/04 NET £'000
	<b>Capital Financing Account</b>			
(2,872)	Deferred Charges		(2,144)	(2,144)
(2,028)	Minimum Revenue Provision Adjustment (Depreciation)		(2,646)	(2,646)
(1,650)	Revaluation of Non-Approved Investments		(671)	(671)
287	Profit/(Loss) on Disposal of Non-Approved Investments	1,893		1,893
	<b>Reserved Capital Receipts</b>			
232	Investment Capital Depreciation Reserve	231		231
<b>(6,031)</b>	<b>Total Capital Reserves</b>	<b>2,124</b>	<b>(5,461)</b>	<b>(3,337)</b>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 9. Revenue Contributions to Capital Outlay (RCCO)

The Code of Practice requires that capital expenditure which is financed out of revenue reserves (such as the Revenue Reserve for Capital Purposes) must be shown as RCCO's in the Consolidated Revenue Account with a corresponding contribution from the respective reserve. In 2003/2004 the sum of £4.976 million was transferred from reserves to finance Revenue Contributions to Capital Outlay (£7.294 million in 2002/2003).

### 10. Operating Leases

The Council acquires the use of vehicles and plant under operating leases. The amount paid under these arrangements in 2003/04 was £446,000 (2002/03 £484,000). Subsequent payments required under these leases are £353,000 in 2004/2005, and £340,000 for 2005/2006 onwards. The Council also uses finance leases (see balance sheet note 15 on page 25).

### 11. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires local authorities to keep and disclose a separate account of its expenditure on publicity. The Council's spending on publicity is as follows:

2002/03 £'000		2003/04 £'000
150	Recruitment Advertising	115
184	Advertising & Marketing	157
544	Other Communications	499
<b>878</b>	<b>Total Publicity Expenditure</b>	<b>771</b>

### 12. Services to other Public Bodies

The Council is empowered by the Local Authority Goods and Services Act 1970 to provide goods and services to other public bodies. The Council provided services to Registered Social Landlords (RSL's) in the Borough. The income and expenditure for these services are set to match each other. Details of the services provided are shown below:

2002/03 Total £'000	Service Provided	Kingfisher Housing Assoc. £'000	Sentinel Housing Group £'000	2003/04 Total £'000
70	Grounds Maintenance	39	30	<b>69</b>
67	Cleansing	23	22	<b>45</b>
10	Cesspool Emptying	6	8	<b>14</b>
42	Waste Collection	0	18	<b>18</b>
18	Housing Waiting List	7	5	<b>12</b>
0	Weed Killing	9	4	<b>13</b>
<b>207</b>	<b>Total Services</b>	<b>84</b>	<b>87</b>	<b>171</b>

### 13. Agency Expenditure

The Council currently undertakes work on an agency basis for Hampshire County Council. The Council's reimbursable expenditure in respect of this work was £441,800 in 2003/2004 (£608,400 in 2002/03).

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 14. Pension Costs

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

The Council participates in the Local Government Pension Scheme administered by Hampshire County Council. The Scheme is a defined benefit scheme based on final pensionable pay. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However because the charge the Council has to make against council tax is based on the cash payable in the year the real costs are reversed out of the Consolidated Revenue Account after Net Operating Expenditure (as an appropriation to or from the Pension Fund Reserve).

The following transactions have been made in the Consolidated Revenue Account during the year:

	<b>2003/04</b> <b>£'000</b>
<b>Net Cost of Services</b>	
Current Service Costs	1,670
Past Service Costs	240
Gains and Losses on Settlements & Curtailments	0
<b>Other Operating Income &amp; Expenditure</b>	
Interest Costs	4,710
Expected Return on Assets in the Scheme	(3,200)
<b>Appropriations</b>	
Movement on Pension Fund Reserve	(1,284)
<b>Actual Amounts Charged Against Council Tax</b>	
Normal Funded Contributions	1,517
Lump sums for Early Retirements	70
Discretionary / UnFunded Added Years	322

Details of the assumptions made in estimating the figures included in this note and the Council's share of assets and liabilities in the Fund can be seen in note 20 to the balance sheet on page 26.

### 15. Provision for Bad or Doubtful Debts

The Council undertakes an evaluation of bad debt provision on an annual basis in order to assess the level of funds required to cover any eventual write-off of debts. This involves both an examination of current provisions and debtors accounts which are in arrears.

<b>31-Mar-03</b> <b>£'000</b>		<b>Provisions</b> <b>Written Back</b> <b>£'000</b>	<b>Provisions</b> <b>Made</b> <b>£'000</b>	<b>Written</b> <b>Off</b> <b>£'000</b>	<b>31-Mar-04</b> <b>£'000</b>
(946)	Housing Benefit	11	(313)		(1,248)
(316)	Industrial & Commercial Rents	5			(311)
(235)	Other Debtors	54	(105)	23	(263)
<b>(1,497)</b>	<b>Total Provisions</b>	<b>70</b>	<b>(418)</b>	<b>23</b>	<b>(1,822)</b>

Provisions for Council Tax & Business Rates (NNDR) Bad Debts are charged to the Collection Fund (Page 36, note 4).

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 16. Minimum Revenue Provision

As the Council achieved debt free status on 1st April 1995, there is no requirement to set aside a Minimum Revenue Provision (MRP) for the redemption of external debt.

### 17. Officers Remuneration & Members Allowances

Information relating to this is required under the Accounts and Audit Regulations 2003. This note gives the number of officers whose remuneration exceeded £50,000 in 2003/04. For this purpose remuneration includes all taxable benefits but excludes pension contributions.

Remuneration Band	Number of Officers
£50,001 - £60,000	10
£60,001 - £70,000	1
£70,001 - £80,000	2
£80,001 - £90,000	1
£90,001 - £100,000	0
£100,001 - £110,000	1

The total sum paid directly to Council Members for allowances in 2003/2004 including employer's contributions and travelling was £501,374 (£362,700 in 2002/2003).

### 18. Related Party Transactions

A related party transaction is the transfer of assets and liabilities or the performance of services by and for a related party. For the purposes of the disclosure, related parties are deemed to be Chief Officers, Elected Members, Central Government and other public bodies. All routine transactions are reported in the Consolidated Revenue Account and Collection Fund. There were no material transactions between the Council and Members or Chief Officers.

### 19. Auditors Remuneration

In 2003/04 the Council incurred the following fees relating to external audit and inspections.

2002/03 £'000		2003/04 £'000
82	Code of Practice Audit	111
15	Statutory Inspections	
40	Certification of Grant Claims	29
7	Other Work	10
<b>144</b>	<b>Total Auditors Remuneration</b>	<b>150</b>

**CONSOLIDATED BALANCE SHEET**  
**FOR THE YEAR ENDED 31 MARCH 2004**

31-Mar-03 £'000		31-Mar-04 £'000	31-Mar-04 £'000	Notes
	<b>Fixed Assets</b>			
	Operational Assets			
27,126	-Land and Buildings	27,172		
2,915	-Vehicles, Plant, Furniture & Equipment	3,250		
15,960	-Infrastructure Assets	18,585		
3,019	-Community Assets	3,021	52,028	
	Non-operational Assets			
198,520	- Industrial & Commercial Property		204,531	
<b>247,540</b>			<b>256,559</b>	1 to 9
<b>74,165</b>	<b>Long Term Investments</b>		<b>83,794</b>	10
	<b>Long Term Debtors</b>			
217	-Mortgages	202		
448	-Other	396	598	
<b>322,370</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>340,951</b>	
	<b>Current Assets</b>			
57,214	-Investments	42,324		11
6	-Stock	5		12
10,100	-Debtors	16,555		
79	-Cash in Hand	1,294	60,178	
<b>389,769</b>	<b>TOTAL ASSETS</b>		<b>401,129</b>	
	<b>Current Liabilities</b>			
(121)	-Temporary Borrowing (Non-Fixed)	(102)		
(17,390)	-Creditors	(18,447)		13
(36)	-Deferred Credits (Short Term)	(19)		
(1,697)	-Cash Overdrawn		(18,568)	
<b>370,525</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>382,561</b>	
	<b>Long Term Liabilities</b>			
(211)	-Deferred Credits (Long Term)		(198)	14
	<b>Deferred Liabilities</b>			
(11)	-Liability for Credit Arrangement			15
(34,272)	-Pension Fund Liability		(29,466)	20
<b>336,031</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>352,897</b>	
	<b>Represented by:</b>			
136,816	Fixed Asset Restatement Account		143,096	16
139,289	Capital Financing Account		140,042	16
6,659	Capital Reserve Set Aside for New Investment		6,890	16
55,539	Usable Capital Receipts		61,551	16
9,333	Other Capital Reserves		8,736	16
20,561	Earmarked Revenue Reserves		20,548	16
(34,272)	Pension Fund Reserve		(29,466)	16
2,136	General Fund Balance		1,500	16
(30)	Collection Fund Balance		0	16
<b>336,031</b>	<b>TOTAL EQUITY</b>		<b>352,897</b>	17

Signed:

\_\_\_\_\_  
Dorcas Bunton CPFA  
Corporate Director and Returning Officer

\_\_\_\_\_  
The Worshipful the Mayor of Basingstoke and Deane

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. Movement in Fixed Assets

Movements in fixed assets during the year were as follows:

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Non Operational Assets £'000	Total Fixed Assets £'000
<b>31 March 2003</b>						
Cost/Certified Valuation	28,013	3,874	20,539	3,021	198,520	253,967
Provision for Depreciation	(887)	(959)	(4,579)	(2)		(6,427)
<b>Net Book Value</b>	<b>27,126</b>	<b>2,915</b>	<b>15,960</b>	<b>3,019</b>	<b>198,520</b>	<b>247,540</b>

#### Movement in 2003/04

Additions (Expenditure)	555	1,228	2,453		1,149	5,385
Disposals					(1,780)	(1,780)
Revaluations	102		2	2	7,954	8,060
Re-Classifications			1,312		(1,312)	0
Depreciation in Year	(611)	(893)	(1,142)			(2,646)
	<b>46</b>	<b>335</b>	<b>2,625</b>	<b>2</b>	<b>6,011</b>	<b>9,019</b>

#### 31 March 2004

Cost/Certified Valuation	28,670	5,102	24,306	3,023	204,531	265,632
Provision for Depreciation	(1,498)	(1,852)	(5,721)	(2)	0	(9,073)
<b>Net Book Value</b>	<b>27,172</b>	<b>3,250</b>	<b>18,585</b>	<b>3,021</b>	<b>204,531</b>	<b>256,559</b>

### 2. Physical Assets Held

The Balance Sheet includes fixed assets to the value of £256.6 million. The table below provides a brief description of the range of assets held. It excludes assets that are de-minimis (i.e. DSO plant and vehicles with a value of less than £10,000 and other assets valued at less than £20,000).

	Number
<b>Land &amp; Buildings</b>	
Civic Offices	2
Community Centres and Meeting Halls	13
Sports Centres and Leisure Pavilions	12
Leisure Park	1
Public Convenience Blocks	12
Theatres	1
Concert Halls	1
Car Parks	15
Cemeteries	1
Depots	4
<b>Vehicle &amp; Plant</b>	
Vehicles	2
<b>Community Assets</b>	
Parks & Open Spaces (In Acres)	1,354
<b>Ind &amp; Comm Properties</b>	
Land (In Acres)	399
Buildings (In Acres)	23
Town Centre Retail Areas (In Acres)	22
Small Industrial Units	101
Agricultural Land (In Acres)*	2,000

\*The Council owns a 999 year lease on the agricultural land running from 20 February 1996. Under the provisions of a Joint Management Agreement between the Council and Hampshire County Council dated 20 February 1996, Hampshire County Council has the right to acquire a 50% share in the land from the Council.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 3. Capital Expenditure & Financing

Total capital expenditure for 2003/2004 amounted to £13.2m of which £2.1m was in respect of deferred charges and £5.6m in respect of non-approved investments.

2002/03 £'000		2003/04 £'000
	<b>Capital Expenditure</b>	
11,689	Fixed Assets (see note 1)	5,385
2,872	Deferred Charges (see note 4)	2,144
16,000	Other Long Term Debtors (Loans/Social Housing Grants)	0
4,156	Non-Approved Investments	5,626
<b>34,717</b>	<b>Total Capital Expenditure</b>	<b>13,155</b>
	<b>Source of Finance</b>	
7,294	Direct Revenue Financing	4,976
11,762	Usable Capital Receipts	5,701
12,200	Capital Receipts Set Aside for New Investment	
375	Specific Capital Grants (Improvement Grants)	399
825	S52/106 Developers Contributions	2,509
276	Other Capital Contributions	555
<b>32,732</b>	<b>Total Financing of Capital</b>	<b>14,140</b>

The difference between capital expenditure and capital financing is due to the expenditure being on an accruals basis and the financing being on a cash basis.

### 4. Deferred Charges

Deferred charges arise when capital payments are made and no fixed asset is created. In accordance with the code of practice they are written off to revenue in the year in which they arise. There were no outstanding deferred charges at the 31 March 2004 but during the year deferred charges of £2.144 million (£0.95 million of Improvement Grants and £1.19 million of other expenditure mainly grants and contributions) were raised and were written-off to revenue.

### 5. Disposal of Fixed Assets and Capital Income

The balance sheet value of fixed assets disposed of in 2003/2004 amounted to £1.780 million (see note 1). Capital Income received in the year was as follows:

2002/03 £'000		2003/04 £'000
2,725	Net Proceeds from the Sale of Fixed Assets	1,863
46	Mortgage Repayments	31
3,453	Sale of Non-Approved Investments	9,819
16,000	LASHG Receipts	0
3,123	S106 Developers Contributions	2,089
153	Developers Commuted Sum Payments	29
447	Miscellaneous Contributions	349
<b>25,947</b>	<b>Total Capital Income</b>	<b>14,180</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 6. Valuation Disclosure

All of the Council's properties were initially valued over a 6 month period from September 1994 to March 1995. In all cases the effective date for the valuations was 1 April 1994. Assets have since been re-valued due to significant changes in their values, or as part of a minimum 5 year rolling programme. The basis for the valuations is shown in the Statement of Accounting Policies on page 5. The properties were valued by M.R. Davies (an Associate of the Royal Institute of Chartered Surveyors), the Council's Head of Property Services.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community Assets £'000	Non Operational Properties £'000	Total £'000
Historical Cost	48	3,250	18,585	2,875	234	24,992
Valuations in:						
2003/04	1,411			57	33,766	35,234
2002/03	11,676				144,894	156,570
2001/02	3,412			89	5,799	9,300
2000/01	666				13,201	13,867
1999/00	9,959				6,637	16,596
<b>Total Fixed Assets</b>	<b>27,172</b>	<b>3,250</b>	<b>18,585</b>	<b>3,021</b>	<b>204,531</b>	<b>256,559</b>

For valuations not updated to the balance sheet date the Council is not aware of any material change in value.

### 7. Analysis of Revaluations & Re-Classifications

Site	Revalue Up/(Down) £'000	Re- Classified £'000	Reason for change
<b>Land &amp; Buildings</b>			
Public Conveniences	252		Revaluation to reflect market conditions
Council Offices	(343)		Revaluation/Enhancement
Various Sites	193		Various
<b>Infrastructure</b>			
Churchill Way Bridge		1,312	Re-Classified following completion
Various Sites	2		Revaluation/Enhancement
<b>Community Assets</b>			
Down Grange	2		Revaluation to reflect market conditions
<b>Non Operational Assets</b>			
Community Facilities	(457)		Revalued to de-minimis/reflect market conditions
Daneshill	(180)		Revaluation to reflect market conditions
Houndmills	770		Revaluation to reflect market conditions
Joule Road	200		Revaluation to reflect market conditions
Hassocks Workshops	590		Revaluation to reflect market conditions
Viabes	1,970		Revaluation to reflect market conditions
Basing View	4,221		Revaluation to reflect market conditions
Bishops Green	440		Revalued from de-minimis
Churchill Way Bridge		(1,312)	Re-Classified following completion
Essex Road	300		Revaluation to reflect market conditions
Health Centres	(190)		Revaluation to reflect market conditions
Various Sites	290		Various
<b>Total Revaluations</b>	<b>8,060</b>	<b>0</b>	

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 8. Depreciation

Depreciation is charged in accordance with the Council's accounting policies (note 5 on Page 6).

### 9. Commitments Under Capital Contracts

The Council is committed to contracts for the following Capital Schemes:

Scheme	Amount £'000
Gabriel Park Community Facility	135
Landscape / Environmental Improvements / Traffic Play Areas	28
Sewerage Treatment Works	50
Other (schemes less than £20,000)	30
	34
<b>Total Commitments</b>	<b>277</b>

### 10. Long Term Investments

The Council has the following long-term investments, which include investments to the value of £15 million that were originally fixed for more than one year but are due to mature in 2004/05. The Council proposes to reinvest the proceeds of these investments in line with its Treasury Management Strategy. Each investment is valued at the lower of cost or market value.

Cost / Market Value At 31-Mar-03 £'000		Purchase of Investments In Year £'000	Investments Realised In Year £'000	Market Value Adjustment £'000	Cost / Market Value At 31-Mar-04 £'000
41,400	<b>Loans fixed for periods of between 1 &amp; 5 years</b>	24,600	(12,000)		54,000
26,214	Local Authority & Corporate Bonds	5,535	(1,337)	(671)	29,741
3,385	Norwich Union UK Growth Fund	91	(3,476)		0
3,112	Newton Income Fund		(3,112)		0
50	ADC Ltd - Debentures				50
4	Conversion Stocks				4
<b>74,165</b>	<b>Total Long Term Investments</b>	<b>30,226</b>	<b>(19,925)</b>	<b>(671)</b>	<b>83,795</b>

### 11. Current/Short Term Investments

The Council has the following short term investments. Each investment is valued at the lower of cost or market value.

Cost / Market Value At 31-Mar-03 £'000		Purchase of Investments In Year £'000	Investments Realised In Year £'000	Movement in Fund Value £'000	Cost / Market Value At 31-Mar-04 £'000
4,900	<b>Loans fixed for periods up to 1 year</b>	135,230	(127,300)		12,830
23,640	Managed Gilt Fund		(23,640)		0
28,674	Managed Cash & Gilt Fund			820	29,494
<b>57,214</b>	<b>Total Short Term Investments</b>	<b>135,230</b>	<b>(150,940)</b>	<b>820</b>	<b>42,324</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 12. Debtors

Debtors are shown net of bad debt provisions and in 2003/2004 include the repayments of principal due within one year for loans given by the Council including mortgages and staff car loans. The significant provisions for bad debt are commercial rents and the non-recovery of overpaid housing benefit.

Net 31-Mar-03 £'000		Capital Debtors £'000	Revenue Debtors £'000	Bad Debt Provision £'000	Net 31-Mar-04 £'000
	Employee Related		17		17
1,485	Industrial & Commercial Rents		2,310	(311)	1,999
812	Council Tax Payers		4,446	(3,993)	453
1,473	Business Rates (NNDR) Payers		1,363	(940)	423
1,218	Housing Benefit		1,420	(1,248)	172
64	Other Government Grants		180		180
2,917	Accrued Investment Interest		2,744		2,744
2,131	Other Goods and Services	8,679	2,151	(263)	10,567
<b>10,100</b>	<b>Total Debtors</b>	<b>8,679</b>	<b>14,631</b>	<b>(6,755)</b>	<b>16,555</b>

### 13. Creditors

In 2002/03 there was a pension provision (employee related) that was written back to services during 2003/04 due to the introduction of FRS17 (see page 2).

Net 31-Mar-03 £'000		Capital Creditors £'000	Revenue Creditors £'000	Net 31-Mar-04 £'000
(2,728)	Employee Related		(783)	(783)
(2,131)	Industrial & Commercial Rents		(2,011)	(2,011)
(684)	Council Tax Payers		(968)	(968)
(709)	Business Rates (NNDR) Payers		(1,393)	(1,393)
(3,945)	Business Rates (NNDR) Pool		(6,711)	(6,711)
(12)	Housing Benefit		(65)	(65)
(7)	Other Government Grants			0
(7,174)	Other Operational Items	(2,155)	(4,361)	(6,516)
<b>(17,390)</b>	<b>Total Creditors</b>	<b>(2,155)</b>	<b>(16,292)</b>	<b>(18,447)</b>

### 14. Deferred Credits - Mortgages

These represent the principal outstanding on mortgages for sold council houses and loans advanced in previous years to Housing Associations and private individuals. The repayments of principal due within one year are included as a current liability in line with recommended practice.

### 15. Deferred Liabilities - Finance Leases

The Council has one capital asset (the Access Control System) that was acquired under a finance lease in 1999/2000. The net book value of this equipment was £11,300 at 31 March 2004. There are no outstanding lease obligations for this equipment.

### 16. Reserves

All of the movements on reserves are shown separately in The Statement of Total Movements in Reserves shown on pages 28 to 31.

### 17. Total Equity (Net Assets Employed)

All of the £353 million of assets employed by the Council (Total Equity/Net Worth) relate to the General Fund.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 18. Local Authorities (Companies) Order 1995

The Council continually monitors its position regarding the Legislation and for the purposes of the Order there are no companies which are deemed to be regulated in 2003/2004.

### 19. Contingent Liabilities and Post Balance Sheet Events

The Council is aware of a complaint lodged with the Office of Fair Trading regarding Local Authorities abusing their dominant position in the carrying out of local land searches. Although this Council is not one of the Councils complained about there is a potential for legal action against the Council. If upheld the complaint could lead to a fine of up to 10% (or approx £46,700) of the turnover on local land searches as well monetary compensation for damages which cannot be estimated either in terms of amounts or timings. It is highly unlikely that this Council will be affected financially.

### 20. Pensions

In accordance with Financial Reporting Standard No.17 - Retirement Benefits (FRS17) the Council is required to disclose information concerning the assets and liabilities relating to pension schemes for its employees.

The Council participates in the Local Government Pension Scheme, which is administered by Hampshire County Council. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The Council's share of assets and liabilities in the Pension Fund was as follows:

<b>31-Mar-03 £'000</b>		<b>31-Mar-04 £'000</b>
49,050	Share of Assets in the Fund	56,640
(83,322)	Estimated Liabilities in the Fund	(86,106)
<b>(34,272)</b>	<b>Net Asset / (Liability) in the Fund</b>	<b>(29,466)</b>

The net liability shows the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £29m has a significant impact on the net worth of the Council as recorded in the balance sheet, resulting in an overall balance of £353m.

The net liability will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The scheme is not fully funded and the Actuarial Valuation of 31 March 2001 has recommended that contribution rates should be as follows until the next review due in 2004:

<b>Year</b>	<b>Staff and Manual Workers</b>	<b>Manual Workers pre 1999</b>
2002	12.30%	10.25%
2003	12.90%	10.75%
2004	13.50%	11.25%

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Hewitt Bacon & Woodrow Limited, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2001.

It should be noted that under the projected unit method the current service cost will increase as members of the scheme approach retirement.

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**20. Pensions (Continued)**

The main assumptions used in their calculations have been:

2002/03		2003/04
	<b>General Assumptions</b>	
6.1%	Discount Rate	6.4%
4.1%	Rate of Increase in Salaries	4.4%
2.6%	Rate of Increase in pensions in payment	2.9%
2.6%	Rate of Increase in deferred pensions	2.9%
2.6%	Inflation Rate	2.9%
	<b>Return on Investments</b>	
7.6%	Equities	7.7%
4.6%	Bonds	4.7%
6.6%	Property	6.7%
3.1%	Other Assets	4.2%

Assets are valued at fair value, principally market value for investments and consist of the following categories, by proportion of the total assets held by the Fund:

31-Mar-03		31-Mar-04
66%	Equities	71%
23%	Bonds	21%
6%	Property	4%
5%	Other Assets	4%

The movement in the net liability for the year to 31 March 2004 is as follows:

	£'000	£'000
<b>Net Liability reported last year</b>		(28,620)
<b>Prior Year Adjustment</b>		(5,652)
<b>Net Liability at 31 March 2003</b>		<b>(34,272)</b>
<b>Movement in Year:</b>		
<b>Operating Charge:</b>		
Current Service Costs	(1,670)	
Past Service Costs	(239)	
Gain/Loss on settlements or curtailments		
<b>Total Operating Charge</b>		(1,909)
<b>Contributions (cash paid in)</b>		2,135
<b>Finance Income</b>		
Expected Return on Assets	3,200	
Interest on Liabilities	(4,710)	
<b>Total Finance Income</b>		(1,510)
<b>Actuarial Gain/Loss</b>		6,090
<b>Net Liability at 31 March 2004</b>		<b>(29,466)</b>

**21. Euro Costs**

At present there are no indications of the potential costs of implementing the Euro.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2004

Balance 31-Mar-03 £'000		To/(From) Revenue Accounts £'000	Other Capital Items £'000	Capital Financing £'000	Balance 31-Mar-04 £'000	Notes
	<b>Capital Reserves</b>					
(136,816)	Fixed Asset Restatement A/c		(6,280)		(143,096)	1
(139,289)	Capital Financing Account	3,568	9,819	(14,140)	(140,042)	2
(55,539)	Usable Capital Receipts		(11,713)	5,701	(61,551)	3
(6,659)	Set Aside for New Investment	(231)			(6,890)	4
(9,333)	Other Capital Reserves		(2,467)	3,064	(8,736)	6
	<b>Revenue Reserves</b>					
(20,561)	Earmarked Reserves	(4,963)		4,976	(20,548)	7 & 8
(2,136)	General Fund Balance	636			(1,500)	
30	Collection Fund Balance	(30)			0	
34,272	<b>Pension Fund Reserve</b>	1,284	(6,090)		29,466	9
<b>(336,031)</b>	<b>Total Equity/Net Worth</b>	<b>264</b>	<b>(16,731)</b>	<b>(399)</b>	<b>(352,897)</b>	

### SUMMARY OF GAINS & LOSSES

Gains / (Losses)			Gains / (Losses)	
2002/03 £'000	2002/03 £'000		2003/04 £'000	2003/04 £'000
(503)		<b>Revenue Surplus/(Deficit) in the Year</b>		
(986)		Revenue Account	(636)	
		Collection Fund	30	
0		<b>Reserve Movements</b>		
5,860	4,371	Pension Fund Reserve	(1,284)	
		Earmarked Reserves	4,963	3,073
	0	<b>Actuarial Gain/(Loss) from Pension Fund</b>		6,090
	16,978	<b>Unrealised Gain on Revaluation of Fixed Assets</b>		8,060
	(1,650)	<b>Loss on Revaluation of Investments</b>		(671)
(1,374)		<b>Gain/(Loss) on Disposal of Fixed Assets</b>		
2,725	1,351	Value of Assets	(1,780)	
		Proceeds from Disposal	1,863	83
(3,166)		<b>Gain/(Loss) on Disposal of Investments</b>		
3,453	287	Value of Investments	(7,926)	
		Proceeds from Disposal	9,819	1,893
16,000		<b>Amounts Set Aside</b>		
(1,796)	14,204	Capital Receipts Set Aside	0	
		Revenue Resources Set Aside	(2,415)	(2,415)
375		<b>Other Capital Grants, Contributions &amp; Receipts</b>		
46		Capital Grants	399	
3,723	4,144	Housing Capital Receipts/Mortgages	31	
		Capital Contributions	2,467	2,897
	(18,872)	<b>Deferred Charges &amp; Other Long Term Debtors Written Off / Down in Year</b>		(2,144)
	<b>20,813</b>	<b>Total Gains &amp; Losses (movement in Total Equity)</b>		<b>16,866</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

### 1. Fixed Asset Restatement Account

The purpose of this reserve is to reflect movements in fixed assets resulting from revaluations and disposals. The main movements on this reserve were as follows:

2002/03 £'000		2003/04 £'000
1,374	Disposal of Fixed Assets (Value)	1,780
(16,978)	Revaluation of Fixed Assets	(8,060)
<b>(15,604)</b>	<b>Total Movement</b>	<b>(6,280)</b>

### 2. Capital Financing Account

The purpose of this account is to record capital amounts used to finance capital expenditure and non-approved investments. As the Council is debt free, capital receipts previously reserved for debt repayments are now usable for new capital expenditure other than Local Authority Social Housing Grant. The main movements were:

2002/03 £'000		2003/04 £'000
(32,732)	Capital Expenditure Financing	(14,140)
2,872	Deferred Charges Written Off	2,144
16,000	Other Long Term Debtors Written Down / Repaid	0
2,028	Minimum Revenue Provision (equal to depreciation)	2,646
3,166	Disposal of Non-Approved Investments (Value)	7,926
1,650	Revaluation of Non-Approved Investments	671
<b>(7,016)</b>	<b>Total Movement</b>	<b>(753)</b>

### 3. Usable Capital Receipts Reserve

This represents the accumulated capital receipts (proceeds from the disposal of fixed assets) that are available to finance any capital expenditure. The main movements on this account were as follows:

2002/03 £'000		2003/04 £'000
(2,725)	Proceeds from the Disposal of Fixed Assets	(1,863)
(46)	Mortgage Repayments	(31)
(3,453)	Proceeds from Disposal of Non-Approved Investments	(9,819)
11,762	Used to Finance Capital Expenditure	5,701
<b>5,538</b>	<b>Total Movement</b>	<b>(6,012)</b>

### 4. Set Aside for New Investment Reserve

The purpose of this reserve is to record the capital receipts and revenue contributions set aside. The main movements on this reserve were as follows:

2002/03 £'000		2003/04 £'000
(16,000)	Reimbursed Local Authority Social Housing Grants	0
12,200	Used to Finance Capital Expenditure	0
(232)	Set Aside from Revenue for Capital Depreciation	(231)
<b>(4,032)</b>	<b>Total Movement</b>	<b>(231)</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

### 5. Provision for Credit Liabilities (PCL)

The Local Government and Housing Act 1989 requires Local Authorities to set aside sums as a provision to repay external loans and finance leases. The Council does not need to maintain a separate account for the PCL but it is required to produce a memorandum account, which is set out below:

	£'000
<b>Balance at 1 April 2003</b>	<b>(6,670)</b>
Reserved Proportion of Capital Receipts	0
Application of PCL to finance capital expenditure	0
Application of PCL to finance credit arrangements	11
Set Aside from Revenue	(231)
<b>Balance at 31 March 2004</b>	<b>(6,890)</b>

### 6. Other Capital Reserves

These reserves consist of capital contributions and the movement on these reserves was as follows:

31-Mar-03 £'000	Reserve	"Capital" Receipts £'000	Used to Finance Capital £'000	31-Mar-04 £'000
(2,314)	Commuted Payments Reserve	(29)		(2,343)
(6,797)	S52/S106 Contributions Reserve	(2,089)	2,509	(6,377)
(222)	Miscellaneous Capital Contributions	(349)	555	(16)
<b>(9,333)</b>	<b>Total Other Capital Reserves</b>	<b>(2,467)</b>	<b>3,064</b>	<b>(8,736)</b>

### 7. Movement in Earmarked Revenue Reserves

The purpose of these earmarked reserves is shown in note 8. The movement on these reserves was as follows:

31-Mar-03 £'000	Reserve	From/(To) Revenue Account £'000	Used to Finance Capital £'000	31-Mar-04 £'000
(3,064)	Revenue Reserve for Capital Purposes (RRCP)	(1,912)	4,976	0
	Capital Priorities Reserve for Capital Purposes	(8,196)		(8,196)
	Asset & Infrastructure Reserve for Capital Purposes	(8,990)		(8,990)
	Rent Risk Reserve	(500)		(500)
	Interest Rate Risk Reserve	(1,000)		(1,000)
(193)	Enterprise Centre Reserve			(193)
(8,292)	Development Purposes Reserve (DPR)	8,292		0
(411)	Insurance Reserve			(411)
(158)	New Market Square Redevelopment Reserve	158		0
(733)	Budget Carry Forwards Reserve	332		(401)
(607)	Pension Reserve	(250)		(857)
(1,632)	Information and Communication Technology Reserve	1,632		0
(31)	Modernisation Reserve	31		0
(58)	Arts Festival Reserve	58		0
	Future Member Decision Reserve			0
(5,382)	Revenue Reserve for Reinvestment	5,382		0
<b>(20,561)</b>	<b>Total Earmarked Revenue Reserves</b>	<b>(4,963)</b>	<b>4,976</b>	<b>(20,548)</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

### 8. Purpose of Earmarked Reserves

The purpose of each of the reserves held at 31 March 2004 is shown below:

Reserve	Purpose
Capital Priorities Reserve for Capital Purposes	To provide resources for future capital expenditure.
Asset & Infrastructure Reserve for Capital Purposes	To provide resources for future capital expenditure relating to the maintenance of property assets.
Rent Risk Reserve	To cover for lost rental income from property assets.
Interest Rate Risk Reserves	To cover for lost investment income from changes in interest rates.
Enterprise Centre Reserve	To cover a possible rent subsidy for the enterprise centre.
Insurance Reserve	To provide self-funding for specific elements of insurance claims in order to save costs and to provide resources to fund risk management initiatives.
Budget Carry Forwards Reserve	To provide funds for items that were budgeted in the current year but will not be spent until the following year.
Pension Reserve	To meet the cost of reimbursing the Hampshire County Council Pension Fund for early retirements.

### 9. Pension Fund Reserve

FRS17 - Accounting for Retirement Benefits requires the net liability of the Council's share in its employees pension fund to be recognised in the accounts. The liability gives rise to a new Pension Fund Reserve. The movement on this reserve was as follows:-

2002/03 £'000		2003/04 £'000
	Contribution to Revenue	1,284
	Actuarial Gain	(6,090)
<b>0</b>	<b>Total Movement</b>	<b>(4,806)</b>

The actuarial gain/loss can be further analysed as follows:

	Gains/ (Losses) £'000	% of total Pension Fund
Actual return less expected return on assets	6,000	10.6%
Experience gains and losses on pension liabilities	(90)	0.1%
Changes in assumptions underlying the present value of pension liabilities	180	0.2%
<b>Total Actuarial Gain/(Loss)</b>	<b>6,090</b>	

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

2002/03 £'000		2003/04 £'000
	<b>REVENUE ACTIVITIES</b>	
17,008	<b>Cash Outflows</b> Employment Costs	19,358
26,595	Housing Benefits	26,337
47,935	NNDR to Pool	54,227
659	Parish Precepts Paid	695
46,282	Precepting Authorities (HCC & Police)	54,196
20,512	Other Operating Costs ( Services & DSO)	19,432
(53,562)	<b>Cash Inflows</b> Council Tax	(61,798)
(50,043)	Income from Business Rates	(59,076)
(6,311)	Income from NNDR Pool	(5,325)
(3,130)	Revenue Support Grant	(4,138)
(24,249)	DWP Grants for Rebates	(26,663)
(689)	Other Government Grants	(994)
(13,233)	Income from Commercial Rents & Service Charges	(12,259)
(6,937)	Income from Fees, Charges and Services	(6,044)
<b>837</b>	<b>Net Cash (Inflow) / Outflow from Revenue Activities (note 1)</b>	<b>(2,052)</b>
	<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>	
44	<b>Cash Outflows</b> Interest Paid	15
2	Interest Element of Finance Lease Rentals	3
(8,423)	<b>Cash Inflows</b> Interest Received From External Investments	(6,615)
<b>(7,540)</b>	<b>(Increase) / Decrease in Revenue Cash and Cash Equivalents</b>	<b>(8,649)</b>
	<b>CAPITAL ACTIVITIES</b>	
9,946	<b>Cash Outflows</b> Acquisition of Fixed Assets	6,323
17,156	Purchase of Long Term Investments	30,226
2,872	Capital Grants & Contributions (Deferred Charges)	2,144
16,000	Other Long Term Debtors	
(16,000)	<b>Cash Inflows</b> Local Authority Social Housing Grant	0
(2,725)	Sales of Assets	(1,863)
(20,953)	Sales of Long Term Investments	(13,335)
(3,723)	Other Capital Receipts & Contributions	(2,467)
(375)	Specific Capital Grants	(399)
(46)	Mortgage Repayments	(31)
<b>2,152</b>	<b>Net Cash (Inflow) / Outflow from Capital Activities</b>	<b>20,598</b>
	<b>MANAGEMENT OF LIQUID RESOURCES (note 3)</b>	
6,264	<b>Cash Inflows</b> Increase/(Decrease) in Short Term Investments	(14,890)
	<b>FINANCING</b>	
11	<b>Cash Outflows</b> Capital Element of Finance Lease Payments	10
8,548	Repayment of Short Term Loans in the Year	111
(8,469)	<b>Cash Inflows</b> New Short Term Loans Raised in Year	(92)
<b>8,506</b>	<b>(Increase) / Decrease in Capital Cash and Cash Equivalents</b>	<b>5,737</b>
<b>966</b>	<b>NET MOVEMENT IN CASH (note 2)</b>	<b>(2,912)</b>

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### 1. Reconciliation to Consolidated Revenue Account

The purpose of this note is to reconcile the net cash flow from revenue activities in the Cash Flow Statement to the surplus or deficit for the year in the Consolidated Revenue Account.

2002/03 £'000		2003/04 £'000
<b>503</b>	<b>Revenue (Surplus) / Deficit for the year</b>	<b>636</b>
	<b>Non-cash Transactions:</b>	
(5,860)	Contributions (to) / from Revenue Reserves	(4,963)
6,031	Contributions (to) / from Capital Reserves	3,337
(1,650)	Revaluation of Non-Approved Investments	(671)
287	Profit / (Loss) on Disposal of Non-Approved Investments	1,893
(2,872)	Deferred Charges	(2,144)
986	Collection Fund (Surplus) / Deficit	(30)
(2,028)	Capital Financing Charges	(2,646)
3	Other Non-Cash Transactions	1
	<b>Items shown in Servicing of Finance section</b>	
8,377	Net Interest on Balances	6,597
	<b>Items on an Accruals Basis:</b>	
(103)	(Decrease) / Increase in Long Term Debtors	(67)
1	(Decrease) / Increase in Stock	(1)
(43)	(Decrease) / Increase in Revenue Debtors	(1,982)
(2,841)	(Increase) / Decrease in Revenue Creditors	(2,042)
46	(Increase) / Decrease in Deferred Credits (Current & Long Term Liabilities)	30
<b>837</b>	<b>NET CASH FLOW FROM REVENUE ACTIVITIES</b>	<b>(2,052)</b>

### 2. Reconciliation of Movement in Cash

The purpose of this note is to reconcile the net movement in cash from the Cash Flow Statement to the opening and closing cash balance sheet figures.

2002/03 £'000	Balance Sheet Movements	31-Mar-03 £'000	31-Mar-04 £'000	2003/04 £'000
302	(Increase) / Decrease in Cash In Hand	79	1,294	(1,215)
664	Increase / (Decrease) in Cash Overdrawn	(1,697)	0	(1,697)
<b>966</b>	<b>(Increase) / Decrease in Cash</b>			<b>(2,912)</b>

### 3. Liquid Resources

At the 1 April 2003, the Council held £57.214 million of short term investments that could be realised in a relatively short time. These have decreased by £14.890 million in 2003/04 to £42.324 million at 31 March 2004.

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

**4. Government Grants**

The Council received over £36 million in Government Grants during the year as shown below:

<b>2002/03 £'000</b>		<b>2003/04 £'000</b>
	<b>Office of the Deputy Prime Minister</b>	
3,130	Revenue Support Grant	4,138
6,311	Distribution from NNDR Pool	5,325
195	NNDR Collection	200
703	Housing Subsidy	462
128	Communities Against Drugs Planning Delivery Grant	143 203
66	Homelessness Initiatives Grants	93
11	Housing Advice Grant	16
200	E-Government Grant	200
	<b>Department of Work and Pensions</b>	
582	Housing and Council Tax Benefit Administration	1,002
23,949	Housing and Council Tax Benefit Subsidy	24,592
11	Non HRA Rent Allowances Subsidy	23
<b>35,286</b>	<b>Total of Government Grants</b>	<b>36,397</b>

## COLLECTION FUND REVENUE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2004

2002/03 £'000	2002/03 £'000		2003/04 £'000	2003/04 £'000
		<b>INCOME</b>		
	49,348	<b>Net Income from Council Tax</b>		56,782
	3,623	<b>Transfers from General Fund</b> Council Tax Benefits		4,373
	50,297	<b>Income from Business Ratepayers</b>		57,342
	99	<b>Contributions</b> Reduction in Bad Debts Provision - Council Tax		305
	<b>103,367</b>	<b>TOTAL INCOME</b>		<b>118,802</b>
		<b>EXPENDITURE</b>		
		<b>Precepts &amp; Demands</b>		
41,987		Hampshire County Council	48,598	
5,546		Basingstoke & Deane Borough Council (Incl. Parishes)	5,739	
4,295	51,828	The Hampshire Police Authority	5,598	59,935
		<b>Business Rates</b>		
50,027		Payment to National Pool	56,993	
75		Interest Paid on Overpayments	149	
195	50,297	Costs of Collection	200	57,342
		<b>Bad &amp; Doubtful Debts</b>		
87		Council Tax Write Offs	183	
1,059	1,146	Provisions Made - Council Tax	1,216	1,399
		<b>Contributions</b>		
125		To General Fund (Previous Years Surplus)	10	
881		To Hampshire County Council (Previous Years Surplus)	78	
76	1,082	To Hampshire Police Authority (Previous Years Surplus)	8	96
	<b>104,353</b>	<b>TOTAL EXPENDITURE</b>		<b>118,772</b>
	<b>(986)</b>	<b>MOVEMENT IN FUND BALANCE</b>		<b>30</b>

## NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

### 1. Calculation of the Council Tax Base

Band	No. of Properties	Discounts & Exemptions	Discounted Equivalent Properties	Ratio to Band D	Band D Equivalent Properties
*A	10	0	10	5/9	5
A	2,074	480	1,594	6/9	1,063
B	10,353	1,665	8,688	7/9	6,757
C	21,559	2,097	19,462	8/9	17,299
D	10,727	783	9,944	1	9,944
E	9,202	510	8,692	11/9	10,624
F	5,653	239	5,414	13/9	7,821
G	2,804	134	2,670	15/9	4,451
H	341	38	303	18/9	606
	<b>62,723</b>	<b>5,946</b>	<b>56,777</b>		<b>58,570</b>
Add allowance for in year tax base growth					147
Adjustment to allow for bad and doubtful debts (2% of the net)					(1,175)
<b>Council Tax Base / Number of Properties</b>					<b>57,542</b>

\*A - Entitled to disabled relief reduction

### 2. Non-Domestic Rateable Value

For 2003/04 the Uniform Business Rate was 44.4p and the total non-domestic rateable value at 31 March 2004 was 149,584,416. The total potential business rates collectable in 2003/2004 were £66 million but this was reduced to £57.3 million because of adjustments including reassessments of rateable values, business rate relief and provisions.

### 3. Movement in Collection Fund Balance

The Collection Fund Balance is shown within the Consolidated Balance Sheet (see page 20). The movements on this account are also included in the Statement of Total Movements in Reserves (see page 28).

	£'000
Balance at 31 March 2003	(30)
Movement in Fund Balance	30
<b>Balance at 31 March 2004</b>	<b>0</b>

### 4. Provision for Bad or Doubtful Debts

The provisions for bad or doubtful debts are assessed annually and any additional provisions are charged to the collection fund. The provisions for local taxation at 31 March are as follows:

31-Mar-03 £'000		Provisions Made £'000	Written Back £'000	31-Mar-04 £'000
(3,082)	Council Tax	(1,216)	305	(3,993)
(722)	NNDR	(218)		(940)
<b>(3,804)</b>	<b>Total Provision</b>	<b>(1,434)</b>	<b>305</b>	<b>(4,933)</b>

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## **AUDITORS' REPORT TO BASINGSTOKE & DEANE BOROUGH COUNCIL**

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We have audited the statement of accounts on pages 13 to 36 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 8.

This report is made solely to Basingstoke and Deane Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Finance Officer and Auditors**

As described on page 9 the Chief Financial Officer (Corporate Director & Returning Officer) is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on internal control on page 10 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of Opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of the information in the financial statements.

### **Opinion**

In our opinion the statement of accounts present fairly the financial position of Basingstoke and Deane Borough Council as at 31 March 2004 and its income and expenditure for the year then ended.

### **Certificate:**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Signature:**

**Date:**

**Martin Robinson**  
**District Auditor & Relationships Manager**

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## GLOSSARY

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### ACCOUNTING POLICIES

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

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

Accounting policies do not include estimation techniques.

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

### 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 arise because:

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

### BEST VALUE

A Government initiative introduced in 1998 in a series of pilot projects and now supported by legislation in 1999, which is aimed at measuring the economy, efficiency and effectiveness of all local authority services.

### BUDGET

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

### CAPITAL CHARGES

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

### CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely, maintains the value of an existing fixed asset.

### CAPITAL RECEIPTS

The proceeds from the sale of capital assets.

### COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

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## GLOSSARY

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### **CONTINGENCY**

A situation, 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 comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **CURRENT SERVICE COST (PENSIONS)**

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

### **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **COUNCIL TAX**

A local tax levied by Local Authorities on its citizens.

### **DEFERRED CHARGES**

Deferred Charges represent spending which may properly be capitalised, but where no tangible fixed asset is created e.g. improvement grants and social housing grants.

### **DEFINED BENEFIT SCHEME**

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

### **DEPRECIATION**

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

### **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

### **EMOLUMENTS**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

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## GLOSSARY

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### **EXPECTED RATE OF RETURN ON PENSION 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 actual assets held by the scheme.

### **EXPERIENCE GAINS/LOSSES**

These are a type of actuarial gain/loss within the valuation of the pension fund. See actuarial gains/losses.

### **FINANCE LEASE**

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

### **FIXED ASSETS**

Tangible assets that benefit the local authority and the services it provides for a period of more than one year.

### **GENERAL FUND**

The division of the Council's accounts covering services paid for by the precept on the Collection Fund (Council Tax).

### **GOING CONCERN**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

### **GOVERNMENT GRANTS**

Government assistance whether in the form of cash or transfers of assets in return for compliance with certain conditions relating to the activities of the authority.

### **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount in the balance sheet.

### **INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure that is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **INVESTMENTS**

A long-term investment that is intended to be held for use on a continuing basis in the activities of the authority.

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential.

### **LIQUID RESOURCES**

Current asset investments that are readily disposable by the authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

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## GLOSSARY

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### **LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounts periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **NATIONAL NON DOMESTIC RATE**

Business rate levied on Companies, firms etc.

### **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical costs 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.

### **NET EXPENDITURE**

Total expenditure for a service less directly related income.

### **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority 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**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **PAST SERVICE COST**

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

### **POST BALANCE SHEET EVENTS**

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

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## GLOSSARY

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### PROJECTED UNIT METHOD

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

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

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

### RELATED PARTIES

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

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

### RELATED PARTY TRANSACTION

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

### RESIDUAL VALUE

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

### RETIREMENT BENEFITS

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

### REVENUE EXPENDITURE/INCOME

The cost or income associated with the day-to-day running of the services and financing costs.

### SCHEME LIABILITIES

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

### SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- (c) the transfer of scheme assets/liabilities relating to a group of employees leaving the scheme.

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## GLOSSARY

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### STATEMENT OF STANDARD ACCOUNTING PRACTICES (SSAP)

Accounting practices recommended by the major accounting bodies. The application of SSAP's to local authorities is reflected in Statements of Recommended Practice (SORP).

### STOCKS

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;
- (d) products and services in intermediate stage of completion;
- (e) long-term contract balances; and
- (f) finished goods.

### UNAPPORTIONABLE CENTRAL OVERHEADS

These are overheads for which no user now benefits and should not be apportioned to services.

### USEFUL LIFE

The period over which the local authority will derive benefits from the use of a fixed asset.

### VESTED RIGHTS

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.

# Statement of Accounts

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