

HAVANT BOROUGH COUNCIL

STATEMENT OF ACCOUNTS



2016 - 2017

Havant
BOROUGH COUNCIL

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Enquiries regarding the contents of this report should be made to:-

The Finance Department,
Havant Borough Council,
Public Service Plaza, Civic Centre Road,
Havant, Hants. PO9 2AX
Telephone: Havant (023 9244 6309)

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

NARRATIVE STATEMENT

Introduction to Havant Borough Council

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

The Statutory Accounts aims to provide:

- An understanding of the overarching financial position of the Council
- Confidence that the public funds entrusted to the Council have been accounted for appropriately
- Assurance that the financial position of the Council is robust.

Structure of the Narrative Statement

The Narrative Statement is structured into:

- Key facts about Havant Borough Council
- Section 151 Officer's statement
- Performance against Business Plans & Council Strategy
- Financial performance
- Budget / MTFS 2017/18
- Explanations of financial statements.

Key facts about Havant Borough Council

Havant Borough Council is responsible for services such as rubbish collection and recycling, council tax collection, leisure services, planning and housing. Policies and strategies are developed and determined by our 38 councillors. The Council employs 248 full time equivalent members of staff serving a population of 124,753.

Our mission, as elected leaders and public servants is to play our part and shape council services to ensure that the communities of Havant borough will be increasingly prosperous, vibrant and active. We will put our customers at the centre of everything we do.

Our operational priorities that will help us deliver our corporate strategy mission are; financial sustainability, economic growth, environmental sustainability, public service excellence and creativity and innovation.

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Overall Financial Position

The revenue outturn position for the year was in surplus by £1,284,000 before carry forwards of £571,400, and £713,500 after carry forwards which means that the budgeted draw down from the general fund of £395,000 has been mitigated.

The Council's overall financial position remains sustainable with adequate levels of reserves. There are robust processes in place for budget setting and forecasting, and the Council has in place a Medium Term Financial Strategy that is both understood and owned by the business managers. There are sound systems in place to ensure that financial performance is understood and that cash is collected, that debtor balances are minimised and all funding streams are exploited.

The Council entered into a partnership with five other authorities during the year to transfer services to Capita and Vinci which will largely become operational during the next financial year. In the year ahead it is important that the transfer of the service is smooth and that the value and anticipated savings against the contract are monitored and achieved. During the year the council also began its new Environmental Joint Venture with NORSE which is on target to achieve expected financial benefit to the Council across the life of the contract .

2017/18 Onwards

There remains continued uncertainty against future Central Government funding for local authorities along with known funding reductions which have been captured through the Medium Term Financial Strategy. These future funding shortfalls have placed pressure upon the Councils finances which have been mitigated against with increased income against Commercial property.

The inclusion of property investment income and savings achieved through service transformation that have been captured in the budget are both innovative and challenging. There is a risk that, should these targets not be achieved, the Council will need to draw on its reserves during 2017/18, although this is not anticipated. The Council has sufficient reserves to mitigate this risk in 2017/18 but use of reserves would not be sustainable in the medium term.

It will be necessary to closely monitor the achievement of income challenges during the course of 2017/18 and the potential impact on the General Fund Balance during future years as these matters become clearer.

Craig Smith

Section 151 Officer

31 May 2017

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Performance against our Corporate Strategy

Financial sustainability

We are committed to ensure that our council services contributed to us being financially sustainable in the environment of a reducing government grant, and being affordable to our customers. During 2016-17 we continued the Council Tax freeze with no service reduction, despite the fall in government revenue support grant.

A significant achievement in 2016-17 has been the first year of our new joint venture, Norse South East. Norse provides our operational services to residents and during its first year of operation met its financial targets and delivered £100,000 income back to the Council through profit share. During the year Norse launched additional services for the borough, providing MOT services at the depot as well as a commercial waste service collection scheme.

Furthermore Havant is a founding member of the 6-Councils partnership initiative. During 2016-17 the first service, procurement, transferred to the partnership and work was focused on transfer of the remaining services, HR, finance and payroll, IT, customer services, land charges and licensing to Capita in October 2017. In addition, our facilities management, property services and post room will transfer to Vinci in October 2017.

Economic growth

Our economic strategy 'Prosperity Havant' is helping to transform our towns and businesses, encouraging inward investment and high growth companies to be based in the borough. Encouraging businesses will create jobs and improve residents' quality of life. During 2016-17 work on the Dunsbury Hill site development progressed, creating major new business and shopping opportunities in the area. We helped to secure £1,000,000 from the big lottery fund for the Wecock Farm area, working with partners through the Community Transformation project. The economic development team supported the delivery of a number of town centre events in 2016/17 including a British Food Fortnight event in Emsworth that achieved second place nationally in the British Food Fortnight awards. A programme of deep cleaning the paved trading areas in our town centres has taken place and been welcomed by local traders. Retail vacancy rates for the Havant Borough have also fallen by 17% between Jan 2016 and Jan 2017.

Our Local Plan has made significant progress over the year with the Housing Statement adoption. In addition, there has been high levels of market interest in borough evidenced by the increased fee income showing economic confidence in the area and the efficiency and good reputation of the planning service

Environmental sustainability

We agreed our Energy Strategy during the year, our strategy provides a framework to deliver energy projects across the borough until 2022. The strategy has three clear aims; improve energy efficiency, increase low carbon energy generation and demonstrate council leadership. Our COSY scheme saw over £1,000,000 additional funding received from DECC/BEIS to support the retrofit programme. Over 15,000 households were engaged in the scheme with over 300 households supported and retrofitted. A new COSY

NARRATIVE STATEMENT

scheme will be launched in 2017. Going forward we have also been looking at alternative fuel sources and solar energy on our buildings.

As a member of the Eastern Coastal Solent Partnership work has continued to improve the level of flood protection to 1,700 homes at Eastoke Point, Hayling Island.

Public Service Excellence

We are committed to developing and supporting our staff. Our senior management team have been realigned in order to deliver our priorities with the organisation now grouped into three interlinking directorates. We continued to develop a modern and effective employment package for our staff and undertook a talent management matrix exercise during the year. We have continued our quarterly You're a Star staff awards and our annual staff awards took place in November 2016, recognising individual and team achievements. We also held a Leadership Conference for our current and future leaders, took part in a 360 degree feedback pilot and have developed our Fit for Future plan. Our Councillors have also been involved in a Councillor Development pilot, on track for successful Councillor Charter status accreditation.

The council continued to deliver community events. During the year a number of major events took place in the borough, the Emsworth Food Fortnight, Windsurfing Festival and Virgin Kitesurfing, showcasing the borough on a national scale and engaging with the local community.

Creativity and Innovation

Havant Borough Council is an exciting and vibrant place to work. The Council provides community leadership and is at the cutting edge of innovation and practice. Our Public Service Plaza provides a working environment which is shared with a number of important public, private and voluntary sector partners. The Plaza is a centre of excellence and is vital to the integration of public services and we continue to explore opportunities to grow the Plaza

Innovative initiatives taken forward during 2016-17, include the 6-Councils procurement initiative and the establishment of our joint venture Norse South East. In addition, our involvement in the Eastern Solent Coastal Partnership, formed in 2012, continues. This innovative initiative was driven forward by the need for coastal management that recognises coastal flooding and erosion risk impacts not exclusive to local authority boundaries.

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Financial Performance & Capital Summary

2016/2017 Revenue Outturn

For the 2016/2017 financial year, the Council agreed its budget for net revenue spending on General Fund services at £15,280,000. Net revenue spending is financed in part by Government Grant and retained business rates, with the remainder being raised through council tax, use of reserves and interest on external investments. The Council Tax charge for Council services was set at £192.78 for band D properties.

The table below compares the final outturn with the original budget. The basis for these figures is the Council's internal management accounts rather than the statutory published accounts which comply with International Financial Reporting Standards (IFRS).

SERVICE	2016/17 BUDGET £000'S	OUTTURN £000'S	VARIANCE TO BUDGET
Head of Neighbourhood Support	511.5	186.3	325.2
Head of Planning (EH)	0.0	0.0	0.0
Head of Planning (H)	265.2	-1,330.9	1,596.1
Head of Customer Services	3,258.9	2,726.7	532.2
Head of Coastal Partnership	317.0	100.1	216.9
Head of Housing	572.5	519.7	52.8
OPERATIONS	4,925.1	2,202.0	2,723.2
Head of Finance & Property	965.8	1,098.5	-132.7
Head of Organisational Development	955.3	832.8	122.5
Head of Communications & Community Engagement	1,251.2	1,416.0	-164.8
Head of Research & Marketing	0.0	0.0	0.0
Head of Legal	327.3	212.8	114.5
Head of Programmes Redesign & Quality	3,114.8	2,793.7	321.1
6 C'S	0.0	0.0	0.0
Executive and 5c's	1,086.0	584.1	501.9
GOVERNANCE	7,700.3	6,937.9	762.4
Head of Commercial Ventures	133.2	94.1	39.2
Head of Environmental Services	3,665.1	3,822.0	-156.9
Project Director - Regenco	0.0	0.6	-0.6
Head of Development	261.5	230.2	31.3
Building Maintenance/ Estates and Fac	393.0	348.1	45.0
Regenco	0.0	0.0	0.0
Investment Income & Expenditure	-1,693.7	-1,809.0	115.2
COMMERCIAL	2,759.1	2,685.9	73.3
CONTRIBUTION (favourable) or adverse	15,384.6	11,825.7	3,558.8
Other Operating Income & Expenditure	411.2	705.1	-293.9
Movement in Reserves	-514.9	1,598.3	-2,113.2
CERA	0.0	0.0	0.0
TOTAL MOVEMENT IN RESERVES AND OTHER	-103.7	2,303.4	-2,407.1
TOTAL NET EXPENDITURE	15,280.8	14,129.1	1,151.8
Council Tax & BRRS	-11,270.5	-11,496.6	226.1
General Grants	-4,010.4	-3,917.3	-93.0
FUNDING	-15,280.8	-15,413.9	133.1
(SURPLUS)/ DEFICIT	0.0	-1,284.8	1,284.8

The reported surplus of £1,284,000 included project slippage of £571,000 within the Coastal, Planning and Building Maintenance services. It is expected that this variance will be carried forward into 2017/18 to enable the projects to be completed. The table below provides commentary on the remaining variance of £713,000 :

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Variance	Community Infrastructure Levy	EXEC adjustments	Carry Forward Requests	Variance	SUMMARY	DETAIL
£		£	£	£		
-325.2		-39.0		-364.2	NEIGHBOURHOOD SUPPORT	<p>Favourable +£364k due to; Favourable Income +£157k: additional income [Parking +£146k (Pay & Display), +£96k (PCN), +£30k (Season Tickets), also +£7k (Pest Control) -£73k (Kingdom contract end), -23k (reduced taxi licence income), -£13k TRO income & -£15k (Ranger contract end with PCC)]. Favourable Employment Costs +£173k: which broadly relates to the transfer of Parking & Traffic & vacancy in Planning. Enf. Favourable Contract costs +£69k: [+67k (Kingdom), +£31k (Traffic), -£22k (PCNs), -£10k (HIA)]. Adverse Supply costs -£34k: [+£30k (CCTV), +£30k (env services), +£38k (licensing). -£128k (Parking contract)]</p>
-1,596.1	1,413.5	-77.0	106.3	-153.4	PLANNING (not offset by mvt in reserves)	Favourable +£153k in relation to +£151k of CIL and S106 monitoring fees and charges over budget and other net benefits+£2k
-532.2		-73.0		-605.2	CUSTOMER SERVICES	Favourable +£605k in relation to +£316k variance on income (mainly due to £203k additional in income relating to the EU Referendum which was budgeted for and £105k additional in grant relating to the legislative changes in Housing Benefits). Employee costs in line with budget after adjustment for HOS. Supply and service costs are +£507k favourable to budget due to no requirement to replace Remedy system in 2016/17 (+£58k) and a reduction in the provision for bad debts for Housing Benefit overpayments (+£446k). Third Party Costs are -£202k adverse to budget due to final Housing benefit Overpayment adjustments (new debt less than budgeted due to reduced caseload and reflected in the bad debt provision reduction). Other Contract movements -£16k due to net affect of Capita contract charge reductions
-216.9			102.5	-114.4	COASTAL	Favourable +£114k due to The Coastal team carrying out work that has been externally funded. This means that internally funded work is underspent.
-52.8				-52.8	HOUSING	Favourable +£52k in relation to - Staffing vacancies during year and element of repaid essential car user allowances from departing staff
132.7				132.7	FINANCE	Adverse -£132k due to Employment costs are adverse to budget by -£126k which broadly relates to the overlap of Section 151's and the interim contract for Business Partner lead 2016, and inclusion of two Client Team employees (Victoria Whitehouse/ Wendy Blackin-Sinfield). Supply and service costs are -£61k adverse to budget due to debt write offs in excess of current provision and contract costs broadly in line offset by favourable movements against income +£43k primarily due to higher than anticipated interest on cash deposits and other small movements +£12k
-122.5		-48.0	36.0	-134.5	ORGANISATIONAL DEVELOPMENT	Favourable +£170k due Additional income against +£38k Coastal recharge benefit for HR overhead support. +£115k Employee benefit in relation to Staffing vacancies and training underspends (the HR service has been carrying several vacancies, and these have not been recruited to following the Norse Transfer and the proposed transfer of service to Capita as a result of the Six Councils). Supplies and Services and contract costs were less than anticipated by +£18k
164.8		-91.0		73.8	COMMUNICATIONS & COMMUNITY ENGAGEMENT	Adverse -£73k due to Employee costs -£83k [(1) recharges not yet having been applied for the Youth Officer c£20k, (2) £35k S106 funding still be transferred for the Community Officer (MDA), (3) £17k due from HCC for funding the Transformation Project Officer, (4) external funding to be transferred for casual workers c£10k,(5) movement of Mayor's Secretary post to Community Service c £5k, (6) in year regrading of Community Team Leader and honorarium paid to Snr Leisure Officer for additional responsibilities c£5k and (6) two posts approved in Dec 2015 not budgeted for in 2016/17 c£45k] and other small budget shortfalls -£5k . Offset by Favourable Income variance +15k due to higher than budget due external grants and contributions.

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-114.5				-114.5	LEGAL	Favourable +£114k due to +£22k Fav fees are higher than budget due increased recovery of legal costs, Sec 106 fees and legal fees charged to third parties. Employees +£69k Fav due to 2 staff vacancies in HBC and 3 in EHDC throughout the year. Temporary staff taken on to cover these vacancies partly offsets the staff vacancy savings. Supplies and services +£24k Fav due to underspend in consultancy costs due to the reduction of the services of Counsel and Barristers but offset costs relating to the use of external legal firms instead.
-321.1		-86.0	326.6	-80.5	PROGRAMME REDESIGN	Favourable +£80k due to +£46k additional income against increased room bookings, and +£47k net reductions against Employee costs (Training and Members Allowance underspends +£25k and staff +£22k) offset by other overspends to budget -£13k
-501.9		510.0		8.1	EXECUTIVE & 5 Cs	Adverse -£8k after reallocation of HOS budget to services. Recoding of salaries of senior mgt officers at year end - adjustment put through on bridge to show net effect across all services
-39.2		-52.0		-91.2	COMMERCIAL VENTURES	Favourable +£91k due to +£8k unbudgeted building control income and +£102k underspend against IT (+51k for licences or +56k for maintenance relating to CRM system not required in 16/17 due to delay in implementation and already budgeted for in 17.18) offset by adverse employee costs -£19k
156.9		-37.0		119.9	ENVIRONMENTAL SVCS	Adverse -£119k Due to -£300k assumed income in relation to capital receipts which can not be captured through I&E offset by overperformance against other JV income targets +£181k
-31.3		-7.0		-38.3	DEVELOPMENT	Favourable +£38k due to Unbudgeted one off grant funding for Distict heat feasibility project +£45k offset by other net cost overspends -£7k
-45.0				-45.0	BUILDING MAINT & FAC	Favourable +£45k due to +£14k higher than anticipated rental income (non commercial properties), lower than anticipated employee costs +£17k and Supply and maintenance underspends against rented properties +£14k
-115.2				-115.2	INVESTMENT INCOME & EXPENDITURE	Favourable +£115k due to +£120k increased rental income (+£92k relates to HCC rent payment released yearly not included within budget and +£28k due to licences and rent reviews increases in year) offset by -£5k overspend against supplies due to HBC contribution to maintenance costs related to Mill Road shop entrance.
293.9				293.9	CORPORATE	Adverse -£293k due to Retirement Benefit adjustment (past benefit provision) - 110k, vacancy saving target achieved held within Corporate which has been achieved across services -£185k
2,113.2	-1,413.5			699.7	CORPORATE	Adverse -£699k due to depreciation element of the fixed charge on those transferred assets and new assets no longer offset through Movement In Capital reserves. Work is ongoing to understand the composition of the depreciation charge from Norse and their capital programme commitments over the 10 year lifetime of the contract but in effect this cost burden is one that would have been suffered by the council directly if the service had remained in house and the council had committed to a capital programme
-226.1				-226.1	COUNCIL TAX & BRRS	Favourable +£226k due to a reduction in tax levy, on the basis that collection fund for business rates is in deficit. This favourable variance has been moved to reserves to offset HBC's share of the deficit expected in 2018/19.
93.0				93.0	GENERAL GRANTS	Adverse -£93k due to variance on s31 grants for Business rates
0.6				0.6		Smaller variances
-1,284.8	0.0	0.0	571.4	-713.5		

Capital Outturn 2016/17

The Capital outturn for 2016/17 was as follows,

Expenditure	Budget including Brought Forward £000	Outturn £000
Housing		
DFG Expenditure	900	794
	900	794
Operational Land and Buildings		
Plaza, Conference Suite Kitchenette Fit out	35	-
New allotments	135	-
Refurbishment of HBC equipped play areas	75	-
New Cemetery in MDA	418	-
HBC play areas refurbishment	-	2
Front Lawn Works	-	38
Hayling Billy Trail	-	95
Emsworth Wall North Street	-	24
	663	159
Investment Properties		
Purchase of 32 West Street	-	320
Vehicles and Equipment		
Vehicle Replacement Programme	725	11
Animal warden vehicle	21	-
Car Park Meters	-	205
	746	216
Other Capital Expenditure		
Replacement of processing and application mgt system	85	-
Replacement DMS solution – Community, Transport, Property	60	-
Acolaid database replacement - Planning	98	-
Acolaid database replacement – Environmental health work	58	-
Contributions to HCC Rural Broadband scheme	12	-
Personalisation	150	-
Processing and Management System for planning	300	-
Pre-contemplative promotion - external poster frames	61	-
New Finance System	-	35
	824	35
Total Expenditure	3,133	1,524
Funded By		
Internal Borrowing	755	-
Grants and Contributions from Earmarked Reserves	1,508	730
External Funding	870	794
Total Funding	3,133	1524

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Business Rates Retention Scheme

The principle behind the scheme is that local authorities retain a share of Business Rates collected from their local businesses. Authorities retain a share of growth in the business base, giving councils incentive to invest in local infrastructure. The government announced the continuation of a number of Business Rate reliefs throughout 2016/17. The impact of these reliefs was to reduce collectible business rates, and this has been offset by cash grants paid to the Council. The surplus or deficit on business rates will be redistributed between the Government, Havant Borough Council, Hampshire County Council, and Hampshire Fire and Rescue during 2017/18. The budget calculations for 2017/18 take into account this redistribution.

The table below demonstrates how the Council estimated its collectable business rates, how this is split between the participating authorities, the split of the overall 2016/17 surplus, and the impact on the General Fund in 2017/18, compared to actual performance in the year.

	Budget	Outturn
	£'000	£'000
Business Rates Yield		
Base Yield	34,748	34,523
Provision for backdated appeals	-	(500)
Bad Debts	-	(138)
Cost of Collection	-	(140)
Adjustment for provision for bad debt	-	22
Transitional protection payment	-	(326)
Business Rates Yield	34,748	33,441
Distribution		
Central Government (0.50)	17,374	17,374
Hampshire County Council (0.09)	3,127	3,127
Hampshire Fire (0.01)	347	347
Havant Borough Council baseline (0.4)	13,900	13,900
Total Distribution	34,748	34,748
Reallocation of prior year balance – HBC	167	167
Reallocation of prior year balance – Other	250	250
Total Expenditure	35,165	35,165
Collection Fund Surplus/(Deficit) B/Fwd	417	81
Collection Fund Surplus/(Deficit) 2016/17	(417)	(1,724)
Collection Fund Balance C/Fwd to 2017/18	-	(1,643)

Havant Borough Council		
Retained Business Rates Calculation	Budget	Actual
	£'000	£'000
Havant Borough Council baseline	(13,900)	(13,900)
Tariff paid to Central Government	9,845	9,844
Levy for safety net paid to Central Government	740	515
Total Business Rates income	(3,315)	(3,541)
Redistribution of prior year surplus	(167)	(167)
Retained Business Rates	(3,482)	(3,708)

NARRATIVE STATEMENT

Medium Term Financial Strategy

The Council agreed its Medium Term Financial Strategy as part of its budget setting process for 2017/18. The summary projections demonstrate the Council's ambitions for maintaining council tax at current levels and generating income.

2017/18 Medium Term projections					
	2017/18	2018/19	2019/20	2020/21	2021/22
	£M	£M	£M	£M	£M
Sales - fees and charges	(6.633)	(6.582)	(6.725)	(6.707)	(6.777)
Sales - commercial enterprises	(1.356)	(1.206)	(1.276)	(1.347)	(1.419)
Income - specific grants	(1.549)	(1.543)	(1.493)	(1.443)	(1.393)
Investment Income & Expenditure	(1.275)	(2.516)	(3.033)	(3.549)	(4.065)
Total Service income	(10.813)	(11.847)	(12.527)	(13.046)	(13.654)
Employees	9.335	9.231	9.309	9.532	9.600
Supplies and services	4.597	3.817	3.908	3.832	3.841
Contract costs	9.696	10.848	10.368	10.190	9.968
Agency/Third party costs (net)	(0.313)	(0.313)	(0.313)	(0.313)	(0.313)
Capital costs	0.704	0.704	0.704	0.704	0.704
Total Service costs	24.019	24.287	23.976	23.945	23.800
Contribution / (surplus) / deficit	13.206	12.440	11.449	10.899	10.146
Other Operating Income & Expenditure	0.791	0.854	0.923	0.999	1.083
Minimum Revenue Provision	0.650	0.563	0.553	0.524	0.486
Movement on General Fund	(0.250)				
Movement in Reserves to Grants & Contributions Unapplied	0.798	0.798	0.798	0.798	0.798
Movements in Statutory Reserves	(0.704)	(0.704)	(0.704)	(0.704)	(0.704)
Total other costs & mvmt in reserves	1.285	1.511	1.570	1.617	1.663
Total net expenditure	14.491	13.951	13.019	12.516	11.809
Council tax	(7.699)	(7.746)	(7.784)	(7.824)	(7.862)
Council Tax prior year Surplus	(0.025)				
Retained business rates	(3.626)	(3.748)	(3.768)	(5.618)	(5.624)
Retained Business Rates prior year Deficit	0.301	-	-	-	-
Revenue Support Grant	(0.771)	(0.290)	-	-	-
New Homes Bonus	(2.015)	(1.643)	(1.450)	-	-
Section 31 Grants	(0.656)	(0.524)	(0.546)		
Total Grant, Council tax and Business Rates Funding	(14.491)	(13.951)	(13.548)	(13.442)	(13.486)
(Surplus) / Deficit	-	-	(0.529)	(0.926)	(1.677)

NARRATIVE STATEMENT

Explanation of accounting statements

The Statement of Accounts for 2016/17 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The purpose of the published Statement of Accounts is to give electors, local taxpayers, Councillors and other interested parties clear information about the Council's finances. The statements inform readers of the cost of services provided by the Council in the year 2016/17, how services were paid for and the Council's assets and liabilities at the year end date of 31st March 2017.

The purpose of each of the main statements is explained below.

The following key statements are included:

The Movements in Reserves Statement (page 34-35)

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

The Expenditure and Funding Analysis Statement (page 36-37)

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

The Comprehensive Income & Expenditure Statement (page 38)

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

The Balance Sheet (page 39).

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

The Cash Flow Statement (page 40)

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

Notes to the Core Financial Statements (including pensions disclosures) (pages 31-89)

The Collection Fund (pages 90-92)

This account records all transactions relating to Council Tax and Business Rates.



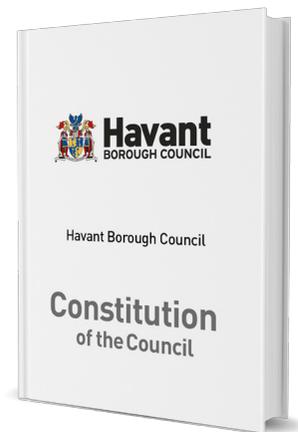
Annual Governance Statement

2016/17

Introduction

The Leader of the Council (Councillor Michael Cheshire MBE) and Chief Executive (Sandy Hopkins) both recognise the importance of having good systems in place to manage and deliver services to the residents of Havant. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working.

This AGS is in respect of 2016/17. The council also publishes an annual report which provides further information on the opportunities and challenges faced by the Council.



What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- has effective arrangements for the management of risk
- secures continuous improvements in the way that it operates.

This statement is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016. This statement explains how Havant Borough Council has met the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. The framework brings together an underlying set of legislative requirements, good practice principles and management processes and enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Strategic Plan.

The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this framework, which is about managing the barriers to achieving the Council's objectives. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Executive Board which comprises the Chief Executive, Executive Directors, Section 151 Officer and the Monitoring Officer. The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives.

How do we know it's working

The annual process that we use to maintain and review the effectiveness of our governance arrangements include a wide input.

Procedures, rules and internal management processes

- Delivery of Corporate Plan priorities
- Services are delivered economically, efficiently & effectively
- Management of risk
- Financial planning and performance
- Effectiveness of internal controls
- Community engagement & public accountability
- Shared service governance
- Project management & project delivery
- Procurement processes
- Roles & responsibilities of Members & Officers
- Standards of conduct & behaviour
- Training and development of Members & Officers
- Compliance with laws & regulations, internal policies & procedures

Sources that provide assurance

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Cabinet, Committees and Panels
- Corporate and service plans
- Joint Human Resources Committee
- Strategic Management Board
- Project management methodology
- Financial and Performance Monitoring Suite
- Medium Term Financial Strategy
- Complaints system
- Head of Paid Service, Monitoring Officer and S151 Officer
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Staff and Member training
- Codes of conduct
- Corporate Management Team

On-going assessment of our effectiveness

- Regular performance and financial reporting
- Annual financial report
- External audit reports
- Internal audit reports
- Officer governance groups
- Customer feedback
- Council's democratic arrangements including scrutiny reviews and the audit committee
- Staff surveys
- Community consultations

Areas identified for improvement

- **Information Governance**
- **Continued development of effective governance and reporting arrangements for shared services**
- **Code of Corporate Governance**
- **Demonstrating compliance with GDPR**

How we apply the governance framework

The Council aims to achieve effective corporate governance and the way in which the Council meets the principles of good governance is outlined below:

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

There are codes of conduct in place for all Councillors and Officers which were reviewed and updated during 2016/17. The Council has appointed independent persons to investigate any allegations of misconduct, and the Governance and Audit Committee receives regular reports from the Monitoring Officer on complaints regarding Councillors.

The Council's Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing. The Constitution was reviewed in 2016/17.

All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions.

There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period.

Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion in, or vote on, the matter in relation to which the member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality and minutes show declarations of interest were sought and appropriate declarations made.

The Council has in place a complaints procedure including weekly reminders to relevant managers responsible. The Council has a shared Monitoring Officer with East Hampshire District Council and as a member of the Executive Board he is kept apprised on the Council's projects and actions and is ultimately responsible for legal compliance.

Statutory officer roles are the Chief Executive, as Head of Paid Service, the S151 Officer, who carries overall responsibility for the Council's financial administration and is a member of the Executive Board, and the Monitoring Officer, who is to ensure that the Council, its officers and elected Councillors, maintain the highest standards of conduct in all they do. All three roles are shared with East Hampshire District Council.

2. Ensuring openness and comprehensive stakeholder engagement

The Council has laid out its purpose, direction, vision and objectives in its Council Strategy which can be obtained either on the Council's website or from the Council's offices. The Council Strategy is comprehensively reviewed regularly, and is underpinned by the key themes of: Financial Sustainability; Economic Growth; Public Service Excellence; Environmental Sustainability; and Creativity and Innovation. Business plans are prepared to support the Corporate Strategy.

The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition we subscribe to the Government's transparency agenda and publish information such as remuneration for senior management, and information on items of expenditure over £500.

The Council's democratic function is responsible for ensuring agendas and key decisions are published with regard to the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. The Council's scrutiny processes encourage public engagement in the development of the Council's policies and the scrutiny of services and decisions.

The Council carried out a residents' survey in 2016 and results shared with Service Heads to inform their services to residents. In addition to the publication of the residents' magazine, called 'Serving You', the Council has a Facebook page and Twitter feed which is actively promoted and used. There is a central email database which is used by Service Heads to actively engage with stakeholders.

3. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Financial Strategy is reviewed annually and forms the basis of the annual budgeting process. The Council's operational services are divided into Directorates. Business plans for each directorate are agreed annually and identify objectives and targets for all services. The Directorate Key Performance Indicators are monitored corporately. Monthly financial forecasts are submitted to the Executive Board and quarterly to Councillors alongside the Performance Indicator information.

The Council's budget report contains a summary of the budget that has been set for Havant Borough Council for 2016/17, as approved by the Council on the 17th February 2016. It shows on what service areas money is spent, and how this expenditure is funded. Also within this document is information showing the forecast financial position over the next three years, taking into account changes in government funding, other income and spending.

The Council uses evidence based on insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the Community.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes

Public Accountability is the way in which the Council engages with local stakeholders to ensure robust public accountability. The Council Strategy is formulated following the results of a survey which seeks feedback from the public, Councillors, staff and other key stakeholders. The Council has a Medium Term Financial Framework which is available on the Council's website, which is used to align resources to key priorities. The Council has report templates to ensure authors cover all the requirements to enable a decision to be made; they include options appraisal, cost and risk analysis in addition to key signatories such as legal and finance and must include the portfolio holder.

All decision making meetings are held in public and decisions made by Cabinet members and officers are published with regard to the statutory legal requirements, although some items are considered as exempt under the Access to Information Act. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings. The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information. In January 2017 the Council held staff training on Social Value Engine Tool and has been used in two service areas on a trial basis with a view to developing further for all service areas. Reporting on the use of the tool will be used going forwards.

5. Developing the Council's[†] capacity, including the capability of its leadership and the individuals within it

The Council has a joint management team with East Hampshire District Council. This management team is made up of the Chief Executive, three Executive Directors and the Heads of Services, most of which are shared with East Hampshire District Council. It also has a flagship Coastal Partnership with Fareham, Gosport and Portsmouth Councils. The costs of all shared management posts are shared between the Councils.

The Council has a performance management framework, this includes induction and performance appraisal processes for all employees. Training programmes are identified for officers as part of the performance appraisal process. This information is fed into the Corporate Training Programme. Mandatory e-learning for staff on data protection and fraud awareness, safeguarding and equalities and diversities has been undertaken.

Following the Borough Council Elections, all Councillors are required to undertake a comprehensive and compulsory training programme. This includes Planning training, Code of Conduct training and Licensing training. Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken. The training programme ensures that they have an understanding of the procedures and protocols of the Council. In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme, during the course of a Councillor's four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.

[†] Referred to as Entity in the CIPFA/SOLACE guidance notes

6. Managing the risks and performance through robust internal control and strong public financial management

The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities. There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key officers and the Council's Scheme of Delegation are set out within the Council Constitution. The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items under the Access to Information Act. All decision records are publicly available, and the Forward Plan is published on the Council website. Decisions made by Cabinet can be called in for review by the Scrutiny Board.

Decisions can also be made by officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific agreement by Cabinet or Council. Risk is considered and recorded as part of the business planning process. The Council has a wide range of performance indicators, which are used to measure progress against the Council's priorities. Performance indicators are reported quarterly to the Executive Board, Governance and Audit Committee and informally to the Cabinet. Performance indicators clearly link individual services to the corporate objectives and include details of national and local performance indicators and risk. Individual performance plans link to directorate business plans and the Corporate Strategy.

The Council utilises the LG Inform tool which allows for benchmarking and data sharing against other local authorities across the country.

The Council has in place a number of policies and procedures to ensure decisions made are robust. These are included in the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council produces an annual report which can be found on the Council's website. The report not only shows the council's successes of the last financial year, but highlights the direction of travel for our future. The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting Statements incorporate the full requirements of best practice guidance.

The Council has a Governance and Audit Committee to provide assurance to the Council on the effectiveness of Internal Audit and the robustness of the Council's Annual Accounts. As part of this review the Committee has not recently taken on a direct role in risk management whilst risk management arrangements were being reviewed, and this will now become part of the work programme for 2017/18. Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. Governance and Audit Committee approves the Statement of Accounts.

The Council is subject to independent external audit currently by Ernst & Young. The External Audit plan outlines the work undertaken and the timing of external audit reports. The Council supplements this work with an internal audit team.

The Governance and Audit Committee undertakes the core functions of an audit committee. The Council has appointed the Head of Finance as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs. The Internal Audit function has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by:

- The Council's Internal Audit is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually. Progress against the audit plan is reported quarterly to the Governance and Audit Committee. Any outstanding high risk actions are addressed as a matter of priority.
- The Council's External Audit is provided by Ernst & Young LLP. The role of External Audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims.
- The Council has in place regular reporting arrangements on the financial affairs of the Council. The budget for 2016/17 was agreed by Full Council in February 2016 and financial performance reported on a quarterly basis to Members.
- The Council has a Budget Scrutiny Panel which shadows the budget and financial planning processes, reviews policy priorities and outcomes and challenges the Executive about its actions in the context of the overall policy goals. The findings of the Panel feed into the corporate budget process.
- The Performance Management Framework has operated effectively during the year. Monitoring information on key areas of performance has been provided by the Corporate Programme Office for review and action.
- The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2016/17 the Monitoring Officer continued his review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support.
- The Governance and Audit Committee has monitored standards of conduct of Members and advised the Council on probity issues. Entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.
- In accordance with the Code of Practice on Local Authority Accounting for 2016/17, Havant Borough Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016).
- During 2016/17 the Council's Constitution has undergone a review and was approved at the start of the 2017/18 municipal year. The purpose of the review was to ensure that it:
 - remained up to date (with legislation and case law) and fit for purpose
 - allowed decision making to be carried out effectively and in an efficient and timely manner
 - provided greater clarity on the roles of Officers and Members, and
 - was easier to understand and so become more accessible to the public.

The Governance and Audit Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2016/17.

The Council's Governance and Audit Committee is responsible for monitoring. It meets four times per year as the Council's official audit committee. The committee ensures that the Internal and External Audit reports it receives are robust.

The Council's Scrutiny Board and its panels provide the Council with a mechanism to: challenge decision makers and hold them to account; check on strategic thinking around funding – helping to explore new ways for the Council to fund its priorities and accurately assess risk and to; enable non-executive members and the public to play an active role in developing the policies and strategies of the Council.

The Southern Internal Audit Partnership delivered 20 review areas over the course of the year ending 31 March 2017 including all carry forward reviews. The Chief Internal Auditor's opinion of Havant's of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice. During 2017/18 a separate Risk Management Group will be established to carry out a full review of the Corporate and Operational Risk Registers.

In September 2016 the Council's external auditor (Ernst & Young LLP) provided the Council with an unqualified opinion on the Council's accounts within their Audit Results Report. Ernst & Young LLP also provided an unqualified opinion of the Council's arrangements to secure Value for Money.

Responsible Finance Officer

The Head of Finance is the Responsible Financial Officer and is a member of the Executive Board. They are responsible for delivering and overseeing the financial management arrangements of the Council. Havant Borough Council shares a Head of Finance with East Hampshire District Council. The Head of Finance reports to an Executive Director and has direct access to the Chief Executive through regular executive meetings.



Last year's key improvement areas

In the 2015/16 Annual Governance Statement, three key issues were identified. Below are the issues and the action taken during 2016/17.

Improvement area	Issue of concern	Action taken
IT systems	Implementation of desktop upgrades to enable greater flexibility of working.	DMS Strategy was approved in 2015 allowing for new/replacement DMS systems on a business case basis during 2016/17 informed through an independent review of corporate wide document management requirements completed in Quarter 4. Alongside this, a digital framework was developed in 2016/17 and approved in October 2016 which now forms the foundation of service transformation plans. Priorities in 2017 are the transformation of regulatory services; customer services and insight driven service design through improved understanding of customer need.
Financial climate	Review of financial assumptions behind medium term financial planning; monitoring government policy and taking account of Universal Credit and Revenue and Support Grant and New Homes Bonus and the pledge to be grant free.	Medium Term Financial Planning; a number of initiatives introduced including zero based budgeting, robust finance challenge by the cabinet to each service head.
Succession planning	Talent matrix and training for all line managers in 2016/17 and will feature in 2016/17 appraisals.	Training was undertaken and a talent matrix for all staff completed enabling a snapshot of talent as reported by line managers. This helps to identify the risks to the organisation of losing key talent and the risks to service delivery of underperforming members of staff. All this information enables the OD function in conjunction with managers to define further development interventions and ensure robust performance management processes are in place. The talent management processes also provide a platform for managers to talk to staff about their performance, their potential and their career aspirations.

Shared services

In 2015 the Council agreed to work in partnership with **Hart District Council**, **Mendip District Council**, **South Oxfordshire District Council**, **Vale of White Horse District Council**, and more recently **East Hampshire District Council**, to secure better value for money services for residents through shared contracts. Whilst no issues arose for inclusion in the 2015/16 AGS during the period 2016 a number of issues were identified with regard to governance. A review took place and a new governance structure has been put in place to mitigate the issues.

This is a key project for the Council and the Councils will manage the contracts through a new joint monitoring team, which will see staff from across the organisations working together. Locally, programme governance is through a Steering Group established to oversee the delivery of the contract, comprising members of the Executive team. A Director and Head of Service have specific responsibility for programme delivery. There is a comprehensive audit programme in place during pre and post service transfer.

The first phase of this programme will become operational in October 2017, and involves shared services for ICT, Finance, HR, Licensing, Facilities Management, Print and Post Services. Staff employed within these service areas will be transferred to the appropriate employer and will be managed by them.



Identified key improvement areas

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2017/18.

Issue of concern	Key improvement	Lead officer	Action required and progress
Preparation for General Data Protection Regulations (GDPR)	The Council needs to ensure it can demonstrate compliance for GDPR by May 2018	Head of Customer Services / Governance and Information Manager	Ready for delivery by May 2018
As a result of an internal audit on the Information Governance Function the audit report was deemed 'Limited Assurance'	A number of actions were identified including staff training and a review of key policies	Head of Customer Services / Governance and Information Manager	The action plan spans 2016/17 through to 2018/19. Action taken to date include mandatory staff training and policy review
The Council's Code of Corporate Governance needs to be reviewed in line with the new principles	A review of the Council's Code of Corporate Governance to be undertaken to ensure that it describes the Council's governance framework and the arrangements through which this is delivered	Head of Customer Services / Governance and Information Manager	Delivery by March 2018
Six Councils	The Council's shared service arrangements are still developing and the project is strategically important – both in terms of improving service outcomes and the delivery of financial savings	Head of Strategic Commissioning	Continued development of post implementation governance and reporting arrangements for shared services will remain for 2017/18

Opinion

It is our opinion that corporate governance, along with supporting controls and procedures, is strong. We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed



Sandy Hopkins
Chief Executive
Havant Borough Council
Dated 30th August 2017

Signed



Councillor Tony Briggs
Leader of the Council
Havant Borough Council
Dated 30th August 2017

Annual Government Statement 2016/17

Havant
BOROUGH COUNCIL

Havant Borough Council
Public Service Plaza, Civic Centre Road, Havant, PO9 2AX

www.havant.gov.uk

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities:

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance & Assets (Section 151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Responsibilities of the Section 151 Officer:

The Head of Finance & Assets 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.

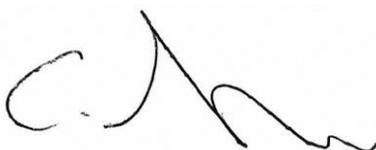
In preparing this Statement of Accounts, the S151 Officer has selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Section 151 Officer also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council as at the 31 March 2017 and its income and expenditure for the year then ended.

Signed:



Craig Smith
S151 Officer

Date: 8th June 2017

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Certification of the Audited Statement of Accounts:

I confirm that the Statement of Accounts have been audited and, in accordance with the Accounts and Audit Regulations (amendment) 2015, I certify that the Audited Statement of Accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2017.

Signed:

Andy Radford
Interim S151 Officer

Date: 26th September 2017

Certificate of approval by the Council:

I confirm that the Audited Statement of Accounts were approved at the Governance and Audit Committee meeting of Havant Borough Council on 13th September 2017.

Signed:

Cllr Ken Smith
Chairman, Governance & Audit committee

Date: 26th September 2017

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HAVANT BOROUGH COUNCIL**

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MOVEMENT IN RESERVES STATEMENT

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

Movements in 2016-2017:

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Council Share of reserves of Associate £000	Total Group Reserves £000
Balance at 31 March 2016	(6,248)	(3,783)	(199)	(3,443)	(13,673)	(15,304)	(28,977)	0	(28,977)
Movement in reserves during 2016-17									
Surplus or (deficit) on the provision of services	(572)	-	-	-	(572)	-	(572)	-	(572)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(208)	(208)	-	(208)
Total Comprehensive Income and Expenditure	(572)	-	-	-	(572)	(208)	(780)	-	(780)
Adjustment between group and Authority Accounts - purchase of goods & Services from Associate	-	-	-	-	-	-	-	(16)	(16)
Adjustments between accounting basis & funding basis under regulations (Note 8)	(347)	-	(1,114)	(1,021)	(2,482)	2,482	-	-	-
Net Increase /(Decrease) before Transfers to Earmarked Reserves	(919)	-	(1,114)	(1,021)	(3,054)	2,274	(780)	-	(780)
Transfers to/(from) Earmarked Reserves (Note 9)	30	627	-	-	657	(657)	-	-	-
Increase/(Decrease) in 2016/17	(889)	627	(1,114)	(1,021)	(2,397)	1,617	(780)	(16)	(796)
Balance at 31 March 2017	(7,137)	(3,156)	(1,313)	(4,464)	(16,070)	(13,687)	(29,757)	(16)	(29,773)

MOVEMENT IN RESERVES STATEMENT

Comparative movements in 2015-2016:

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	(3,955)	(4,003)	(3)	(2,333)	(10,294)	(1,621)	(11,915)
Movement in reserves during 2015-16							
Surplus (-) or deficit on the provision of services	(1,281)	-	-	-	(1,281)	-	(1,281)
Other Comprehensive Income and Expenditure	-	-	-	-		(15,781)	(15,781)
Total Comprehensive Income and Expenditure	(1,281)	-	-	-	(1,281)	(15,781)	(17,062)
Adjustments between accounting basis & funding basis under regulations (Note 8)	(984)	-	(196)	(1,110)	(2,290)	2,290	-
Net (Increase) /Decrease before Transfers to Earmarked Reserves	(2,265)	-	(196)	(1,110)	(3,571)	(13,491)	(17,062)
Transfers (to)/from Earmarked Reserves (Note 9)	(28)	220	-	-	192	(192)	-
(Increase)/Decrease in 2015-16	(2,293)	220	(196)	(1,110)	(3,379)	(13,683)	(17,062)
Balance at 31 March 2016	(6,248)	(3,783)	(199)	(3,443)	(13,673)	(15,304)	(28,977)

EXPENDITURE & FUNDING ANALYSIS

The Expenditure & Funding Analysis is a note to the Financial Statements. However it is presented here as it provides a link from the figures reported in the Narrative Statement to the Comprehensive Income & Expenditure Statement.

2015/16 (Restated)				2016/17		
Net Expenditure chargeable to the General Fund	Adjustment between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustment between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			Operations Directorate			
135	125	260	Head of Neighbourhood Support	186	5	191
(379)	(230)	(609)	Head of Planning	(390)	175	(215)
2,805	63	2,868	Head of Customer Services	2,727	44	2,771
252	219	471	Head of Coastal Partnership	100	298	398
470	22	492	Head of Housing	520	21	541
3,283	199	3,482	Total Operations Directorate	3,143	543	3,686
			Strategy & Governance Directorate			
1,043	(3)	1,040	Head of Finance & Property	1,099	(27)	1,072
895	44	939	Head of Organisational Development	833	34	867
1,599	128	1,727	Head of Communications & Community Engagement	1,416	196	1,612
303	16	319	Head of Legal	213	8	221
2,747	(51)	2,696	Head of Programmes Redesign & Quality	2,794	48	2,842
490	34	524	Executive and 5c's	584	22	606
7,077	168	7,245	Total Strategy & Governance Directorate	6,939	281	7,220
			Commercial Directorate			
-	-	-	Head of Commercial Ventures	94	(9)	85
4,335	(503)	3,832	Head of Environmental Services	3,822	230	4,052
163	30	193	Head of Development	231	22	253
184	32	216	Building Maintenance and Facilities	348	(52)	296
(1,572)	1,572	-	Investment Income & Expenditure	(1,809)	1,809	-
3,110	1,131	4,241	Total Commercial Directorate	2,686	2,000	4,686
13,470	1,498	14,968	Total Service Manager Spend	12,768	2,824	15,592
(15,718)	(531)	(16,249)	Other Operating Income & Expenditure	(14,709)	(1,662)	(16,371)
(2,248)	967	(1,281)	Total Net Expenditure	(1,941)	1,162	(779)

Expenditure & Funding Analysis

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

The starting point for the production of the Expenditure and Funding Analysis is the internal Management reporting on outturn, as presented to the Council's management team and Cabinet. Fuller disclosure of this report, including explanations of variances to budget, is provided in the Narrative Statement at the start of this document. The table below reconciles the Net expenditure to the reported surplus and the balance on the General Fund. A reconciliation of adjustments between the internally reported outturn and the statutory net expenditure shown in the Comprehensive Income and Expenditure Statement is provided at Note 7

Reconciliation of Net expenditure chargeable to the General Fund to the reported surplus for 2016/17:

2015/16 £'000		2016/17 £'000
(2,248)	Net Expenditure chargeable to the General Fund	(1,941)
(45)	Movement in Usable & Unusable reserves	657
(2,293)	Surplus (-) / Deficit reported to Management	(1,284)

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

2015/16 £'000		2016/17 £'000
3,955	Opening General Fund balance	6,248
2,293	Surplus reported to Management	1,284
-	Budgeted draw on the General Fund	(395)
-	Transfers to other reserves	-
6,248	Surplus (-) / Deficit reported to Management	7,137

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2015/16				2016/17			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Group Net Expenditure £'000
			Operations Directorate				
3,226	(2,966)	260	Head of Neighbourhood Support	3,288	(3,097)	191	191
1,738	(2,347)	(609)	Head of Planning	1,939	(2,154)	(215)	(215)
36,798	(33,930)	2,868	Head of Customer Services	36,595	(33,824)	2,771	2,771
2,248	(1,777)	471	Head of Coastal Partnership	3,236	(2,838)	398	398
714	(222)	492	Head of Housing	685	(144)	541	541
44,724	(41,242)	3,482	Total Operations Directorate	45,743	(42,057)	3,686	3,686
			Strategy & Governance Directorate				
1,372	(332)	1,040	Head of Finance & Property	1,099	(27)	1,072	1,072
948	(9)	939	Head of Organisational Development	907	(40)	867	867
1,915	(188)	1,727	Head of Communications & Community Engagement	1,664	(52)	1,612	1,612
355	(36)	319	Head of Legal	254	(33)	221	221
3,111	(415)	2,696	Head of Programmes Redesign & Quality	3,125	(283)	2,842	2,842
524	-	524	Executive and 5 Councils	606	-	606	606
8,225	(980)	7,245	Total Strategy & Governance Directorate	7,655	(435)	7,220	7,220
			Commercial Directorate				
-	-	-	Head of Commercial Ventures	92	(7)	85	85
6,214	(2,382)	3,832	Head of Environmental Services	6,516	(2,464)	4,052	4,052
339	(146)	193	Head of Development	437	(185)	252	252
864	(648)	216	Building Maintenance and Facilities	793	(497)	296	296
7,417	(3,176)	4,241	Total Commercial Directorate	7,838	(3,153)	4,685	4,685
60,366	(45,398)	14,968	Total Cost of Services	61,236	(45,645)	15,591	15,591
-	(144)	(144)	Other Operating Income & Expenditure (Note 10)	-	(529)	(529)	(529)
4,450	(5,315)	(865)	Financing & Investment Income & Expenditure (Note 11)	4,550	(5,268)	(718)	(718)
-	(15,240)	(15,240)	Taxation and Non Specific Grant Income (Note 12)	-	(14,916)	(14,916)	(14,916)
-	-	-	Share of Surplus (-) / Deficit of services by Associate	-	-	-	(19)
-	-	-	Tax expenses of Associate	-	-	-	3
64,816	(66,097)	(1,281)	Surplus (-) / Deficit on Provision of Services	65,786	(66,358)	(572)	(588)
-	(9,661)	(9,661)	Surplus (-) / Deficit on revaluation of Property, Plant and Equipment Assets	-	(5,348)	(5,348)	(5,348)
-	(6,120)	(6,120)	Remeasurement of the net defined benefit Liability/Asset	5,140	-	5,140	5,140
-	(15,781)	(15,781)	Other Comprehensive Income & Expenditure	5,140	(5,348)	(208)	(208)
64,816	(81,878)	(17,062)	Total Comprehensive Income & Expenditure	70,926	(71,706)	(780)	(796)

BALANCE SHEET

This Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Havant Borough Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2016 £'000		Authority 31st March 2017 £'000	Group 31st March 2017 £'000
45,855	Property, Plant and Equipment (Note 13)	49,939	49,939
124	Assets Under Construction	-	-
20,830	Investment Property (Note 14)	21,737	21,737
223	Intangible Fixed Assets (Note 15)	231	231
-	Investment in Associate (Note 32)	-	16
120	Long-Term Debtors (Notes 16 and 18)	1,131	1,131
67,152	Total Long-Term Assets	73,038	73,054
57	Inventories (Note 17)	-	-
3,839	Short Term Debtors (Note 18)	3,953	3,953
13,588	Cash & Cash Equivalents (Note 19)	17,200	17,200
17,484	Total Current Assets	21,153	21,153
(586)	Bank Overdraft (Note 19)	(870)	(870)
(83)	Short Term Borrowing (Note 16)	(86)	(86)
(5,241)	Short Term Creditors (Note 20)	(6,975)	(6,975)
(76)	Short Term Provisions (Note 21)	(76)	(76)
(5,986)	Total Current Liabilities	(8,007)	(8,007)
(248)	Long Term Finance Lease (Note 20 and 34)	(248)	(248)
(649)	Long Term Provisions (Note 21)	(825)	(825)
(3,690)	Long Term Borrowing (Note 16)	(3,626)	(3,626)
(41,820)	Liability related to defined benefit pension scheme (Note 37)	(48,230)	(48,230)
(3,266)	Capital Grants and Contributions Received in Advance (Note 30)	(3,498)	(3,498)
(49,673)	Total Long Term Liabilities	(56,427)	(56,427)
28,977	NET ASSETS	29,757	29,773
13,673	Usable Reserves (Note 22)	16,070	16,070
15,304	Unusable Financial Reserves (Note 23)	13,687	13,687
-	Share of Reserves of Associate (Note 32)	-	16
28,977	TOTAL RESERVES	29,757	29,773

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Authority as at 31st March 2017 and its Comprehensive Income and Expenditure Statement for the year then ended. These financial statements replace the unaudited statements authorised for issue on 30th June 2017.

Signed
Andy Radford, S151 Officer,

Dated 26th September 2017

CASH FLOW STATEMENT

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

31st March 2016 £ 000's		31st March 2017 £ 000's
1,281	Net surplus or (-) deficit on the provision of services	588
(424)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	1,877
(162)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or and financing activities (Note 24)	230
695	Net cash flow from operating activities	2,695
(48)	Investing activities (Note 25)	716
(79)	Financing activities (Note 26)	(83)
568	Net increase or (decrease) in cash, cash equivalents and bank overdraft	3,328
12,434	Cash, cash equivalents and bank overdraft at the beginning of the reporting period	13,002
13,002	Cash, cash equivalents and bank overdraft at the end of the reporting period (note 19)	16,330

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as amended in 2015, which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

v. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there is no accumulated gain in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is estimated for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority can be members of the Local Government Pension Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the authority.

The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on AA corporate bonds.

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Discretionary Benefits

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

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a number of loans to voluntary organisations at less than market rates, and offers employees an interest free loan to purchase a car (soft loans). When soft loans are made, under Accounting Standards a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, these soft loans are not material to the Authority's accounts and consequently the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ix. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

Non-ring fenced government grants are general grants allocated by central government directly to local authorities as additional revenue funding. These grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges are be used to fund revenue expenditure.

x. Heritage Assets

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

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii. Inventories

Stocks and stores held in the Council's depot and Tourist Information Centre stock at the year end are included in the balance sheet at the latest purchase price. Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xiii. Investment Property

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

xiv. Interests in Companies and Other Entities

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

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

Consideration has been given to the relationship with all potential entities and the Council's relationship with Norse South east has been assessed as an Associate. Fuller disclosures have been made in the interests in other entities note to the Core Financial Statements

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

xv. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi. Overheads and Support Services

The costs of overheads and support services are reported under the relevant Service Head responsibility and not charged to front line services for the purposes of the Statutory Accounts.

Overhead apportionment is applied for statutory government reporting and where this is the case the total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale. These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

xvii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise expenditure below a de minimis of £15,000, or borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over the assessed useful life of the asset concerned (life between 3 and 20 years) as advised by a suitably qualified officer
- infrastructure – straight-line allocation over assessed useful life of the type of asset (life between 10 and 50 years) as advised by a suitably qualified officer

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xix. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 23.

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxii. Exceptional Items

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

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

There have been two changes to accounting policy that have not yet been adopted, relating to the reporting of pension fund scheme transaction costs, and reporting of investment concentration. However, none of these changes have a material impact on the Statement of Accounts.

3. Critical Judgements in applying accounting policies

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

Future funding for local government – Consultation is underway on changes to the Business Rates Retention scheme, which will ultimately replace existing government grants, creating uncertainty over future levels of funding. However the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

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

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

Production of group accounts – the Council has an interest in another entity, Portchester Crematorium Joint Committee, which manages the operations of Portchester Crematorium. The accounts of this entity have not been consolidated into the financial statements of the Council based on the fact that grouping the accounts would not materially change the reported figures in the Statement of Accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or regarding other uncertainties. Estimates are made taking into account historical experience, current trends and other relevant factors. However, due to this uncertainty, there is a risk that actual results could vary from the assumptions made. The items in the authority's balance sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming year are as follows.

Item	Uncertainties	Effect if results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns from pension fund assets. A firm of actuaries is engaged by the pension fund administrator to provide expert advice about the assumptions to be applied.	Further information on the impact of changes to assumptions can be found at note 37.
Property, Plant and Equipment	When calculating the fair value of assets, assumptions are made around useful lives, level of repairs, and the impact of the current economic climate. Changes in these assumptions may result in a material change to the depreciation charges applied. In the current economic climate it is unlikely that the level of repairs and maintenance can be sustained and this would have an effect on depreciation charges.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.
Provisions	At 31st March 2017, the authority had a balance of general fund sundry debtors of £889,000 (2015/16 £1,347,000). and of overpaid housing benefits of £2,140,000 (£2,231,000 in 2015/16). The Authority has made allowances for doubtful debt on a sliding scale dependent on the age of debt.	If collection rates were to deteriorate or improve, an adjustment would be required to the bad debt provision. An increase or decrease to the bad debt provision of 5% equates to £93,400 (£78,000 2015/16)
Business Rates appeal provision	The introduction of the Business rates retention scheme in April 2013 means that the Council has assumed some of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties. The estimate is based on the latest list of outstanding rating list proposals provided by the Valuation Agency, and takes into account changes to comparable properties, historic trends and the likelihood that a number of appeals will be unsuccessful.	The Council has provided £1.662m for appeals within the Collection Fund (2015/16 £1,162,000), of which the Authority's share is £665,000 (2015/16 £466,000). A 5% change in provision would require an adjustment of £33,250 (2015/16 £23,250)

5. Exceptional item

There are no exceptional items in 2016/17.

6. Material Items of Income and Expense

During 2016/17 the Pension Scheme recorded an actuarial loss of £5,140,000 which is reflected in the Comprehensive Income and Expenditure Account and is mostly responsible for the increase in the Council's pension fund liabilities of £6,400,000. The Council revalued land and property assets during the year. The total upward revaluation was £6,075,000 on operational property, and £735,000 on investment property, contributing to an overall increase in fixed asset values. Asset disposals resulted in capital receipts of £1,024,000 in the year

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Segmental Reporting

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

	Adjustments relating to revaluations, impairments & Disposals £'000	Adjustments relating to the Depreciation of Fixed Assets £'000	Adjustments relating to Grants & Contributions £'000	Realignment of internal reporting to statutory reporting £'000	Adjustments relating to the Collection Fund £'000	Adjustments relating to Pension Fund Accounting £'000	Grand Total £'000
Operations Directorate							
Head of Neighbourhood Support	45	(89)	-	-	-	48	4
Head of Planning	(13)	43	38	(1)	-	108	175
Head of Customer Services	-	-	-	-	-	44	44
Head of Coastal Partnership	-	(12)	226	-	-	84	298
Head of Housing	-	-	-	-	-	21	21
Operations Directorate Total	32	(58)	264	(1)	-	305	542
Strategy & Governance Directorate							
Head of Finance & Property	(6)	19	-	(106)	-	66	(27)
Head of Organisational Development	-	-	-	-	-	34	34
Head of Communications & Community Engagement	-	149	-	-	-	47	196
Head of Legal	-	-	-	-	-	8	8
Head of Programmes Redesign & Quality	-	(21)	-	-	-	69	48
Executive	-	-	-	-	-	22	22
Strategy & Governance Total	(6)	147	-	(106)	-	246	281
Commercial Directorate							
Head of Commercial Ventures	-	-	-	-	-	(9)	(9)
Head of Environmental Services	9	221	-	-	-	-	230
Head of Development	-	6	-	-	-	16	22
Building Maintenance & Facilities	-	30	-	(109)	-	27	(52)
Investment Income & Expenditure	(514)	-	-	2,323	-	-	1,809
Commercial Directorate Total	(505)	257	-	2,214	-	34	2,000
Net Expenditure Sub Total	(479)	346	264	2,107	-	585	2,823
Other Operating Income & Expenditure	(528)	-	(299)	(2,108)	797	685	(1,453)
Other Comprehensive Income and Expenditure	(5,348)	-	-	-	-	5,140	(208)
Subtotal Other Operating Income & Expenditure	(5,876)	-	(299)	(2,108)	797	5,824	(1,662)
Total Expenditure	(6,355)	346	(35)	(1)	797	6,410	1,162

NOTES TO THE CORE FINANCIAL STATEMENTS

Income received against each operating segment is disclosed below:

	2015/16 £'000	2016/17 £'000
Operations Directorate		
Head of Neighbourhood Support	(2,966)	(3,097)
Head of Planning	(2,347)	(2,154)
Head of Customer Services	(33,930)	(33,824)
Head of Coastal Partnership	(1,777)	(2,838)
Head of Housing	(222)	(144)
Total Operations Directorate	(41,242)	(42,057)
Strategy & Governance Directorate		
Head of Finance & Property	(332)	(27)
Head of Organisational Development	(9)	(40)
Head of Communications & Community Engagement	(188)	(52)
Head of Legal	(36)	(33)
Head of Programmes Redesign & Quality	(415)	(283)
Executive and 5 Councils	-	-
Total Strategy & Governance Directorate	(980)	(435)
Commercial Directorate		
Head of Commercial Ventures	-	(7)
Head of Environmental Services	(2,382)	(2,464)
Head of Development	(146)	(185)
Building Maintenance and Facilities	(648)	(497)
Total Commercial Directorate	(3,176)	(3,153)
Total income analysed on a segmental basis	(45,398)	(45,645)

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

	2015/16 £'000	2016/17 £'000
Expenditure / Income type		
Employee benefits and other staff costs	14,181	10,755
Direct Expenditure	44,863	49,546
Depreciation, Amortisation and Impairment	1,465	1,099
Interest payments	4,307	4,387
Gain (-) / loss on disposal of assets	(144)	(529)
Total Expenditure	64,672	65,258
Fees, Charges and Other service income	(45,398)	(45,645)
Interest & Investment income	(5,315)	(5,268)
Income from Council Tax and Business Rates	(10,522)	(10,700)
Government Grants & Contributions	(4,718)	(4,216)
Total Income	(65,953)	(65,829)
Surplus / Deficit on the Provision of Services	(1,281)	(572)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions.

2016/17	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:	-			0
Adjustments primarily involving the Capital Adjustment Account:				
Charges for depreciation and impairment of non-current assets	(1,071)			1,071
Downward revaluation of operational property	-			0
Movements in the market value of Investment Properties	514			(514)
Amortisation of intangible assets	(28)			28
Revenue expenditure funded from capital under statute	(819)			819
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			0
Application of grants to capital financing transferred to the Capital Adjustment Account	874			(874)
Statutory provision for the financing of capital investment	700			(700)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,021		(1,021)	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	529	(1,124)		595
Use of Capital Receipts Reserves to finance new capital expenditure	-	10		(10)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited and credited to the Comprehensive Income and Expenditure Statement	(2,890)			2,890
Employer's pensions contributions and direct payments to pensioners payable in the year	1,620			(1,620)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(107)			107
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(690)			690
Adjustment primarily involving Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-			0
Total Adjustments	(347)	(1,114)	(1,021)	2,482

NOTES TO THE CORE FINANCIAL STATEMENTS

The comparative adjustments made between accounting basis and funding basis in 2015/16 are as follows.

2015/16	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Adjustments primarily involving the Capital Adjustment Account:				
Charges for depreciation and impairment of non-current assets	(1,442)	-	-	1,442
Downward revaluation of operational property	(48)	-	-	48
Movements in the market value of Investment Properties	936	-	-	(936)
Amortisation of intangible assets	(23)	-	-	23
Capital Grants and contributions applied	1,166	-	(1,166)	-
Revenue expenditure funded from capital under statute	(815)	-	-	815
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(75)	-	-	75
Statutory provision for the financing of capital investment	691	-	-	(691)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,122	-	(1,122)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,178	(1,178)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	219	(219)	-	-
Use of Capital Receipts Reserves to finance new capital expenditure	-	23	-	(23)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited and credited to the Comprehensive Income and Expenditure Statement	(3,590)	-	-	3,590
Employer's pensions contributions and direct payments to pensioners payable in the year	1,800	-	-	(1,800)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(83)	-	-	83
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(842)	-	-	842
Adjustment primarily involving Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	(984)	(196)	(1,110)	2,290

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

	Balance at 31 March 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000
General Fund - earmarked	1,175	(52)	-	1,123	(176)	18	965
Legal Reserve	385	-	-	385	-	-	385
Insurance Reserve	629	-	24	653	-	-	653
LABGI Reserve	14	-	-	14	-	(14)	-
Asset Acquisition Reserve	4	-	-	4	-	(4)	-
Capital Reserve	1,199	(192)	-	1,007	(659)	-	348
Restructuring Reserve	597	-	-	597	-	-	597
Financial Management Reserve	-	-	-	-	-	208	208
Total	4,003	(244)	24	3,783	(835)	208	3,156

10. Other Operating Expenditure

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

	2015/16 £000	2016/17 £000
Loss / (Surplus) on disposal of non-current assets	(144)	(529)
Total	(144)	(529)

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Financing and Investment Income and Expenditure

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

	2015/16 £000	2016/17 £000
Interest payable and similar charges	177	187
Expenditure relating to investment properties (Note 13)	143	163
Pensions interest cost and expected return on pensions assets	4,130	4,200
Total Financing and Investment Expenditure	4,450	4,550
Interest receivable and similar income	(108)	(81)
Expected returns on pensions assets	(2,680)	(2,810)
Income in relation to investment properties (Note 14)	(1,591)	(1,863)
Change in the fair value of investment properties (Note 14)	(936)	(514)
Total Financing and Investment Income	(5,315)	(5,268)
Total Financing and Investment Income and Expenditure	(865)	(718)

12. Taxation and non specific grant income

Taxation and non specific grant income, as shown in the Comprehensive Income & Expenditure Account, is shown in the table below. Specific revenue grants have been credited to the relevant service line in the Net Cost of Services. Specific grants received are disclosed in note 30.

	2015/16 £000	2016/17 £000
Council Tax income	(7,647)	(7,682)
Retained Business Rates -	(2,875)	(3,018)
Revenue Support Grant	(2,457)	(1,605)
New Homes Bonus	(1,087)	(1,823)
Non-ringfenced Government grants	(868)	(489)
Capital grants and contributions	(306)	(299)
Total	(15,240)	(14,916)

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Property, plant and equipment

The table below analyses the movements in property, plant and equipment for the year. Further information on additions and enhancements to fixed assets can be found at note 33.

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment * £000
Cost or Valuation:						
At 1 April 2016	41,965	13,327	1,858	2,261	-	59,411
Additions	-	216	-	136	-	352
Reclassifications	(75)	-	(48)	48	-	(75)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,635	-	-	961	-	5,596
Revaluation decreases recognised in the Comprehensive Income & Expenditure Statement	(626)		(101)	-		(727)
Derecognition - disposals	(88)	(3,667)	-	-	-	(3,755)
At 31 March 2017	45,811	9,876	1,709	3,406	-	60,802
Accumulated Depreciation and Impairment:						
At 1 April 2016	(1,814)	(10,167)	(336)	(1,115)	-	(13,432)
Depreciation Charge	(641)	(289)	(56)	(91)	-	(1,077)
Depreciation written out to the Revaluation Reserve	444	-	34	-	-	478
Derecognition - disposals	-	3,168	-	-	-	3,168
At 31 March 2017	(2,011)	(7,288)	(358)	(1,206)	-	(10,863)
Net Book Value:						
as at 31 March 2017	43,800	2,588	1,351	2,200	-	49,939
as at 31 March 2016	40,151	3,160	1,522	1,146	-	45,979

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in 2015/16:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment * £000
Cost or Valuation:						
At 1 April 2015	33,105	13,321	1,208	1,945	-	49,579
Additions	-	98	61	316	-	475
Reclassifications	500	-	-	-	-	500
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,408	-	589	-	-	8,997
Revaluation increases/(decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(48)	-	-	-	-	(48)
Derecognition - disposals	-	(92)	-	-	-	(92)
At 31 March 2016	41,965	13,327	1,858	2,261	-	59,411
Accumulated Depreciation and Impairment:						
At 1 April 2015	(1,828)	(9,603)	(277)	(1,024)	-	(12,732)
Depreciation Charge	(650)	(656)	(59)	(91)	-	(1,456)
Depreciation written out to the Revaluation Reserve	664	-	-	-	-	664
Derecognition - disposals	-	92	-	-	-	92
At 31 March 2016	(1,814)	(10,167)	(336)	(1,115)	-	(13,432)
Net Book Value:						
as at 31 March 2016	40,151	3,160	1,522	1,146	-	45,979
as at 31 March 2015	31,277	3,718	931	921	-	36,847

* There was no PFI asset included in Property, Plant and Equipment in 2015/16 or 2016/17

Depreciation:

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

- Buildings - 5-50 years
- Vehicles, Plant, Furniture and Equipment - 3-20 years
- Infrastructure - 10-50 years
- Community Assets - 4-30 years

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Commitments:

There were no capital commitments outstanding as at 31 March 2017.

Effects of changes in estimates:

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

Revaluations:

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured to fair value is revalued at least every five years. All Property Plant and Equipment valuations are carried out internally in 2016/17, with the exception of one farm asset valued by a specialist valuer, Bidwells LLP. Investment property valuations have been carried out by Vail Williams LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and the accounting policies set out in Note 1 (xvii).

		Land and Buildings £000	Other £000	Total £000
Carried at historical cost:				
Community assets		-	-	-
Infrastructure assets		-	-	-
Assets under construction		-	-	-
Vehicles, plant, furniture and equipment		-	1,455	1,455
Valued at fair value as at:				
	31-Mar-17	31,393	300	31,693
	31-Mar-16	9,024	589	9,613
	31-Mar-15	7,053	830	7,883
	31-Mar-14	-	-	-
	31-Mar-13	17,563	1,566	19,129
Total property, plant and equipment		65,033	4,740	69,773

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Investment property income forms part of the Council's investment income and expenditure, which is detailed in note 11.

	2015/16 £000	2016/17 £000
Rental income from investment property	(1,592)	(1,863)
Direct operating expenses arising from investment property	144	163
Total direct income and expenditure	(1,448)	(1,700)
Change in fair value of investment property	(936)	(514)
Net gain/(loss)	(2,384)	(2,214)

There is no restriction on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligation to purchase, construct, develop or enhance investment property. The following table summarises the movement in the fair value of investment properties over the year:

	2015/16 £000	2016/17 £000
Balance at the start of the year	20,469	20,830
Additions in the year	-	320
Disposals in the year	(75)	(2)
reclassification of investment property	(293)	75
Net gains/losses from fair value adjustments	729	514
Balance at the end of the year	20,830	21,737

15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences but not internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 4-6 years.

The carrying value of intangible assets is cost less any accumulated amortisation and any accumulated impairment loss. The cost is amortised on a straight-line basis. The amortisation of £28,000 charged to revenue in 2016/17 was attributed to the Service Head for Finance (£19,000) and to the Head of Planning (£9,000) within Net Expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2015/16 £000	2016/17 £000
Balance at the start of the year:		
Gross carrying amounts	722	820
Accumulated amortisation	(574)	(597)
Net carrying amount at the start of the year	148	223
Additions in the year	98	36
Amortisation for the period	(23)	(28)
Net carrying amount at 31st March	223	231

One item of capitalised software that is individually material to the net carrying cost of intangibles at the end of the year is the Civica finance system, the current net book value at 31st March of which is £217,000

16. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet. This note has been revised to incorporate all financial instruments and therefore prior year comparatives have been revised.

	Current 2015/16 £'000	Long Term 2015/16 £'000	Current 2016/17 £'000	Long Term 2016/17 £'000
Investments				
Cash Equivalents	13,002	-	16,330	-
Total Investments	13,002	-	16,330	-
Debtors				
Loans and Receivables	1,361	30	1,177	20
Financial Assets carried at contracted amounts	65	87	52	83
Total Debtors	1,426	117	1,229	103
Total Financial Assets	14,428	117	17,559	103
Borrowings				
Financial liabilities at amortised cost	(83)	(3,690)	(86)	(3,626)
Total Borrowings	(83)	(3,690)	(86)	(3,626)
Other Long Term Liabilities				
Finance Lease Liabilities	-	(248)	-	(248)
Total Other Long Term Liabilities	-	(248)	-	(248)
Long Term Creditors				
Financial liabilities at contracted amounts	-	(2,223)	-	(2,177)
Total Long Term Creditors	-	(2,223)	-	(2,177)
Total Financial Liabilities	(83)	(6,161)	(86)	(6,051)

NOTES TO THE CORE FINANCIAL STATEMENTS

Material Soft Loans

The authority makes loans for car purchases to employees in the authority who are in posts that require them to drive regularly on the authority's business. None of these loans are considered material for the purposes of this note.

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

	2015/16		2016/17	
	Financial Assets - Loans and Receivables £'000	Financial Liabilities at amortised cost £'000	Financial Assets - Loans and Receivables £'000	Financial Liabilities at amortised cost £'000
Interest expenditure	152	22	161	22
Fee Expenditure	3	-	5	
Total Expense	155	22	166	22
Interest income (Cash)	(104)	-	(96)	-
Interest income (Accrued)	(4)	-	(6)	-
Total Income	(108)	-	(102)	-
Net Gain / Loss (-) for the year	47	22	64	22

Fair Value of Assets & Liabilities

Financial Assets & Liabilities, represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates, based on new lending rates.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value.
- The fair value of trade and other receivables is taken to be invoiced or billed amount.

	31st March 2016		31st March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Cash Equivalents	13,002	13,002	16,330	16,330
Total value	13,002	13,002	16,330	16,330

NOTES TO THE CORE FINANCIAL STATEMENTS

On 16th March 2012 the Council borrowed £4,000,000 from the Public Works Loan Board at an interest rate of 4.04%. The loan matures in 30 years and is repayable in equal annual instalments, including interest, of £232,500. The amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. The fair value of the loan at the Balance Sheet date, based on current market information and as calculated by the Public Works Loan Board, is £4,931,000 against an amortised value of £3,712,000.

17. Inventories

	Fuel		Maintenance Materials		Other		Total	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance outstanding at start of year	71	15	15	-	73	42	159	57
Purchases	312	-	-	-	79	-	391	-
Recognised as an expense in the year	(368)	-	(15)	-	(110)	-	(493)	-
Stock Transferred to Norse	-	(15)	-	-	-	(42)	-	(57)
Balance outstanding at end of year	15	-	-	-	42	-	57	-

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Debtors

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

	Balance at 31st March 2016 £'000	Balance at 31st March 2017 £'000
Amounts falling due within one year		
Prepayments and accrued income	1,231	1,433
Government departments	-	-
HM Revenue and Customs (Value Added Tax)	257	30
Other Local Authorities	331	265
Collection Fund - Havant Borough Council	737	781
Partnership Companies	-	478
Debtors for services	1,347	899
Housing Benefit Debtors	2,231	2,140
Debtors due within one year	6,134	6,026
Doubtful debts allowance		
General Fund	(2,111)	(1,868)
Collection Fund	(184)	(205)
Total Debtors due within 1 year	3,839	3,953

Long Term Debtors		
Employee Car Loans	90	83
Loans to Local Organisations	30	21
Deferred Capital receipts	-	172
Community Infrastructure Levy Debtor	-	855
Total Long Term Debtors	120	1,131

19. Cash and cash equivalents

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

	31 March 2016 £000	31 March 2017 £000
Bank current accounts	328	445
Short term deposits	13,260	16,755
Total cash and cash equivalents	13,588	17,200
Bank overdraft	(586)	(870)
Total cash, cash equivalents and bank overdraft	13,002	16,330

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Creditors

Creditors are amounts owed by the authority at 31st March.

	Balance 31st March 2016 £'000	Balance 31st March 2017 £'000
Amounts falling due within one year		
Accruals and income in advance	2,918	3,599
Government departments	657	2,660
Her Majesty's Revenues and Customs (Income Tax)	220	185
Collection Fund balance due from Central Government and Major Preceptors	387	(642)
Other Local Authorities	-	3
Collection Fund - Havant Borough Council	392	513
Creditors for goods and services	667	657
Total Creditors payable within 1 Year	5,241	6,975
Amounts falling due over one year		
Finance Lease - Regional Business Centre (Note 34)	248	248
Total Creditors payable after 1 year	248	248

21. Provisions

Provisions at 31 March 2017 represent amounts set aside for the purpose of providing for liabilities, which are likely or certain to be incurred but are uncertain as to the amount or the date on which they will arise.

Insurance claims are met by an insurance fund operated by the Council. Insurance premiums are paid into the fund from the revenue account by services requiring insurance cover. Insurance claims less than the policy excesses, and policy excesses, are then met from the Insurance Fund. Risks covered by the fund include: Employer's Liability; Third Party Claims; Property; Motor Vehicles; Engineering; Terrorism; Officials Indemnity and Professional Indemnity within agreed excess levels.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Municipal Mutual Insurance (MMI) was a local authority owned mutual providing insurance to the Council which ceased business in 1992. However, MMI is still liable for certain insurance claims which, if not covered by MMI's remaining assets, will be apportioned between the member authorities. A Supreme Court ruling in March 2012 gave certainty that MMI will incur full liability for Mesothelioma claims, significantly increasing the likelihood that costs will be incurred by the Council. The latest estimate of potential liability is £131,000 and a provision has been created to ensure the council can meet this liability.

	Insurance Fund £000	Business Rates Backdated Appeals £000	S106 Interest £000	MMI £000	Total £000
Balance outstanding at 1 April 2016	128	466	-	131	725
Additional provisions made during the year	209	528	13	-	750
Unused amounts reversed in the year	-	(330)	-	(30)	(360)
Amounts used in the year	(214)	-	-	-	(214)
Balance outstanding at 31 March 2017	123	664	13	101	901

Under one year	76	-	-	-	76
One year and over	47	664	13	101	825
Balance outstanding at 31 March 2017	123	664	13	101	901

22. Usable reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement and Note 9.

	Balance at 31 March 2016 £000	Movement in year £000	Balance at 31 March 2017 £000
General Fund Balance	6,248	889	7,137
Earmarked Reserves	3,783	(627)	3,156
Capital Receipts Reserve	199	1,114	1,313
Capital Grants and other contributions unapplied	3,443	1,961	5,404
Total	13,673	3,337	17,010

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable reserves

	31 March 2016 £000	31 March 2017 £000
Revaluation reserve	16,545	21,720
Capital adjustment account	40,476	40,892
Pensions reserve	(41,820)	(48,230)
Collection fund adjustment account	207	(590)
Accumulated absences account	(104)	(105)
Total unusable reserves	15,304	13,687

Revaluation reserve:

The revaluation reserve contains the gains made by the Authority arising from the increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

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

	31 March 2016 £000 £000		31 March 2017 £000 £000	
Balance outstanding at start of year		7,215		16,545
Upward revaluation of assets	9,661		6,075	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-		(503)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-		-
Difference between fair value depreciation and historical cost depreciation		(331)		(397)
Balance outstanding at end of year		16,545		21,720

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital adjustment account:

	31 March 2016 £000	31 March 2017 £000
Balance outstanding at start of year	39,528	40,476
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	(1,442)	(1,295)
- Amortisation of intangible assets	(23)	(28)
- Revenue expenditure funded from capital under statute	(815)	(819)
- Revaluation losses on Property, Plant and Equipment	(48)	-
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(75)	(596)
	(2,403)	(2,738)
Adjusting amounts written out of the Revaluation Reserve	331	397
Net written out amount of the cost of non-current assets consumed in the year	(2,072)	(2,341)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	23	11
- Use of specific reserves to finance new capital expenditure	192	658
- Use of the General Fund to finance new capital expenditure	-	-
- Capital grants and contributions applied to capital financing	12	-
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,166	874
- Statutory provision for the financing of capital investment charged against the General Fund	691	700
	2,084	2,243
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	936	514
Balance outstanding at end of year	40,476	40,892

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Pensions reserve

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

	31 March 2016 £000	31 March 2017 £000
Balance outstanding at start of year	(46,150)	(41,820)
Actuarial gains or (losses) on pensions assets and liabilities	6,120	(5,140)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,590)	(2,890)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,800	1,620
Balance outstanding at end of year	(41,820)	(48,230)

NOTES TO THE CORE FINANCIAL STATEMENTS

Collection Fund adjustment account

The Collection Fund adjustment account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2016 £000	31 March 2017 £000
Balance outstanding at start of year	1,132	207
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(83)	(129)
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(842)	(668)
Balance outstanding at end of year	207	(590)

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account

	31 March 2016 £000	31 March 2017 £000
Balance outstanding at start of year	(104)	(104)
Settlement or cancellation of accrual made at the end of the preceding year	104	104
Amounts accrued at the end of the current year	(104)	(105)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	(1)
Balance outstanding at end of year	(104)	(105)

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Net cash flow from operating activities

The cash flows for operating activities include the following items.

	31 March 2016 £000	31 March 2017 £000
Net Surplus / Deficit (-) on the Provision of Services	1,281	588
Adjustments to net surplus / deficit on the provision of services for non-cash movements		
Depreciation and amortisation of fixed assets	1,465	1,099
Increase / (-) Decrease in short term creditors	(2,514)	1,734
Increase / (-) Decrease in capital grants in advance	(255)	232
Increase / (-) Decrease in long and short term provisions	92	(825)
Increase (-) / Decrease in short term debtors	(517)	(114)
Increase (-) / Decrease in long term debtors	44	(1,011)
Increase (-) / Decrease in stock	102	57
Difference between pension contributions paid and amounts recognised in the income statement	1,790	1,270
Movements in value of investment properties	(936)	(514)
Capital grants applied to capital financing	1,166	874
Statutory provision for the financing of capital investment	(691)	(700)
Other non cash movements	(170)	(225)
Total adjustments for non cash movements	(424)	1,877
Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities		
Profit / (-) Loss on disposal of fixed assets	144	529
Capital grants received	(306)	(299)
Total adjustments for investing and financing activities	(162)	230
Total Operating Activities	695	2,695

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Net cash flow from investing activities

	31 March 2016 £000	31 March 2017 £000
Purchase of property, plant and equipment, investment property and intangible assets	(573)	(707)
Capital grants received	306	299
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	219	1,124
Net cash flows from investing activities	(48)	716

26. Net cash flow from financing activities

	31 March 2016 £000	31 March 2017 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	
Cash repayments of short and long term borrowing	(79)	(83)
Net cash flows from financing activities	(79)	(83)

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Officers' Remuneration

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

Post Holder information	Year	Salary, fees and allowances £	Payments for loss of employment £	Employers' pension contributions £	Net cost to East Hampshire District Council £	Net cost to Havant Borough Council £
Chief Executive	2016/17	130,066		17,039	73,553	73,553
	2015/16	130,066	-	17,019	73,543	73,543
Executive Director - Commercial	2016/17	101,609		13,311	57,460	57,460
	2015/16	99,663	-	12,818	56,241	56,241
Executive Director - Governance	2016/17	103,722		13,257	58,490	58,490
	2015/16	98,298	-	12,639	55,468	55,468
Executive Director - Operations (Agency fee June to October, employed from November 2017)	2016/17	149,318		6,004	77,661	77,661
	2015/16	-	-	-	-	-
Executive Head (Environmental Services)	2016/17	-	-	-	-	-
	2015/16	71,536	-	9,371	40,454	40,453
Executive Head (Community)	2016/17	-	-	-	-	-
	2015/16	71,536	-	9,371	40,453	40,454
Executive Head (Economy & Planning)	2016/17	-	-	-	-	-
	2015/16	71,536	-	9,371	40,454	40,453
Executive Head (Governance and Logistics)	2016/17	-	-	-	-	-
	2015/16	71,536	-	9,371	40,453	40,454
Total cost of senior officers - 2016/17					267,163	267,163
Total cost of senior officers - 2015/16					347,066	347,066

*A senior employee is defined as an officer who earns a salary of more than £150,000 per annum, or is the designated head of the paid service, or is a statutory chief officer, or is any person having responsibility for the strategic management of the council, to the extent that the officer has power to direct or control the major activities of the council, in particular activities involving the expenditure of money, whether solely or collectively with other officers. The Council shares its management team with East Hampshire District Council. Executive Head posts were deleted as part of a restructure of the senior management team with effect from 1st March 2016. The remuneration disclosed excludes any payments for secondary employment in respect of election duties.

The contribution rate for pensions is 13.1% of pensionable pay plus an additional monetary amount relating to all scheme members of £666,900 in 2016/17 (£612,900 in 2015/16).

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Bands	Number of Employees			
	2015/16 exc termination benefits	2015/16 inc termination benefits	2016/17 exc termination benefits	2016/17 inc termination benefits
£50,000 - £54,999	1	1	2	2
£55,000 - £59,999	8	8	2	1
£60,000 - £64,999	1	2	4	5
£65,000 - £69,999	0	0	1	2
£70,000 - £74,999	0	0	2	2
£75,000 - £79,999	0	0	1	1
£95,000 - £99,999	0	0	0	1
	10	11	12	14

The numbers of exit packages with total cost per band are set out in the table below.

Cost band	Number of compulsory redundancies		Number of other departures agreed		Total cost of exit packages £	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	-	2	1	-	5,780	22,404
£20,001 - £40,000	-	1	-	-	-	20,154
£40,001 - £60,000	1	1	-	-	43,115	50,532
£60,001 - £80,000	1	-	-	-	64,856	-
Total	2	4	1	-	113,751	93,090

Havant Borough Council paid £25,266 to East Hampshire District Council as a contribution to the redundancy costs of officers employed by East Hampshire District Council for 2016/2017 (£29,135 for 2015/2016). No Contributions were received from East Hampshire District Council in respect of redundancy in 2016/2017 or 2015/16.

28. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2015/16 £000	2016/17 £000
Allowances	312	315
Expenses	23	15
Total	335	330

NOTES TO THE CORE FINANCIAL STATEMENTS

29. External audit costs

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

	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	47	52
Fees payable for the certification of grant claims and returns for the year	9	13
Total	56	65

30. Grant Income

The Authority credited the following grants, subsidies and contributions to the Net Cost of Services in 2016/17:

	2015/16 £000	2016/17 £000
Credited to services		
Disabled Facilities Grants	656	1,454
Broadmarsh revetment maintenance contribution	-	54
Department for work and pensions: Housing Benefits Subsidy	32,520	31,784
Housing Benefit - Discretionary Housing Grant		181
Housing Benefit - Administration Grant		393
SPAA Grant	8	-
Public Health Grant	41	24
Mend Grant	8	-
Older People Grant	3	-
Trans Support Grant	17	66
Hants & Local Welfare Assistance Grant	10	-
Transparency Grant	8	-
Land charges compensation grant	100	-
EA P2P	-	192
Section 31 Local Gov Act 2003 Grant	-	427
Energy and Climate Change	-	54
Domestic Abuse Grant	-	49
Total	33,371	34,678

NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority also credited the following general grants and contributions to the Comprehensive Income and Expenditure Statement, as outlined at note 12:

	2015/16 £000	2016/17 £000
Credited to taxation and non-specific grant income		
Council tax freeze grant	86	-
Council Tax flooding relief grant	2	-
Council Tax Family Annex grant	1	-
New Burdens grant - Transparency	8	-
New Burdens grant - Tinklers	7	-
New Burdens grant - Localising Council Tax	28	-
New Homes Bonus	1,087	1,823
New Homes Bonus surplus redistribution	-	-
Revenue support grant	2,457	1,605
Section 31 grant - Business rates inflation cap	50	58
Section 31 grant - Reoccupation relief	1	1
Section 31 grant - Retail Relief	233	-
Section 31 grant - Small Business Rate Relief	434	427
Transitional Relief	5	3
Rural Payments Agency	10	-
Letting Agent Transparency redress Scheme	1	-
Repair And Renew Admin Grant	2	-
Total General Grants	4,412	3,917
Capital grants		
Other external contributions	306	299
Total	306	299

The Authority is holding a balance of £3.498m on the Balance Sheet in respect of Capital Grants and Contributions received in advance. Of this balance, £1.718m relates to developers contributions and the remaining £1.78m is a contribution from Hampshire County Council.

The Authority has received a number of developers' contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the contributors. The balances at the year-end included in receipts in advance of £1,718,000 (2015/16: £1,392,000).

The Council received a contribution of £2,327,276 from Hampshire County Council towards the cost of the refurbishment of the Public Service Plaza. With effect from 1st June 2012 the Council agreed that Hampshire County Council could occupy a proportion of the Public Service Plaza for 25 years. The contribution is held in the Balance Sheet as a receipt in advance to be amortised in equal annual instalments to the Comprehensive Income and Expenditure Account (CI&E) over the term of the occupancy agreement. The remaining balance to be amortised is £1.780m and £93,000 is due to be taken to the CI&E in 2017/18.

31. Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides a significant amount of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties, for example council tax bills and housing benefits. Grants received from government departments are detailed in Note 30.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 28. There was no known material related party transaction with councillors for 2016/17 or for 2015/16.

Officers

There was no known material related party transaction with officers for 2016/17 or for 2015/16.

Entities Controlled or Significantly influenced by the Authority

The Authority provided material assistance to Havant & District Citizens Advice Bureaux of £127,080 (£64,000 in 2015/16) and to Community First (Havant & East Hampshire) of £56,000 (£65,000 in 2015/16).

As part of the partnership with Norse South East, two Council representatives are named as a director of Norse South East Ltd due to her representation of Council interests through the Management Board. These are, Gill Kneller (Commercial Director), and Councillor Tony Briggs.

32. Interests in Other Entities

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

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

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have been prepared. These incorporate only the results of Norse South East Ltd, an Associate of which the Council owns a 20% share.

NOTES TO THE CORE FINANCIAL STATEMENTS

Norse South East Ltd

In 2016/17 the Council entered into an agreement with Norse Commercial Services Ltd for the provision of services including Refuse and recycling collection and Grounds Maintenance. A new company, Norse South East Ltd, was formed to deliver this service.

Group Accounts have been prepared as the Council has the power to participate in operating decisions, and because transactions between Norse South East Ltd and the Council are material. The Group Accounts incorporate the Council's share of net assets and surplus of Norse South East Ltd (NSE), as an associate, using the Equity method.

NSE prepared its accounts for 3rd April 2017, a few days after the Council, which is within the permissible period for consolidation on the basis that no material movements took place in the period between 31st March and 3rd April. The group accounts are included in this document as additional columns to the Council's Primary Statements, showing the extent of the Council's 20% interest in the Company.

In addition, the following information is disclosed to aid understanding of the nature of the group relationship and the impact of the arrangement on the Council's Statutory Accounts.

- a) The registered name of the Company is Norse South East Ltd
- b) Nature of the business. The principal activities of the Company are those of refuse and recycling collection and grounds maintenance services.
- c) The immediate parent undertaking is Norse Commercial Services Ltd
- d) The ultimate parent is Norse Group Ltd
- e) The Company's ultimate controlling entity is Norfolk County Council, who own 100% of the ordinary share
- f) The Council holds a 20% share of the company and receives a 50/50 profit/loss share at year end.
- g) The Company's contribution to its pension scheme is treated as if they are contributions to a defined contribution scheme. The Company pays a set contribution over the life of the agreement, with any increase or decrease met by the Council.
- h) Payments made to NSE in respect of refuse, recycling, cleansing and maintenance services are included in the Net cost of Services in the Comprehensive Income & Expenditure Statement. Total payments in 2016/17 amounted to £4,323,000.
- i) Details of the Company's annual financial results at 31 March 2017 are set out below.

NOTES TO THE CORE FINANCIAL STATEMENTS

Norse South East 2016/17 Balance Sheet

	Norse South East Ltd 2016/17 £	Havant Borough Council 20% Investment 2016/17 £
Non-current assets	4,495	899
Inventories	102,980	20,596
Trade and other receivables	1,984,584	396,917
Cash and cash equivalents	2,378	476
Total Current assets	2,089,942	417,989
Total Assets	2,094,437	418,888
Current liabilities		
Trade & Other creditors	(869,086)	(173,817)
Accruals and deferred income	(1,148,599)	(229,720)
Total Current Liabilities	(2,017,685)	(403,537)
Non-current liabilities	4,295	859
Total liabilities	(2,013,390)	(402,678)
Net assets	81,048	16,210
Total Equity/Retained earnings	81,048	16,210

Norse South East Profit & Loss Account

	Norse South East Ltd 2016/17 £	HBC 20% Investment 2016/17 £
Group revenue	6,383,007	1,276,601
Cost of sales - recurring	(4,217,634)	(843,527)
Gross profit	2,165,372	433,075
Administrative expenses	(2,066,590)	(413,318)
Operating profit	98,782	19,757
Finance costs	(2,854)	(571)
Profit before taxation	95,929	19,185
Taxation	(14,891)	(2,978)
Profit for the financial year	81,038	16,208

NOTES TO THE CORE FINANCIAL STATEMENTS

Other Partnerships

The Council has an interest in Portchester Crematorium Joint Committee which manages the operations of Portchester Crematorium. The Joint Committee is represented equally by the four constituent authorities, Fareham Borough Council, Havant Borough Council, Gosport Borough Council and Portsmouth City Council. Further information can be obtained from: The Treasurer to the Joint Committee, Civic Centre, Civic Way, Fareham. The accounts of this entity have not been consolidated into the financial statements of the Council. Havant Borough Council's share of the net assets of Portchester Crematorium Joint Committee is £1,960,000 (£1,905,000 in 2015/2016). During 2016/2017 the Council received £130,000 from the Portchester Crematorium Joint Committee (£125,000 in 2015/2016) being its share of the distributable surpluses.

33. Capital Expenditure and Capital Financing

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

	2015/16 £000	2016/17 £000
Opening capital financing requirement	10,475	9,784
Capital investment:		
- Property, plant and equipment	578	707
Revenue expenditure funded from capital under statute	815	819
Sources of finance:		
- Usable Capital receipts	(23)	(11)
- Revenue reserves	(192)	(658)
- Government grants and other contributions	(1,178)	(857)
Sums set aside from revenue:		
- Direct revenue contributions	-	-
- MRP	(691)	(700)
Closing capital financing requirement	9,784	9,084

	2015/16 £000	2016/17 £000
Explanation of movements in year:		
Increase / (decrease) in underlying need for borrowing (unsupported by government financial assistance)	(691)	(700)
Increase/(decrease) in capital financing requirement	(691)	(700)

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Leases

Authority as Lessee

Finance Leases

The Council has acquired a 98 year interest in a regional business centre under a finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet at £250,000 (2015/2016 £255,000)

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the property acquired by the Authority, and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2016 £'000	31 March 2017 £'000
Finance lease liabilities:		
- current	-	1
- non-current	248	247
Finance costs payable in future years	2,402	873
Minimum lease payments	2,650	1,121

The minimum lease payments will be payable over the following periods:

	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	-	0	32	14
Later than one year and not later than five years	-	1	162	55
Later than five years	248	247	2,456	1,052
	248	248	2,650	1,121

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/2017 £14,000 contingent rents were payable by the Authority (2015/2016 £14,000).

Operating Leases

The Authority leases land and property under operating leases for a number of purposes. These include the CCTV Control Room at the Meridian Centre, some recreation land and a car park.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	40	17
Later than one year and not later than five years	106	24
Later than five years	123	119
	269	160

The minimum lease payments receivable do not include amounts that are contingent on future events, such as adjustments arising from rent reviews.

Expenditure on Operating Leases was charged to the following services on the Comprehensive Income and Expenditure Statement as follows:

The Council had no rental obligation as lessee under operating leases during 2016/17.

Service Heading	31 March 2016 £'000	31 March 2017 £'000
Cultural Services	4	7
Environmental & Regulatory Services	6	10
	10	17

Authority as Lessor

Finance Leases

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Operating Leases

The Authority leases out property and equipment under operating leases for a number of purposes. These include the generation of income from investment properties, and the provision of community services including sports facilities and economic development purposes.

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

	31 March 2016	31 March 2017
	£000	£000
Not later than one year	1,732	1,884
Later than one year and not later than five years	6,500	6,566
Later than five years	69,018	68,390
	77,250	76,840

The minimum lease payments receivable do not include amounts that are contingent on future events, such as adjustments arising from rent reviews.

35. Impairment losses

There were no impairments in the 2016/2017 financial year.

36. Termination Benefits

The Authority terminated the contracts of four employees in 2016/2017, incurring liabilities of £93,090 (£113,751 in 2015/16), in the form of compensation for loss of office. There were no costs relating to enhanced pension benefits.

NOTES TO THE CORE FINANCIAL STATEMENTS

37. Defined benefit pension schemes

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

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

Financial Assumptions	31st March 2015	31st March 2016	31st March 2017
Discount rate for scheme liabilities	3.2%	3.4%	2.5%
RPI Inflation	2.9%	2.8%	3.1%
CPI Inflation	1.8%	1.7%	2.0%
Pension Accounts revaluation rate	1.8%	1.7%	2.0%
Rate of general increase of salaries	3.3%	3.2%	2.0%
Rate of increase to pensions in payment	1.8%	1.7%	3.5%

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

Post Retirement Mortality	31st March 2016	31st March 2017
Male		
Member aged 65 at accounting date	24.6	24.0
Member aged 45 at accounting date	26.7	26.0
Female		
Member aged 65 at accounting date	26.4	27.0
Member aged 45 at accounting date	28.7	29.3

NOTES TO THE CORE FINANCIAL STATEMENTS

Asset Allocation

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below.

	Asset split as at 31/3/2016 (% pa)	Asset split as at 31/3/2017		
		Quoted (%)	Unquoted (% pa)	Total (%)
Equities	56.3	56.8	3.5	60.3
Property	8.2	0.5	6.0	6.5
Government Bonds	25.7	25.0	0.2	25.2
Corporate Bonds	2.1	1.4	0.0	1.4
Cash	4.7	3.4	0.0	3.4
Other	3.0	0.0	3.2	3.2
Total	100.0	87.1	12.9	100.0

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

Active members	26%
Deferred Pensioners	15%
Pensioners	59%

Reconciliation of funded status to the Balance Sheet

	Value as at 31st March 2015		Value as at 31st March 2016		Value as at 31st March 2017	
	Funded £m	Unfunded £m	Funded £m	Unfunded £m	Funded £m	Unfunded £m
Fair value of assets	84.91	-	83.88	-	101.44	-
Present value of defined benefit obligation	(130.36)	(0.70)	(125.05)	(0.65)	(148.82)	(0.85)
Funded status	(45.45)	(0.70)	(41.17)	(0.65)	(47.38)	(0.85)
Impact of minimum funding requirement / asset ceiling	-	-	-	-	-	-
Asset / (liability) recognised on the balance sheet	(45.45)	(0.70)	(41.17)	(0.65)	(47.38)	(0.85)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Period Ending 31st March 2016 £m		Period Ending 31st March 2017 £m	
	Funded	Unfunded	Funded	Unfunded
Operating Costs				
Current Service Cost (including allowance for administration £0.02m)	2.08	-	1.48	-
Past Service Costs (including curtailments)	0.06	-	0.02	-
Financing Costs				
Interest on net defined benefit liability / (asset)	1.43	0.02	1.37	0.02
Pension expense recognised in Income & Expenditure	3.57	0.02	2.87	0.02
Remeasurements in Other Comprehensive Income				
Return on plan assets (in excess of) / below that recognised in net interest	1.47	-	(17.34)	-
Actuarial (gains) / losses due to changes in financial assumptions	(6.09)	(0.02)	26.69	0.10
Actuarial (gains) / losses due to changes in demographic assumptions	-	-	(1.82)	(0.02)
Actuarial (gains) / losses due to liability experience	(1.47)	(0.01)	(2.61)	0.14
Total amount recognised in Other Comprehensive Income	(6.09)	(0.03)	4.92	0.22
Total amount recognised	(2.52)	(0.01)	7.79	0.24

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

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

	Period Ending 31st March 2016 £m		Period Ending 31st March 2017 £m	
	Funded	Unfunded	Funded	Unfunded
Opening defined benefit obligation	130.36	0.70	125.05	0.65
Current service cost	2.08	-	1.48	-
Interest expense on defined benefit obligation	4.11	0.02	4.18	0.02
Contributions by Participants	0.56	-	0.47	-
Actuarial Gains (-) / Losses - financial assumptions	(6.09)	(0.02)	26.69	0.10
Actuarial Gains (-) / Losses - demographic assumptions	-	-	(1.82)	(0.02)
Actuarial Gains (-) / Losses - experience	(1.47)	(0.01)	(2.61)	0.14
Net Benefits Paid out	(4.56)	(0.04)	(4.64)	(0.04)
Past Service Cost	0.06	-	0.02	-
Closing defined benefit obligations	125.05	0.65	148.82	0.85

NOTES TO THE CORE FINANCIAL STATEMENTS

Changes to the Fair Value of Assets during the Accounting Period

This table reconciles the movement in the fair value of pension assets for the year.

	Period Ending 31st March 2016 £m		Period Ending 31st March 2017 £m	
	Funded	Unfunded	Funded	Unfunded
Opening Fair Value of Assets	84.91	-	83.88	-
Interest return on Assets	2.68	-	2.81	-
Actuarial Gains / (-) Losses on assets	(1.47)	-	17.34	-
Contributions by the Employer	1.76	0.04	1.58	0.04
Contributions by Participants	0.56	-	0.47	-
Net Benefits Paid out	(4.56)	(0.04)	(4.64)	(0.04)
Closing Present Value of Liabilities	83.88	-	101.44	-

Actual Return on Assets

This table shows the total return on pension fund assets. This includes the impact of any changes in assumptions made by the actuary.

	Period Ending 31st March 2016 £m	Period Ending 31st March 2017 £m
Interest income on Assets	2.68	2.81
Remeasurement Gains / (-) Losses	(1.47)	17.34
Actual Return on Assets	1.21	20.15

NOTES TO THE CORE FINANCIAL STATEMENTS

Sensitivity Analysis

The results shown in the Accounts are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2017 and the projected service cost for the year ending 31st March 2018 is set out below. In each case, the only assumption mentioned is altered; all other assumptions remain the same. Sensitivity on unfunded benefits are excluded on grounds of materiality.

Funded LGPS Benefits	+0.1% pa	Base Figure	-0.1% pa
Discount rate assumptions			
Present value of total obligation (£m)	146.36	148.82	151.32
% change in present value of total obligation	-1.70%		1.70%
Projected service costs (£m)	2.09		2.21
Approximate % change in service cost	-2.90%		3.00%
Rate of general increases in salaries			
Present value of total obligation (£m)	149.23	148.82	148.82
% change in present value of total obligation	0.30%		-0.30%
Projected service costs (£m)	2.15	2.15	2.15
Approximate % change in service cost	0.00%		0.00%
Rate of general increases in pensions in payment			
Present value of total obligation (£m)	150.91	148.82	146.76
% change in present value of total obligation	1.40%		-1.40%
Projected service costs (£m)	2.21	2.15	2.09
Approximate % change in service cost	3.00%		-2.90%
Post retirement mortality assumptions			
Present value of total obligation (£m)	153.21	148.82	144.45
% change in present value of total obligation	1.40%		-1.40%
Projected service costs (£m)	2.21	2.15	2.09
Approximate % change in service cost	3.60%		-3.60%

Estimated Surplus or Deficit on the Provision of Services in future periods

Estimates of charges to the Comprehensive Income and Expenditure Account in future periods are based on assumptions in place as at 31st March 2017, plus an additional assumption to reflect that the projected cost is based on benefits being earned under a CARE scheme.

	2017/18	
	Funded £m	Unfunded £m
Projected Service Cost	2.15	-
Past Service Costs	-	-
Net interest on the net defined liability / (asset)	1.16	0.02
Total	3.31	0.02

Pension costs in future periods

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

1. Actual increase in payroll being different to that used in the calculations. The projected payroll figure is estimated from the implied payroll over the current accounting period. A figure of £6,800,000 has been used in the estimate (£8,600,000 in 2015/16). A difference in payroll will particularly affect current service costs.
2. Past service costs may not be zero. This cost is that resulting from benefit augmentations or early retirements before age 60 or on the grounds of efficiency.
3. Curtailment / settlement events may occur (for example, outsourcing, redundancy exercises, or bulk transfers)
4. Actual cash flows over the next accounting period may differ from those assumed.
5. The expected employer contributions in 2017/18 are £1,750,000 (£2,030,000 in 2016/17).

38. Contingent liabilities and contingent assets

At 31 March 2017 the authority has the following material contingent liabilities:

The Council has made an estimate of known Business Rates appeals (note 20 refers). However, the Council has based its estimate on known appeals as at 31st March 2017. The Council is unable to make a reliable estimate of potential appeals, particularly following the 2017 revaluation, but recognises that there is a risk to the Council arising from future appeals.

There were no contingent assets.

39. Nature and extent of risks arising from financial instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central finance team, under policies approved by the council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

NOTES TO THE CORE FINANCIAL STATEMENTS

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Sector Treasury Services. This service also uses a number of overlays such as credit watches and credit outlooks to enhance the credit ratings of counterparties. The Council's priority when making these deposits is security of capital and liquidity of investments. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum category green in the Sector credit rating system. The approved list of counterparties is amended immediately if any change in sector rating occurs.

Limits for investment with these counterparties are in place; the maximum investment up to 364 days deposited with any one institution in the highest rated category was £4,000,000. No more than £2,000,000 can be invested for a period of more than 365 days without councillor involvement. No investment is to be made in an institution where it could be expected, at the time of investment, that the amount invested with that institution would at any time exceed 50% of the Authority's investments unless the total investments are below £3,000,000 and with authority from the Head of Governance and Logistics.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Risks relating to recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise. The Council has experienced no loss arising from defaults on its investments during the last five years.

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

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

	2016/17 £
0-60 days	683,014
61-180 Days	11,097
181-274 days	24,242
275-365 days	1,624
Over one year	125,206
Total	845,183

Liquidity Risk

The Council has £3,712,000 outstanding with the Public Works Loans Board at a fixed rate of 4.04% for 30 years. The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowing such that a rise in interest rates will lead to the fair value of the borrowing falling. In addition borrowings take place exceptionally to meet short term cash flow needs. In the event of an unexpected cash requirement the authority has ready access to borrowings from the money markets to cover any day to day cash flow need.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Market Risk

Interest Rate Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 70% of its borrowings in variable rate loans. Due to the nature of the investments held at 31 March, the authority was not exposed to significant interest rate risk.

Price Risk

The Authority does not invest in equity shares.

Foreign Exchange Risk

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

40. Agency Services

The Council is responsible for aspects of highway maintenance within the borough on behalf of Hampshire County Council. The Council spent £419,000 in respect of highway revenue works (£426,000 in 2015/2016). The County Council reimburses the Council for this work together with a contribution towards revenue administrative costs. Agency works expenditure is not included in the Comprehensive Income and Expenditure Account but administration costs and the associated County Council reimbursement are included.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has entered into an agency agreement with Hampshire County Council for the enforcement of parking control. The net cost of this service was £174,000 during 2016/2017 (£124,000 in 2015/2016); all net costs are included within the Comprehensive Income and Expenditure Account.

The County Council does not reimburse Havant Borough Council for these net costs; however, any cumulative net costs can be reimbursed from any future surplus of income arising from parking enforcement.

41. Events after the Balance Sheet Date

The Statement of Accounts was approved by the Responsible Finance Officer on 8 June 2017, and this is the date up to which events after the balance sheet date have been considered for inclusion in the Accounts. There were no post balance sheet events identified.

42. Authorisation of the statement of accounts

The Statement of Accounts was authorised by the Responsible Finance Officer on 26th September 2017, and replaces the unaudited Draft Statement of Accounts issued by the Responsible Finance Officer on 8 June 2017

COLLECTION FUND

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

2015/16		2016/17	2016/17	2016/17
£000	<u>Income</u>	Business	Council	Total
		Rates	Tax	Total
		£000	£000	£000
(57,117)	Income from Council Tax	-	(60,083)	(60,083)
(33,536)	Income collectable from Business Ratepayers	(34,525)	-	(34,525)
(90,653)		(34,525)	(60,083)	(94,608)
	<u>Expenditure</u>			
56,302	Precepts paid to Police and Crime Commissioner, Fire Authority, County and Borough Councils	-	58,744	58,744
4,005	Distribution of previous year's estimated surplus	418	1,611	2,029
32,711	Business Rates paid to Government, Fire Authority, County and Borough Councils	34,749	-	34,749
813	Provision for Business rates appeals	500	-	500
18	Interest on refunds	-	-	-
(292)	Transitional Relief due to Central Government	326	-	326
140	Costs of collection	140	-	140
387	Write-offs	138	270	408
(747)	Contribution to / (-) from Bad Debt Provision	(22)	267	245
93,337		36,249	60,892	97,141
	<u>Movement on Fund Balance</u>			
(4,121)	Surplus (-) or Deficit brought forward	(81)	(1,356)	(1,437)
2,684	Surplus (-) or Deficit for the year	1,724	809	2,533
(1,437)	Surplus(-) or Deficit carried forward	1,643	(547)	1,096

NOTES TO THE COLLECTION FUND

1. Calculation of the council tax base

Council Tax is calculated by reference to the valuation band appropriate to each chargeable dwelling; the total yield being determined by what is known as the band D equivalent. The band D charge in 2016/2017 was £1,495.12 (£1,449.37 in 2015/16). The Council Tax base was as follows:-

Tax Band	Property Value	Dwellings	Band D Equivalents	Weighting
A*	Reduced for exemptions	-	(4)	
A	Up to £40,000	8,343	2,756	6/9
B	Over £40,000 & up to £52,000	14,116	7,787	7/9
C	Over £52,000 & up to £68,000	12,706	9,163	8/9
D	Over £68,000 & up to £88,000	9,805	8,513	1
E	Over £88,000 & up to £120,000	5,561	6,200	11/9
F	Over £120,000 & up to £160,000	2,458	3,335	13/9
G	Over £160,000 & up to £320,000	942	1,434	15/9
H	Over £320,000	40	48	18/9
	MOD Contributions	-	59	
		53,971	39,291	

2. Non-Domestic Rateable Value and Rate Multiplier

The total non-domestic rateable value at the 31 March 2017 was £81,879,242 (£81,321,553 at 31 March 2016). The national non-domestic rate multiplier for the year was 49.7p (49.3p at 31 March 2016) and 48.4p for small businesses (48.0p at 31 March 2016).

3. Precepts and Demands on the Collection Fund

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

2015/2016		-----2016/2017-----		
Total £'000	Council Tax	Precept / Demand £'000	Share of Deficit/ surplus £'000	Total £'000
41,612	Hampshire County Council	42,405	1,154	43,559
6,305	Hampshire Police Authority	6,305	175	6,480
2,461	Hampshire Fire & Rescue Service	2,460	68	2,528
7,730	Havant Borough Council	7,574	214	7,788
58,108		58,744	1,611	60,355

NOTES TO THE COLLECTION FUND

2015/2016		-----2016/2017-----		
Total £'000	Business Rates	Share of Business Rates £'000	Share of Deficit/ surplus £'000	Total £'000
17,454	Central Government	17,374	209	17,583
3,142	Hampshire County Council	3,127	38	3,165
349	Hampshire Fire & Rescue Service	347	4	351
13,965	Havant Borough Council	13,900	167	14,067
34,910		34,748	418	35,166

GLOSSARY OF TERMS

Accrual

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

Asset

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

Actuarial Gains & Losses (Pensions)

Over reporting period, these consist of:

- Experience gains and losses are the effects of differences between previous assumptions made when calculating overall pension liability, and what has actually occurred, and
- The effects of changes in actuarial assumptions such as salary inflation and life expectancy on the pension liability.

Billing Authority

The Council responsible for collecting Council Tax from residents. Havant Borough Council is a billing authority.

Business Rates Retention Scheme

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

Capital Expenditure

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

Capital Adjustment Account (CAA)

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

Capital Programme

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

Capital Receipts

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

Carrying Amount

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

Cash and Cash Equivalents

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

Central Services to the Public

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

GLOSSARY OF TERMS

Collection Fund

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

Community Assets

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

Contingent Assets and Liabilities

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

Creditors

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

Current Service Cost

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

Curtailement

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

Debtors

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

Deferred Credit

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

Deficit

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

Depreciation

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

Expected Rate of Return on Assets (Pensions)

The expected increase in the value of pension fund assets, based on valuations and long-term expected returns as at the start of the accounting period.

Existing Use Value

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

Fair Value

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

Financial Instruments

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

GLOSSARY OF TERMS

General Fund

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

Gross Book Value (GBV)

The GBV of a fixed asset is the value of the asset before depreciation has been applied.

Historic Cost

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

IFRS

International Financial Reporting Standards

Impairment Loss

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

Interest Cost (Pensions)

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

Market Value

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Current Replacement Cost

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

Net Realisable Value

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

Non-Current Assets

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

Past Service Cost

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

GLOSSARY OF TERMS

Precept

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

Present value of defined benefit obligation

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

Provisions

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

Reserves

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

Revenue Expenditure

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

Revaluation Reserve

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

Revenue Support Grant (RSG)

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

Settlement (Pension)

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

Surplus

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



If you would like to find out more about our accounts for the year 2016/2017 please contact:

The Finance Team
Public Service Plaza
Civic Centre Road
Havant
Hampshire
PO9 2AX