

HAVANT BOROUGH COUNCIL

STATEMENT OF ACCOUNTS
2013/2014

Havant
BOROUGH COUNCIL

Contents

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

EXPLANATORY FOREWORD

Introduction

The Statement of Accounts for 2013/14 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 2013/14, how services were paid for and the Council's assets and liabilities at the year end date of 31st March 2014.

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

The following key statements are included:

The Comprehensive Income & Expenditure Statement (page 12)

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 13).

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

The Movements in Reserves Statement (page 14-15)

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 Cash Flow Statement (page 16)

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 17-71)

The Collection Fund (pages 72-73)

This account records all transactions relating to Council Tax and Business Rates. The government introduced a new Business Rates Retention Scheme for 2013/14, and more information is provided below.

Council Services

The Council's services and activities vary widely, covering homelessness and housing services, the collection of refuse, recycling, leisure and recreation, car parking, planning services, cemeteries, environmental health and many other services. More details of these services and the main achievements of the Council and its performance can be found in the Council's website. (www.havant.gov.uk)

Review of the Year

The most fundamental change in 2013/14 has been to the way in which local authorities are financed. The formula based distribution of Business Rates by central government has been replaced by the new Business Rates Retention Scheme.

Business Rates Retention Scheme

The principle behind the introduction of the scheme was to enable local authorities to retain a share of Business Rates collected from their local businesses. Authorities will retain a share of any growth in the business base, giving councils incentive to invest in local infrastructure.

The government also announced the extension of the Small Business Rate relief scheme through 2013/14. The impact of the scheme was to reduce collectible business rates and contributed to a collection fund deficit, and this has been offset by a cash grant paid to the Council in January 2014.

The surplus or deficit on the collection fund will be redistributed between the Government, Havant Borough Council, Hampshire County Council, and Hampshire Fire and Rescue during 2014/15. The grant awarded in 2013/14 will be transferred to the General Fund and used to offset this cost in 2014/15.

The table below demonstrates how the Council estimated its collectable business rates, how this is split between the participating authorities, the split of the 2013/14 deficit, and the impact on the General Fund in 2013/14, compared to actual performance in the year.

Collection Fund	**Budget £000**	**Actual £000**
Business Rates Yield		
Base Yield	31,247	31,710
Provision for backdated appeals		(1,121)
Adjustment for provision for bad debt		76
Transitional protection payment		(124)
Business Rates Yield	**31,247**	**30,541**
Distribution		
Central Government (50%)	(15,624)	(15,624)
Hampshire County Council (9%)	(2,812)	(2,812)
Hampshire Fire (1%)	(312)	(312)
Havant Borough Council baseline (40%)	(12,499)	(12,499)
Total Distribution	**(31,247)**	**(31,247)**
Collection Fund Deficit	**-**	**(706)**

Deficit Share Calculation	Budget	Actual
	£000	£000
Central Government (50%)	-	(353)
Hampshire County Council (9%)	-	(64)
Hampshire Fire (1%	-	(7)
Havant Borough Council baseline (40%)	-	(282)
Total	**-**	**(706)**

Havant Borough Council Retained Business Rates Calculation	Budget	Actual
	£000	£000
Havant Borough Council baseline	(12,499)	(12,499)
Tariff paid to Central Government	9,396	9,396
Levy for safety net paid to Central Government	107	173
Extension of Small Business Rates Relief	-	(380)
Retained Business Rates	**(2,996)**	**(3,310)**

2013/14 Revenue Outturn

For the 2013/2014 financial year, the Council agreed its budget for net revenue spending on General Fund services at £15,213,000.

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).

	2013-14 Original Budget	2013-14 Provisional Outturn	Forecast Deficit/ (Surplus)
	£000's	£000's	£000's
Chief Executive and Directors	234	226	**(8)**
Economy and Communities	1,313	1,178	**(135)**
Environment and Neighbourhood Quality	2,997	2,891	**(106)**
Governance and Logistics	7,489	6,863	**(626)**
Marketing and Development	2,522	2,459	**(63)**
Planning and Built Environment	1,113	628	**(485)**
Financing Items	(526)	(614)	**(88)**
Langstone Harbour Board	71	35	**(36)**
Net Expenditure	**15,213**	**13,666**	**(1,547)**
Funding	**(15,213)**	**(15,687)**	**(474)**
Deficit/(Surplus)	**-**	**(2,021)**	**(2,021)**

EXPLANATORY FOREWORD

Council services were funded through the following:

Revenue Support Grant	(4,189)	(4,369)	(180)
Council Tax	(7,493)	(7,217)	276
Retained Business Rates	(2,996)	(2,930)	66
Retained Business Rates S31 Grant	-	(380)	(380)
General Government Grants			
New Burdens Grants	-	(125)	(125)
Flooding Support Grants	-	(93)	(93)
Electoral Registration Funding	-	(13)	(13)
Council Tax Freeze Grant	(83)	(83)	-
New Homes Bonus	(452)	(452)	-
New Homes Bonus Adjustment Grant	-	(25)	(25)
TOTAL FUNDING	**(15,213)**	**(15,687)**	**(474)**

The table below summarises the main reasons for the surplus generated in 2013/14:

	Deficit/ (Surplus)	**Deficit/ (Surplus)**
	£000's	**£000's**
Additional Income		
Planning Applications and Local Land Charges	(186)	
Coastal Partnership Income	(120)	
Housing Benefit Overpayment Collection	(100)	
Legal Fees	(31)	
ICT Capita Contract	(36)	
Other	(88)	**(561)**
Reduced Expenditure		
Major Buildings Repairs	(223)	
Local Development Framework	(100)	
Other Minor Variances Across Clusters	(49)	**(372)**
Adjustments Due to Changes in Government Schemes		
Council Tax Benefit Claw back 2013/14	(204)	
Discretionary Rate Relief	(90)	**(294)**
Additional Funding		
General Government Grants	(163)	
Council Tax	69	
Business Rates	(314)	
Adjustment for the reduction in the use of transfers between reserves	(293)	
Flooding Grants	(93)	**(794)**
Deficit/(Surplus)		**(2,021)**

At the end of the year, the Council's General Fund Balance has increased to £3,726,000 from £2,394,000. This reserve is held to provide financial stability to the Council, and enable it to meet unexpected demands.

Capital Spending and Receipts

Capital expenditure is defined as expenditure which generates an asset that has a useful life of more than one year. The expenditure in the year amounted to £6.55m. The main items of capital expenditure are detailed in the table below.

Main Items of Capital Expenditure	Actual £'000
Investment Property Purchases	127
Disabled facilities grants	734
Waterlooville Town Centre Improvements	39
Acquisition of vehicles	412
Eastoke Point Coastal Defences	4,913
All other schemes	327
Total	6,552
Funded by:	
Government grants and contributions	5,665
Revenue Reserves	291
Direct revenue contributions	40
Borrowing	556
Total	6,552

Pension Costs

Information regarding assets, liabilities, income and expenditure relating to the Council's pension scheme is included in Note 37. The Council's share of assets and liabilities of the pension fund shows an estimated liability of £40.45m at 31st March 2014. The liability represents the difference between the value of the authority's pension fund assets and the estimated present value of payments which it is committed to make. Statutory arrangements for funding the liability mean that the financial position of the Council remains acceptable because a proportion of contributions made in 2013/14 relates to past service costs, which ensures that sufficient cash is available to cover current liabilities.

Overall Financial Position

The Council's overall financial position remains strong with good 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. There are sound systems in place to ensure cash is collected, that debtor balances are minimised and all funding streams are exploited.

2014/15 Onwards

Continued uncertainty in future funding for local authorities and the likely medium and long term impacts of the changes already in progress place a number of financial risks on the Council which need to be monitored and managed.

Past financial performance ensures that the Council can plan its response to the announcements already made on funding going forward which will reduce Central Government funding to the Council.

The Council's business plans set out an ambitious programme to ensure the long term financial resilience of the Council, transforming the way that the Council delivers it services and supports communities and businesses in Havant.

Jane Eaton
(S151 Officer)
30th June 2014

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 Executive Head of Governance and Logistics (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 Executive Head of Governance and Logistics 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 the financial position of the Council at the 31 March 2014 and its income and expenditure for the year then ended.

Signed:

Jane Eaton
S151 Officer

Date: 30th June 2014

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) 2011, 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 2014.

Signed:

Jane Eaton
S151 Officer

Date: 16th September 2014

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 16th September 2014.

Signed:

Chairman
Governance and Audit Committee

Date: 16th September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVANT BOROUGH COUNCIL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVANT BOROUGH COUNCIL

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. The comparatives for 2012/13 have been restated to take account of the revisions to IAS19 (Accounting for retirement benefits), which applies from 1st April 2013.

2012-13 Restated				2013-14		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000's	£000's	£000's		£000's	£000's	£000's
11,407	(9,873)	1,534	Central services to the public	1,619	(676)	943
4,437	(415)	4,022	Cultural and related services	3,519	(438)	3,081
6,637	(1,732)	4,905	Environmental and regulatory services	6,808	(2,096)	4,712
3,442	(919)	2,523	Planning services	3,571	(1,165)	2,406
2,013	(1,669)	344	Highways and transport services	2,201	(1,793)	408
36,224	(33,524)	2,700	Housing services	35,615	(33,071)	2,544
120	(85)	35	Adult Social Care	28	-	28
1,956	(14)	1,942	Corporate and democratic core	1,628	(52)	1,576
136	(51)	85	Non distributed costs	10	-	10
66,372	**(48,282)**	**18,090**	**Cost of Services**	**54,999**	**(39,291)**	**15,708**
302	-	302	Other operating expenditure (Note 9)	35	(460)	(425)
5,030	(912)	4,118	Financing and investment income and expenditure (Note 10)	3,719	(4,830)	(1,111)
	(16,479)	(16,479)	Taxation and non-specific grant income (Note 11)		(21,502)	(21,502)
71,704	**(65,673)**	**6,031**	**(Surplus) or Deficit on Provision of Services**	**58,753**	**(66,083)**	**(7,330)**
		(1,396)	Surplus on revaluation of property, plant and equipment assets			-
		3,450	Actuarial gains/losses on pension assets/liabilities			(17,190)
		2,054	**Other Comprehensive Income and Expenditure**			**(17,190)**
		8,085	**Total Comprehensive Income and Expenditure**			**(24,520)**

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 2013 £000's		Notes	31st March 2014 £000's
49,546	Property, plant and equipment	12	52,455
15,468	Investment property	13	18,820
41	Intangible assets	14	32
178	Long term debtors	15	151
65,233	**Long term assets**		**71,458**
94	Inventories	16	94
3,332	Short term debtors	17	2,957
6,190	Cash and cash equivalents	18	9,975
9,616	**Current assets**		**13,026**
(951)	Bank overdraft	18	-
(80)	Short term borrowing	15	(77)
(5,567)	Short term creditors	19	(5,850)
(45)	Short term provisions	20	(97)
(6,643)	**Current liabilities**		**(6,024)**
(233)	Long term creditors	19	(233)
(209)	Long term provisions	20	(669)
(3,878)	Long term borrowing	15	(3,823)
(54,990)	Other long term liabilities	37	(40,450)
(3,378)	Receipts in advance	30	(3,247)
(62,688)	**Long term liabilities**		**(48,422)**
5,518	**Net assets**		**30,038**
7,315	Usable reserves	21	10,916
(1,797)	Unusable reserves	22	19,122
5,518	**Total reserves**		**30,038**

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 2013-2014:

	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 2013	**2,394**	**4,022**	**-**	**899**	**7,315**	**(1,797)**	**5,518**
Movement in reserves during 2013-14							
Surplus or (deficit) on the provision of services	7,330	-	-	-	**7,330**	-	**7,330**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	17,190	**17,190**
Total Comprehensive Income and Expenditure	7,330				**7,330**	17,190	**24,520**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(4,447)	-	455	562	**(3,430)**	3,430	**-**
Net Increase /(Decrease) before Transfers to Earmarked Reserves	2,883		455	562	**3,900**	20,620	**24,520**
Transfers to/(from) Earmarked Reserves (Note 8)	(1,551)	1,252	0	-	**(299)**	299	**-**
Increase/(Decrease) in 2013-14	1,332	1,252	455	562	**3,601**	20,919	**24,520**
Balance at 31 March 2014	**3,726**	**5,274**	**455**	**1,461**	**10,916**	**19,122**	**30,038**

MOVEMENT IN RESERVES STATEMENT

Comparative movements in 2012-2013:

(Restated)	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 2012	1,373	5,099	-	1,205	7,677	5,926	13,603
Movement in reserves during 2012-13							
Surplus or (deficit) on the provision of services	(6,031)	-	-	-	(6,031)	-	(6,031)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(2,054)	(2,054)
Total Comprehensive Income and Expenditure	(6,031)				(6,031)	(2,054)	(8,085)
Adjustments between accounting basis & funding basis under regulations (Note 7)	7,210	-	-	(306)	6,904	(6,904)	-
Net Increase /(Decrease) before Transfers to Earmarked Reserves	1,179		-	(306)	873	(8,958)	(8,085)
Transfers to/(from) Earmarked Reserves (Note 8)	(158)	(1,077)	-	-	(1,235)	1,235	-
Increase/(Decrease) in 2012-13	1,021	(1,077)	-	(306)	(362)	(7,723)	(8,085)
Balance at 31 March 2013	2,394	4,022	-	899	7,315	(1,797)	5,518

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.

2012-13		2013-14
£ 000's		£ 000's
(6,031)	Net surplus or (deficit) on the provision of services	7,330
7,280	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(4,595)
(62)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or and financing activities	(55)
77	Net cash flow from operating activities (Note 23)	70
(4,345)	Investing activities (Note 24)	677
230	Financing activities (Note 25)	1,310
(2,851)	Net increase or (decrease) in cash, cash equivalents and bank overdraft	4,737
8,089	Cash, cash equivalents and bank overdraft at the beginning of the reporting period	5,238
5,238	**Cash, cash equivalents and bank overdraft at the end of the reporting period (note 18)**	9,975

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as amended in 2011, 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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.

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.

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.

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.

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.

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 following disclosures have been made:-

- interests in other entities as shown in Note 32 to the Core Financial Statements

The relationship with the body disclosed is not material and therefore there is no entity where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

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 charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP) .

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:

Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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.

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 22.

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 a number of changes made to International Financial Reporting Standards that have not yet been adopted. However, none of the 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 - There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not yet 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 reclassifications – 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 and it would confuse the reader of the accounts.

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 2014 for which there is a significant risk of material adjustment in the forthcoming year are as follows.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments 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 & 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 the depreciation charges.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £199,000 if the useful lives on every asset had to be reduced by 1 year.
Provisions	At 31-Mar-14, the authority had a balance of general fund sundry debtors of £281,000 (2012/13 £688,000) and of Overpaid Housing Benefits £1,930,000 (2012/13 £1,851,000). The authority has made allowances for doubtful debt on a sliding scale dependant upon the age of the debt.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the allowance of £80,000 (2012/13 £70,000).
Business Rates Appeals Provision	The introduction of the Business Rates retention scheme from 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 £1.121m for appeals within the collection fund. Havant Borough Council's share of this is £448,000. A 5% change in provision would require an adjustment of £22,400.

5. Exceptional item

There are no exceptional items in 2013/14.

6. Material Items of Income and Expense

During 2013/14 the Pension Scheme recorded an actuarial gain of £17.2m which is reflected in the Comprehensive Income and Expenditure Account and is mostly responsible for the decrease in the Council' s pension fund liabilities of £14.5m (see Notes 22 and 37). This is partly due to revisions to IAS19, which came into affect from April 2013.

The Authority also undertook programmed revaluation on its investment property assets during 2013/14.This exercise resulted in an increase in value of investment properties of £2.7m, which is reflected in the Comprehensive Income and Expenditure Account.

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

This note details the adjustment 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.

2013/14	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(2,278)	-	-	2,278
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the market value of Investment Properties	2,727	-	-	(2,727)
Amortisation of intangible assets		-	-	-
Capital Grants and contributions applied	34	-	-	(34)
Impairment and Downward Revaluation	-	-	-	-
Revenue expenditure funded from capital under statute	(734)	-	-	734
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14)	-	-	14
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	819	-	-	(819)
Capital Expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,227	-	(6,227)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	5,665	(5,665)

2013/14	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants and Other Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	455	(455)	-	-
Use of Capital Receipts Reserves to finance new capital expenditure	-	-	-	-
Contributions from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited and credited to the Comprehensive Income and Expenditure Statement	(4,140)	-	-	4,140
Employer's pensions contributions and direct payments to pensioners payable in the year	1,490	-	-	(1,490)
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	125	-	-	(125)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(283)			283
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	19	-	-	(19)
Total Adjustments	4,447	(455)	(562)	(3,430)

The comparative adjustments made between accounting basis and funding basis in 2012/13 are as follows:

Adjustments between accounting basis and funding basis under regulations

2012/13	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	2,163	-	-	(2,163)
Revaluation losses on Property Plant and Equipment	859	-	-	(859)
Movements in the market value of Investment Properties	2,592	-	-	(2,592)
Amortisation of intangible assets	53	-	-	(53)
Capital Grants and contributions applied	-	-	-	-
Impairment and Downward Revaluation	-	-	-	-
Revenue expenditure funded from capital under statute	774	-	-	(774)
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,417	-	-	(1,417)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(825)	-	-	825
Capital Expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(967)	-	967	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(1,273)	1,273

2012/13	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,188)	1,188	-	-
Use of Capital Receipts Reserves to finance new capital expenditure	-	(1,188)	-	1,188
Contributions from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited and credited to the Comprehensive Income and Expenditure Statement	3,900	-	-	(3,900)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,630)	-	-	1,630
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	34	-	-	(34)
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	28	-	-	(28)
Total Adjustments	7,210	-	(306)	(6,904)

8. 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 2013/14.

	Balance at 31 March 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000
General Fund - earmarked	513	-	414	927	(22)	257	1,162
Legal Reserve	385	-	-	385	-	-	385
Insurance Reserve	594	-	33	627	(54)	-	573
LABGI Reserve	240	(186)	-	54	(15)	-	39
Asset Acquisition Reserve	2,060	(1,463)	-	597	(127)	734	1,204
Welfare Reform Reserve	-	-	35	35	(22)	-	13
Capital Reserve	427	-	373	800	(147)	648	1,301
Restructuring and Redundancy Reserve	880	(283)	-	597	-	-	597
Total	5,099	(1,932)	855	4,022	(387)	1,639	5,274

9. Other Operating Expenditure

	2012/13 £000	2013/14 £000
Langstone Harbour Board levy	71	35
Loss / (Surplus) on disposal of non-current assets	231	(460)
Total	302	(425)

10. Financing and Investment Income and Expenditure

	2012/13 £000	2013/14 £000
Interest payable and similar charges	198	190
Pensions interest cost and expected return on pensions assets	2,240	2,330
Interest receivable and similar income	(77)	(70)
Income and expenditure in relation to investment properties (Note 13)	(835)	(834)
Change in the fair value of investment properties (Note 13)	2,592	(2,727)
Total	4,118	(1,111)

11. Taxation and non specific grant incomes

	2012/13 £000	2013/14 £000
Council tax income	(8,294)	(7,240)
Non domestic rates	(6,510)	-
Retained Business Rates	-	(2,647)
Revenue support grant (Note30)	(126)	(4,396)
Non-ringfenced government grants (Note 30)	(1,337)	(1,181)
Capital grants and contributions (Note 30)	(212)	(6,038)
Total	(16,479)	(21,502)

12. Property, plant and equipment

Movements in 2013/14:

	Land and Buildings £000	Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment * £000
Cost or Valuation:						
At 1 April 2013	36,203	13,539	10,643	2,643	949	63,977
Additions	-	416	5,000	47	303	5,766
Reclassifications	(625)	-	9	0	(9)	(625)
Derecognition - disposals	-	(339)	-	-	-	(339)
At 31 March 2014	35,578	13,616	15,652	2,690	1,243	68,779
Accumulated Depreciation and Impairment:						
At 1 April 2013	(1,705)	(8,779)	(2,954)	(993)	-	(14,431)
Depreciation Charge	(572)	(953)	(566)	(127)	-	(2,218)
Derecognition - disposals	-	325	-	-	-	325
At 31 March 2014	(2,277)	(9,407)	(3,520)	(1,120)		(16,324)
Net Book Value:						
as at 31 March 2014	33,301	4,209	12,132	1,570	1,243	52,455
as at 31 March 2013	34,498	4,760	7,689	1,650	949	49,546

Movements in 2012/13:

	Land and Buildings £000	Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment * £000
Cost or Valuation:						
At 1 April 2012	36,523	12,449	10,359	2,623	564	62,518
Additions	1,095	357	284	20	385	2,141
Revaluation increases/(decreases) recognised in the Revaluation Reserve	337	-	-	-	-	337
Revaluation increases/(decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(1,752)	786	-	-	-	(966)
Derecognition - disposals	-	(53)	-	-	-	(53)
Other movements in cost or valuation	-	-	-	-	-	-
At 31 March 2013	36,203	13,539	10,643	2,643	949	63,977
Accumulated Depreciation and Impairment:						
At 1 April 2012	(2,266)	(7,797)	(2,555)	(871)	-	(13,489)
Depreciation Charge	(572)	(1,068)	(399)	(122)	-	(2,161)
Depreciation written out to the Revaluation Reserve	1,059	33	-	-	-	1,092
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	74	-	-	-	-	74
Derecognition - disposals	-	53	-	-	-	53
At 31 March 2013	(1,705)	(8,779)	(2,954)	(993)		(14,431)
Net Book Value:						
as at 31 March 2013	34,498	4,760	7,689	1,650	949	49,546
as at 31 March 2012	34,257	4,652	7,804	1,752	564	49,029

***** There was no PFI asset included in Property, Plant and Equipment in 2013/14 or 2012/13.

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

Capital Commitments:

There were no capital commitments outstanding as at 31 March 2014.

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 valuations are carried out under the supervision of an estates officer employed by the Council. 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	-	2,285	2,285
Valued at fair value as at:			
31 March 2014	-	-	-
31 March 2013	17,563	1,566	19,129
31 March 2012	8,532	800	9,332
31 March 2011	17,377	1,153	18,530
31 March 2010	-	-	-
31 March 2009	2,281	-	2,281
31 March 2008	5,158	-	5,158
Total property, plant and equipment	50,911	5,804	56,715

13. 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:

	2012/13 £000	2013/14 £000
Rental income from investment property	1,074	1,143
Direct operating expenses arising from investment property	(239)	(309)
Net gain/(loss)	835	834

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:

	2012/13 £000	2013/14 £000
Balance at the start of the year	16,826	15,468
Additions in the year	2,651	-
Disposals in the year	(1,417)	-
reclassification of investment property	-	625
Net gains/losses from fair value adjustments	(2,592)	2,727
Balance at the end of the year	15,468	18,820

14. 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 £59,000 charged to revenue in 2013/14 was absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

	2012/13 £000	2013/14 £000
Balance at the start of the year:		
Gross carrying amounts	533	546
Accumulated amortisation	(452)	(505)
Net carrying amount at the start of the year	81	41
Additions in the year	13	50
Amortisation for the period	(53)	(59)
Net carrying amount at the end of the year	41	32
Balance at the end of the year:		
Gross carrying amounts	546	596
Accumulated amortisation	(505)	(564)

The items of capitalised software that are individually material to the net carrying cost of intangibles at the end of the year are the ACOLAID system, the current net book value of which is £16,085, and the Democratic Services system, the current net book value of which is £15,429.

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Current		Long-term	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Financial Assets				
Mortgages (sales of council houses)	-	-	-	-
Loans to local organisations	3	3	52	52
Staff car loans	76	72	123	96
Short term investments	-	-	-	-
Trade receivables	925	1,042	-	-
less provisions	(142)	(150)	-	-
Bank deposits	6,171	9,974	-	-
	7,033	10,941	175	148
Financial Liabilities				
Finance lease liability (Note 34)	15	15	233	233
Trade payables	2,443	3,753	-	-
Overdraft	951	-	-	-
Long term borrowing	80	77	3,857	3,823
	3,489	3,845	4,090	4,056

There was no gain or loss recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments.

Financial assets and liabilities, represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost which is not materially different from their fair value.

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 is £4,679,000 against an amortised value of £3,899,000.

Trade receivables and the provisions against them relate to housing initiatives where settlement is deferred.

The following table discloses an age analysis of receivables past their due date for payment:

Age analysis of trade receivables	2012/13	2013/14
	£000	£000
Up to two months	573	842
Two to six months	112	80
Six months to one year	109	31
One year or more	131	89
	925	1,042

16. Inventories

	Fuel		Maintenance Materials		Other		Total	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	55	38	27	43	13	13	95	94
Purchases	328	342	346	289	68	89	742	720
Recognised as an expense in the year	(345)	(339)	(330)	(317)	(68)	(64)	(743)	(720)
Written off balances								
Balance outstanding at end of year	38	41	43	15	13	38	94	94

17. Debtors

	31 March 2013 £000	31 March 2014 £000
Central government bodies	946	481
Other local authorities	1,063	893
Public corporations and trading funds	-	-
Other entities and individuals	3,435	3,665
	5,444	5,039
Less:		
Collection fund allowance for bad and doubtful debts	(444)	(488)
Overpaid housing benefits	(1,329)	(1,444)
General fund allowance for bad and doubtful debts	(339)	(150)
Total	3,332	2,957

18. Cash and cash equivalents

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

	31 March 2013 £000	31 March 2014 £000
Cash held by the Authority	15	404
Bank current accounts	60	101
Short term deposits	6,115	9,470
Total cash and cash equivalents	6,190	9,975
Bank overdraft	(951)	-
Total cash, cash equivalents and bank overdraft	5,239	9,975

19. Creditors

	31 March 2013	31 March 2014
Short term creditors	£000	£000
Central government bodies	1,942	254
Other local authorities	1,400	1,969
Other entities and individuals	2,225	3,627
Total	5,567	5,850
Long term creditors		
Long term liability under a finance lease (Note 34)	233	233
Total	233	233

20. Provisions

Provisions at 31 March 2014 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.

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.

Businesses in the Havant Borough Council area are entitled to appeal against the rating valuation of their property. Prior to 2013/14 the impact of these appeals was borne by Central Government. Following the introduction of the Business Rates retention scheme, the Council now bears 40% of the impact of business rates appeals. The provision is created on the basis of known appeals that have yet to be settled.

	Insurance Fund £000	Business Rates Backdated Appeals £000	MMI £000	Total £000
Balance outstanding at 1 April 2013	100	-	154	254
Additional provisions made during the year	86	449	-	535
Unused amounts reversed in the year	-	-	-	-
Amounts used in the year	-	-	(23)	(23)
Balance outstanding at 31 March 2014	186	449	131	766

Under one year	97	-	-	97
One year and over	89	449	131	669
Balance outstanding at 31 March 2014	186	449	131	766

21. Usable reserves

	Balance at 31 March 2013 £000	Movement in year £000	Balance at 31 March 2014 £000
General Fund Balance	2,394	1,332	3,726
Earmarked Reserves	4,022	1,252	5,274
Capital Receipts Reserve	-	455	455
Capital Grants and other contributions unapplied	899	562	1,461
Total	7,315	3,601	10,916

Movements in usable reserves are detailed in the Movement in Reserves Statement and Note 8.

22. Unusable reserves

	31 March 2013 £000	31 March 2014 £000
Revaluation reserve	6,045	7,273
Capital adjustment account	47,295	52,585
Pensions reserve	(54,990)	(40,450)
Collection fund adjustment account	(24)	(182)
Accumulated absences account	(123)	(104)
Total unusable reserves	(1,797)	19,122

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 2013		31 March 2014	
	£000	£000	£000	£000
Balance outstanding at start of year		5,105		6,045
Upward revaluation of assets	3,850		-	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,454)		-	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,396		-
Other reclassification		-		1,375
Difference between fair value depreciation and historical cost depreciation		(456)		(147)
Balance outstanding at end of year		6,045		7,273

Capital adjustment account:

	31 March 2013 £000		31 March 2014 £000	
Balance outstanding at start of year		50,175		47,295
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	(3,022)		(2,219)	
- Amortisation of intangible assets	(53)		(59)	
- Revenue expenditure funded from capital under statute	(33)		(129)	
- 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	(1,417)		(14)	
		(4,525)		(2,421)
Adjusting amounts written out of the Revaluation Reserve		456		(1,227)
Net written out amount of the cost of non-current assets consumed in the year		(4,069)		(3,648)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	1,188		-	
- Use of the Capital Reserve to finance new capital expenditure	(326)		142	
- Use of the Asset Acquisition Reserve to finance new capital expenditure	1,462		127	
- Use of the LABGI Reserve to finance new capital expenditure	100		-	
- Use of the General Fund Earmarked Reserve to finance new capital expenditure	-		22	
- Use of the General Fund to finance new capital expenditure	-		40	
- Repayments of loans to local organisations	(2)		-	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	534		5,061	
- Statutory provision for the financing of capital investment charged against the General Fund	825		819	
		3,781		6,211
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(2,592)		2,727
Balance outstanding at end of year		47,295		52,585

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 2013 £000	31 March 2014 £000
Balance outstanding at start of year	(49,270)	(54,990)
Actuarial gains or (losses) on pensions assets and liabilities	(4,470)	17,190
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	(2,880)	(4,140)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,630	1,490
Balance outstanding at end of year	(54,990)	(40,450)

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 2013 £000	31 March 2014 £000
Balance outstanding at start of year	11	(24)
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	(35)	126
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-	(284)
Balance outstanding at end of year	(24)	(182)

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 2013 £000		31 March 2014 £000
Balance outstanding at start of year		(95)		(123)
Settlement or cancellation of accrual made at the end of the preceding year	95		123	
Amounts accrued at the end of the current year	(123)		(104)	
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		(28)		19
Balance outstanding at end of year		(123)		(104)

23. Net cash flow from operating activities

The cash flows for operating activities include the following items:

	2012/13 £000	2013/14 £000
Interest received	77	70

24. Net cash flow from investing activities

	2012/13 £000	2013/14 £000
Purchase of property, plant and equipment, investment property and intangible assets	(5,782)	(5,816)
Capital grants received	249	6,038
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,188	455
Other receipts from investing activities	-	-
Net cash flows from investing activities	(4,345)	677

25. Net cash flow from financing activities

	2012/13 £000	2013/14 £000
Cash receipts of short and long term borrowing	-	-
Net (increase) / decrease in short term investments	-	-
Net increase / (decrease) in national non-domestic rates cash	261	636
Net increase / (decrease) in preceptors share of council tax cash	35	744
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(15)	(15)
Repayments of short and long term borrowing	(51)	(55)
Net cash flows from financing activities	230	1,310

26. Amounts reported for resource allocation decisions

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

- no charge is made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

- income and expenditure from investment properties is included in Governance and Logistics but has been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

The income and expenditure of the Authority's principal Service Heads recorded in the budget reports for the year is as follows:

Service Head Income and Expenditure 2013/14	CEO and Directors Office £000	Economy and Communities £000	Env't & Neighbourhood Quality £000	Governance & Logistics £000	Marketing and Development £000	Planning and Built Environment £000	Total £000
Total Income	(105)	(585)	(4,640)	(35,644)	(461)	(2,354)	(43,789)
Employee expenses	328	1,105	5,303	2,681	1,299	2,156	12,872
Other service expenses	3	658	2,233	39,868	1,658	764	45,184
Total Expenditure	331	1,763	7,536	42,549	2,957	2,920	58,056
Net Expenditure	226	1,178	2,896	6,905	2,496	566	14,267

The income and expenditure of the Authority's principal Service Heads recorded in the budget report for 2012/13 was as follows:

Service Head Income and Expenditure 2012/13	CEO and Directors Office £000	Economy and Communities £000	Env't & Neighbourhood Quality £000	Governance & Logistics £000	Marketing and Development £000	Planning and Built Environment £000	Total £000
Total Income	(112)	(579)	(4,343)	(45,172)	(425)	(1,911)	(52,542)
Employee expenses	351	1,084	5,436	2,757	1,152	2,095	12,875
Other service expenses	19	813	2,156	47,925	1,682	688	53,283
Total Expenditure	370	1,897	7,592	50,682	2,834	2,783	66,158
Net Expenditure	258	1,318	3,249	5,510	2,409	872	13,616

Reconciliation of Service Head Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Service Head income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
Net expenditure in the Service Head analysis	13,616	14,267
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	3,682	608
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	792	833
Cost of Services in Comprehensive Income and Expenditure Statement	18,090	15,708

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Head income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Service Head analysis £000	Amounts not reported to management in the analysis £000	Amounts not included in the CI&E £000	Total £000
Total Income	(43,789)	-	(43)	(43,832)
Employee expenses	12,872	-	-	12,872
Other service expenses	45,184	-	-	45,184
Investment Property Income & expenditure	-	833	-	833
Exceptional item	-	-	-	-
Accumulated absences provision	-	-	-	
Capital Grants and Contributions	-	(187)	-	(187)
IAS19 Pension Adjustment	-	838	-	838
Other operating expenditure (Note 9)	-	(425)	-	(425)
Financing and Investment Income and Expenditure (Note 10)	-	(1,111)	-	(1,111)
Taxation and non specific grant income (Note 11)	-	(21,502)	-	(21,502)
Total Expenditure	58,056	(21,554)	-	36,502
Surplus or deficit on the provision of services	14,267	(21,554)	(43)	(7,330)

2012/13	Service Head analysis £000	Amounts not reported to management in the analysis £000	Amounts not included in the CI&E £000	Total £000
Total Income	(52,542)	-	(43)	(52,585)
Employee expenses	12,875	-	-	12,875
Other service expenses	53,283	-	-	53,283
Investment Property Income & expenditure	-	835	-	835
Depreciation, amortisation and impairment	-	3,075	-	3,075
Exceptional item	-	-	-	-
Accumulated absences provision	-	28	-	28
Capital Grants and Contributions	-	-	-	-
IAS19 Pension Adjustment	-	579	-	579
Other operating expenditure (Note 9)	-	302	-	302
Financing and Investment Income and Expenditure (Note 10)	-	4,118	-	4,118
Taxation and non specific grant income (Note 11)	-	(16,479)	-	(16,479)
Total Expenditure	66,158	(7,542)		58,616
Surplus or deficit on the provision of services	13,616	(7,542)	(43)	6,031

27. Officers' Remuneration

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

Post Holder information	Year	Salary (including fees & allowances) £	Benefits in Kind £	Compensation for loss of office £	Employer's Pension Contributions £	Total £
Chief Executive	2013/14	126,250	-	-	16,539	142,789
	2012/13	125,000	-	-	16,375	141,375
Executive Head of Economy and Communities	2013/14	75,750	-	-	9,923	85,673
	2012/13	75,000	-	-	9,825	84,825
Executive Head of Environment and Neighbourhood Quality	2013/14	75,750	211	-	9,923	85,884
	2012/13	75,000	247	-	9,825	85,072

*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 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 contribution rate for pensions is 13.1% of pensionable pay plus an additional monetary amount relating to all scheme members of £517,800 for 2012/13 and 2013/14.

Note: The Joint Management Team is made up of the Chief Executive, two Executive Directors and five Executive Heads. All of these posts are shared with East Hampshire District Council, and the cost of these posts are split equally between both Councils. The Chief Executive is employed by Havant Borough Council. Both Executive Directors are employed by East Hampshire District Council, and two of the five Executive Heads are employed by Havant Borough Council.

The table below outlines the contributions between Havant Borough Council and East Hampshire District Council in respect of senior employees

Post Title	Contributions paid to East Hampshire District Council £		Contributions received from East Hampshire District Council £	
	2012/13	2013/14	2012/13	2013/14
Chief Executive	-	-	78,210	78,989
Executive Director	56,637	57,201	-	-
Executive Director	56,637	57,201	-	-
Executive Head of Economy & Communities	-	-	46,410	46,880
Executive Head of Environment & Neighbourhood Qualit	-	-	46,485	46,948
Executive Head of Governance & Logistics	47,478	46,948	-	-
Executive Head of Marketing & Development	48,322	46,948	-	-
Executive Head of Planning & Built Environment	46,485	46,948	-	-
Total Contribution	255,559	255,246	171,105	172,817

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Bands	Number of Employees			
	2012/13 exc termination benefits	2012/13 inc termination benefits	2013/14 exc termination benefits	2013/14 inc termination benefits
£50,000 - £54,999	1	1	2	2
£55,000 - £59,999	7	9	6	6
£65,000 - £69,999	-	-	-	-
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	2	-	-
	8	12	8	8

The numbers of exit packages with total cost per band are set out in the table below. All exit packages were incurred as a result of compulsory redundancy.

Exit package cost band (including special payments)	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/2013	2013/2014	2012/2013	2013/2014
£0 - £20,000	1	5	1,241	46,657
£20,001 - £40,000	1	-	20,718	-
£40,001 - £60,000	2	-	88,994	-
£60,001 - £80,000	-	-	-	-
£81,001 - £100,000	1	-	90,629	-
£100,000 - £150,000	1	-	106,147	-
£150,001 - £200,000	-	-	-	-
Total	6	5	307,729	46,657

Havant Borough Council paid £16,692 to East Hampshire District Council as a contribution to the redundancy costs of officers employed by East Hampshire District Council for 2013/2014 (£85,551 for 2012/2013). No contributions were received from East Hampshire District Council in respect of restructuring in 2013/2014 (£128,347 was received in 2012/2013).

28. Members' Allowances

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

	2012/13 £000	2013/14 £000
Allowances	303	307
Expenses	5	6
Total	308	313

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:

	2012/13 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	62	62
Fees payable for the certification of grant claims and returns for the year	20	12
Total	82	74

30. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13	2013/14
	£000	£000
Credited to taxation and non-specific grant income		
Revenue support grant	126	4,396
New homes bonus grant	287	477
Council tax freeze grant	207	83
Environment Agency	104	8
New Burdens grant - Deferment of Business Rates	4	-
New Burdens Grant - Council Tax Support Scheme	84	76
New Burdens Grant - Community Right to Challenge	5	9
New Burdens Grant - Assets of Community Value	9	8
New Burdens Grant - Transparency	-	3
Section 31 grant - Small Business Rate Relief	-	381
Section 31 grant - Flood relief	-	70
Section 31 grant - Electoral Registration	-	12
Transition grant - Council Tax Support Scheme	-	31
Capitalisation grant - flooding	-	23
Other private sector contributions	80	-
Other HCC grants	28	-
Capital grants		
Disabled Facilities Grants	741	604
Environment Agency	-	5,350
Other external contributions	-	84
Total	**1,675**	**11,615**

	2012/13	2013/14
	£000	£000
Credited to services		
Department for work and pensions: NNDR admin; benefits grant	42,774	33,041
Supporting People grant	77	-
EA beach recycling	162	438
Crime reduction grant	23	-
Total	**43,036**	**33,479**

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 are £1,189,000 (2012/13: £1,217,000).

The Council is holding a contribution of £2,057,053 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. £93,000 is due to be taken to the CI&E in 2014/15 and is included in the fair value of the loan.

31. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, 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 2013/14 is shown in Note 28. There was no known material related party transaction with councillors for 2013/14 or for 2012/13.

Officers

There was no known material related party transaction with officers for 2013/14 or for 2012/13.

From 1st October 2010 a Joint Management structure was established with East Hampshire District Council which resulted in eight shared senior management posts working across both Councils. Details of the transactions between both Councils can be found in Note 27 Officers' remuneration.

Entities Controlled or Significantly Influenced by the Authority

The Council provided material financial assistance to the following organisations. This might enable the Council to influence the financial and operating policies of these organisations:

Organisation	Nature of control or influence	2012/13 £000	2013/14 £000
Havant & District Citizens Advice Bureaux	payment of a grant under a service level agreement	141	141
Havant Council of Community Service	payment of a grant under a service level agreement and a contribution towards the cost of providing meals for the elderly	164	70

32. Interests in Other Entities

The Council does not have, in aggregate, a material interest in any subsidiary companies, associated companies or joint ventures. Group accounts have therefore not been prepared.

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 *(*£1,413,000 in 2012/2013*).* During 2013/2014 the Council received £150,000 from the Portchester Crematorium Joint Committee (£150,000 in 2012/2013) 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.

	2012/13 £000	2013/14 £000
Opening capital financing requirement	10,409	11,464
Capital investment:		
- Property, plant and equipment	4,806	5,817
Loans to local organisations	-	-
Revenue expenditure funded from capital under statute	775	734
Sources of finance:		
- Capital receipts	(1,188)	-
- Capital reserve	326	(142)
- Revenue Reserves	(1,463)	(149)
- Government grants and other contributions	(1,376)	(5,665)
Sums set aside from revenue:		
- Direct revenue contributions	-	(40)
- MRP	(825)	(819)
Movement in loans to local organisations	-	-
Closing capital financing requirement	11,464	11,200

	2012/13 £000	2013/14 £000
Explanation of movements in year:		
Increase / (decrease) in underlying need for borrowing (unsupported by government financial assistance)	1,054	(264)
Movement in Loans to Local Organisations	-	-
Increase/(decrease) in capital financing requirement	1,054	(264)

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 £261,000 (2012/2013 £267,000)

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 2013 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	15	15
- non-current	1,252	1,237
Finance costs payable in future years	(1,019)	(1,004)
Minimum lease payments	248	248

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Not later than one year	15	15	15	15
Later than one year and not later than five years	52	52	60	60
Later than five years	181	181	1,192	1,177
Finance costs payable in future years	-	-	(1,019)	(1,004)
	248	248	248	248

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 2013/2014 £14,000 contingent rents were payable by the Authority (2012/2013 £12,000).

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.

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

	31 March 2013 £000	31 March 2014 £000
Not later than one year	8	8
Later than one year and not later than five years	29	25
Later than five years	110	105
	147	138

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 2013/14.

Service Heading	31 March 2013 £000	31 March 2014 £000
Cultural Services	6	6
Environmental & Regulatory Services	3	3
	9	9

Authority as Lessor

Finance Leases

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

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 2013 £000	31 March 2014 £000
Not later than one year	1,182	1,161
Later than one year and not later than five years	4,626	4,460
Later than five years	64,141	60,937
	69,949	66,558

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

In 2013/14, there were no impairment losses identified. In 2012/13 impairment losses arose on the downward revaluation of the Public Service Plaza and £57,000 in relation to the revaluation of the Authority's car park portfolio.

36. Termination Benefits

The Authority terminated the contracts of five employees in 2013/2014, incurring liabilities of £46,657 (£308,000 in 2012/13), in the form of compensation for loss of office, of which £3,914 related to enhanced pension benefits.

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 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007. The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The contributions to be paid until the date the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate. The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.

Contributions for the accounting period ending 31 March 2015

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2015 are estimated to be £1.57M. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

	31-Mar-12	31-Mar-13	31-Mar-14
Discount rate (funded)	4.7	4.3	4.3
Discount rate (unfunded)	4.6	4.1	4.2
RPI Inflation (funded)	3.5	3.6	3.3
RPI Inflation (unfunded)	3.4	3.5	3.2
CPI Inflation (funded)	2.5	2.7	2.3
CPI Inflation (unfunded)	2.4	2.6	2.2
Rate of increase to pensions in payment (funded)*	2.5	2.7	2.3
Rate of increase to pensions in payment (unfunded)*	2.4	2.6	2.2
Rate of increase to deferred pensions (funded)**	2.5	2.7	2.3
Rate of general increase in salaries (funded) **	5	4.6	3.8

** In excess of Guaranteed Minimum Pension increases in payment where appropriate*
*** In addition, allowance is made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013*

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

	31-Mar-13	31-Mar-14
Post retirement mortality (retirement in normal health)		
Males		
Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NMA_L)	Standard SAPS Normal Health Light Amounts (S1NMA_L)
Rating to above base table * (years)	Zero	Zero
Scaling to above base table rates	100%	100%
Improvements to Continuous Mortality Investigation (CMI) base table rates	CMI 2009 with a long term rate of improvement of 1.25% p.a.	CMI 2012 with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	24	24.4
Future lifetime from age 65 (aged 45 at accounting date)	25.7	26.5
Females		
Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NMA_L)	Standard SAPS Normal Health Light Amounts (S1NMA_L)
Rating to above base table * (years)	0	0
Scaling to above base table rates	100%	95%
Improvements to Continuous Mortality Investigation (CMI) base table rates	CMI 2009 with a long term rate of improvement of 1.25% p.a.	CMI 2012 with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	25	26.2
Future lifetime from age 65 (aged 45 at accounting date)	26.9	28.5

** A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.*

Commutation of benefits

	31-Mar-13	31-Mar-14
Commutation	Each member assumed to exchange 25% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum.Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.

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. The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer value payment). The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

	Asset split at 31-Mar-13 (%) Total	Asset split at 31-Mar-14 (%) Quoted	Asset split at 31-Mar-14 (%) Unquoted	Asset split at 31-Mar-14 (%) Total
Equities	57.6	57.6	3.2	60.8
Property	7.8	7.5	0	7.5
Government bond	24.9	23.5	0.1	23.6
Corporate bonds	1.3	1.4	0.2	1.6
Cash	2.3	3.8	0	3.8
Other*	6.1	0.2	2.5	2.7
Total	100	94	6	100

** Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.*

Reconciliation to balance sheet

	Value as at 31-Mar-12 Funded £m	Value as at 31-Mar-12 Unfunded £m	Value as at 31-Mar-13 Funded £m	Value as at 31-Mar-13 Unfunded £m	Value as at 31-Mar-14 Funded £m	Value as at 31-Mar-14 Unfunded £m
Fair value of assets	63.90	-	70.52	-	76.59	-
Present value of funded defined benefit obligation	(112.59)	(0.58)	(124.83)	(0.68)	(116.37)	(0.67)
Funded status	(48.69)	(0.58)	(54.31)	(0.68)	(39.78)	(0.67)
Asset / (Liability) recognised on the balance sheet	**(48.69)**	**(0.58)**	**(54.31)**	**(0.68)**	**(39.78)**	**(0.67)**

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

Active members	25%
Deferred Pensioners	14%
Pensioners	61%

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

	Period ending 31-Mar-13 Funded £m	Period ending 31-Mar-13 Unfunded £m	Period ending 31-Mar-14 Funded £m	Period ending 31-Mar-14 Unfunded £m
Operating cost				
Current service cost	1.56	-	1.83	-
Past service cost	0.10	-	0.01	-
Financing Cost				
Interest on net defined benefit liability / (asset)	2.24	0.03	2.30	0.03
Pension expense recognised in profit and loss	**3.90**	**0.03**	**4.14**	**0.03**
Remeasurements in OCI				
Return on plan assets (in excess of) / below that recognised in net interest	(6.48)	-	(5.23)	-
Actuarial (gains)/losses due to change in financial assumptions	9.99	0.06	(9.57)	(0.04)
Actuarial (gains) / losses due to changes in demographic assumptions	-	-	(1.20)	0.01
Actuarial (gains) / losses due to liability experience	(0.19)	0.04	(1.18)	0.02
Total Amount recognised in OCI	**3.32**	**0.10**	**(17.18)**	**(0.01)**
Total Amount recognised in the Comprehensive Income & Expenditure Account	**7.22**	**0.13**	**(13.04)**	**0.02**

Note: *The Current service cost includes an allowance for the administration expenses of £0.02M.*

Changes to the present value of defined benefit obligation during the accounting period

	Period ending 31-Mar-13 Funded £m	Period ending 31-Mar-13 Unfunded £m	Period ending 31-Mar-14 Funded £m	Period ending 31-Mar-14 Unfunded £m
Opening defined benefit obligation	112.59	0.58	124.83	0.68
Current service cost	1.56	-	1.83	-
Interest expense on defined benefit obligation	5.18	0.03	5.29	0.03
Contributions by participants	0.49	-	0.49	-
Actuarial (gains) / losses on liabilities - financial assumptions	9.99	0.06	(9.57)	(0.04)
Actuarial (gains) / losses on liabilities - demographic assumptions	-	-	(1.20)	0.01
Actuarial (gains) / losses on liabilities - experience	(0.19)	0.04	(1.18)	0.02
Net benefits paid out	(4.89)	(0.03)	(4.13)	(0.03)
Past service cost (incl. curtailments)	0.10	-	0.01	-
Closing defined benefit obligation	**124.83**	**0.68**	**116.37**	**0.67**

Note: Current service cost consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums. Also includes an allowance for fund administration expenses of £0.02M

Changes to the fair value of assets during the accounting period

	Period ending 31-Mar-13 Funded £m	Period ending 31-Mar-13 Unfunded £m	Period ending 31-Mar-14 Funded £m	Period ending 31-Mar-14 Unfunded £m
Opening fair value of assets	63.90	-	70.52	-
Interest income on assets	2.94	-	2.99	-
Remeasurement gains / (losses) on assets	6.48	-	5.23	-
Contributions by the employer	1.60	0.03	1.49	0.03
Contributions by participants	0.49	-	0.49	-
Net benefits paid out	(4.89)	(0.03)	(4.13)	(0.03)
Closing fair value of assets	**70.52**	**-**	**76.59**	**-**

Note: Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums. Also includes an allowance for fund administration expenses of £0.02M

Actual return on assets

	Period ending 31-Mar-13 £m	Period ending 31-Mar-14 £m
Interest income on assets	2.94	2.99
Remeasurement gain / (loss) on assets	6.48	5.23
Actual return on assets	**9.42**	**8.22**

Sensitivity Analysis

The results shown above 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 31 March 2014 and the projected service cost for the year ending 31 March 2015 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same. Sensitivity of unfunded benefits are excluded on grounds of materiality.

Discount rate assumption		
Adjustment to discount rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£m)	114.61	118.21
% change in present value of total obligation	-1.5%	1.6%
Projected service cost (£m)	1.58	1.68
Approximate % change in projected service cost	-3.1%	3.1%
Rate of general increase in salaries		
Adjustment to salary increase rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£m)	116.63	116.11
% change in present value of total obligation	0.2%	-0.2%
Projected service cost (£m)	1.63	1.63
Approximate % change in projected service cost	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption		
Adjustment to pension increase rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£m)	117.92	114.91
% change in present value of total obligation	1.3%	-1.3%
Projected service cost (£m)	1.68	1.58
Approximate % change in projected service cost	3.1%	-3.1%
Post retirement mortality assumption		
Adjustment to mortality age rating assumption	**-1 year**	**+1 year**
Present value of total obligation (£m)	119.29	113.43
% change in present value of total obligation	2.5%	-2.5%
Projected service cost (£m)	1.68	1.58
Approximate % change in projected service cost	3.1%	-3.1%

Estimated Surplus / Deficit in future periods

Below is provided an estimate of the charges to the Estimated surplus or deficit on the provision of services in future periods, based on the assumptions as at 31 March 2014, plus an additional assumption to reflect that the projected cost is based on benefits being earned under a CARE Scheme.

Funded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	Period ending 31 March 2015 £m
Projected service cost	1.63
Past service costs	-
Interest on the net defined benefit liability/(asset)	1.68
Total	**3.31**

Note: The Projected Service Cost includes an allowance for the administration expenses of £0.02M in the period ending 31 March 2015.

LGPS unfunded benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	Period ending 31 March 2015 £m
Past service costs	-
Interest on the net defined benefit liability	0.03
Total	**0.03**

Notes

Benefits valued

The benefits valued allow for the introduction of the revised benefit structure of the LGPS from 1 April 2014, as set out in The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Pension cost for the period ending 31 March 2015

The pension cost shown in the next period's accounts will be different to that shown above. Although it is not possible to give a reliable indication of the impact, the Employer should make it clear in their budgeting
process that the IAS 19 figures shown are subject to change. Reasons why the pension cost may change include:

- Actual increase in payroll being different to that used in the calculations particularly given that the revised benefit structure from 1 April 2014 is based on a different definition of pensionable pay. We have used a payroll figure of £7,665,900 in our calculations. The difference in payroll will particularly affect the current service cost);
- Past service costs may not be zero (this cost is that resulting from benefit augmentations or early retirement of individual members before age 60 or on the grounds of efficiency);
- Curtailment / settlement events may occur (e.g. outsourcing exercises, redundancy exercises or bulk transfers);
- Actual cash-flows over the next accounting periods may differ from those assumed (this will particularly affect the interest on the net defined benefit liability – this effect is, however, minor compared to those above.

38. Contingent liabilities and contingent assets

At 31 March 2014 the authority has the following material contingent liabilities:

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £87,514 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The council operates a rent deposit guarantee scheme under which it guarantees rent deposits payable by tenants to landlords in order to assist them to obtain rented accommodation as part of the council housing strategy. If all of these guarantees where called upon the council's potential liability would be in the order of £76,000.

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 2014. The Council is unable to make a reliable estimate of potential appeals, 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.

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 million. No more than £2 million 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 million 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 2014 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.

Liquidity Risk

The Council has £3,855,000 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.

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 2012, 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 £449,000 in respect of highway revenue works (£447,700 in 2012/2013). 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.

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 £276,000 during 2013/2014 (£156,900 in 2012/2013); 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 30th June 2014, and this is the date up to which events after the balance sheet date have been considered for inclusion in the Accounts. No post balance sheet events have been identified in the period to 30th June 2014.

42. Authorisation of the statement of accounts

The Statement of Accounts was approved by the Responsible Finance Officer on 30th June 2014.

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.

2012/13 £000		2013/14 Business Rates £000	2013/14 Council Tax £000	2013/14 Total £000
	Income			
52,995	Income from Council Tax (net of benefits)	-	55,017	55,017
9,174	Council Tax Benefits	-	-	-
30,494	Income collectable from Business Ratepayers	31,851	-	31,851
92,663		**31,851**	**55,017**	**86,868**
	Expenditure			
62,027	Precepts paid to Police and Crime Commissioner, Fire Authority, County and District Councils	-	53,696	53,696
110	Distribution of previous year's estimated surplus	-	(218)	(218)
30,354	Payment to National Pool	-	-	-
-	Business rates payable to central govt and Major Preceptors	18,749	-	18,749
-	Borough Council	12,499	-	12,499
-	Provision for Business rates appeals	1,121	-	1,121
-	Transitional Relief due to Central Government	124	-	124
141	Costs of collection	141	-	141
287	Net contribution to Bad Debt Provision	(76)	605	529
92,919		**32,558**	**54,083**	**86,641**
	Movement on Fund Balance			
(79)	Surplus brought forward	-	177	177
256	Surplus or Deficit for the year	707	(934)	(227)
177	(Surplus)/Deficit carried forward	**707**	**(757)**	**(50)**

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 2013/2014 was £1,443.29. The Council Tax base was as follows:-

	*Band A	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
No. of Properties	0	8,187	13,836	12,326	9,661	5,456	2,373	928	40
Equivalents after exemptions, etc	11	6,607	12,160	11,053	8,742	4,965	2,198	839	26
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9
No. of Band D Equivalents	6	4,405	9,457	9,825	8,742	6,068	3,174	1,399	53

Band D Equivalents	43,129
Contributions in lieu of armed forces accommodation	42
Reduction in Taxbase - Council Tax Support Scheme	(5,967)
Tax Base	37,204

* after disabled reduction

2. Non-Domestic Rateable Value and Rate Multiplier

The total non-domestic rateable value at the 31 March 2014 was £78,965,440 (£79,311,831 at 31 March 2013). The national non-domestic rate multiplier for the year was 47.1p (45.8p at 31 March 2013) and 46.2p for small businesses (43.0p at 31 March 2013).

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:-

	2012/2013	---------------2013/2014---------------		
	Total £'000	Precept / Demand £'000	Share of 31st March 2013 Deficit £'000	Total £'000
Hampshire County Council	44,887	38,614	(158)	38,456
Hampshire Police Authority	6,325	5,627	(22)	5,605
Hampshire Fire & Rescue Service	2,655	2,283	(9)	2,274
Havant Borough Council	8,338	7,172	(29)	7,143
	62,205	**53,696**	**(218)**	**53,478**

ANALYSIS OF 2013/14 SERVICE EXPENDITURE

	Expenditure £000's	Income £000's	Net £000's
Central Services to the Public			
Local tax collection	956	(468)	488
Elections	203	(7)	196
Emergency planning	62	-	62
Local land charges	133	(201)	(68)
General grants, bequests and donations	265	-	265
Other central services to the public	-	-	-
	1,619	(676)	943
Cultural Services			
Cultural and heritage	199	-	199
Recreation and sport	1,339	(292)	1,047
Community parks and open spaces	1,783	(145)	1,638
Tourism	198	(1)	197
	3,519	(438)	3,081
Environmental and Regulatory Services			
Cemetery and cremation services	289	(298)	(9)
Coast protection	1,352	(518)	834
Environmental health	1,602	(359)	1,243
Community safety	399	(21)	378
Waste collection	2,215	(880)	1,335
Street cleansing	951	(20)	931
	6,808	(2,096)	4,712
Planning Services			
Building control	456	(269)	187
Development control	1,282	(672)	610
Planning policy	708	-	708
Economic development	418	(185)	233
Other planning services	707	(39)	668
	3,571	(1,165)	2,406
Highways, Roads and Transport Services			
Transport planning policy and strategy	52	-	52
Highways/roads (structural)	-	-	-
Highways/roads (routine)	919	(232)	687
Parking services	1,072	(1,495)	(423)
Public transport	138	(49)	89
Other highways, roads and transport services	20	(17)	3
	2,201	(1,793)	408
Housing Services			
Private sector housing renewal	917	(1)	916
Homelessness	424	(154)	270
Housing benefits payments	32,048	(32,054)	(6)
Housing benefits administration	1,892	(862)	1,030
Other housing services	334	-	334
	35,615	(33,071)	2,544
Social Services			
Meals	28	-	28
	28	0	28
Corporate and Democratic Core			
Corporate Management	604	(52)	552
Democratic representation and management	1,024	-	1,024
	1,628	(52)	1,576
Unapportionable Central Overheads	10	-	10
COST OF SERVICES BEFORE EXCEPTIONAL ITEM	54,999	(39,291)	15,708

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. East Hampshire District 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. East Hampshire District 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.

Curtailment
Curtailments 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.

General Fund
The main revenue fund of the Council which contains the income and expenditure of all services provided by the District 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 assets 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.

SeRCOP
The Service Reporting Code of Practice. This guide is used by Councils to ensure that service expenditure is accounted for consistently across all Councils, to enable comparisons between authorities to be made, and to allow the calculation of the total cost of services provided by all local authorities.

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 2013/2014 please contact:

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