

**FINANCIAL REPORT AND  
STATEMENT OF ACCOUNTS  
2023/24**

# Financial statements 2023/24

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# Narrative Report

## Introduction

The Statement of Accounts for Havant Borough Council for the year ended 31 March 2024 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local Havant residents, Council Members, partners, other stakeholders and interested parties' confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduced earlier deadlines for publication of the accounts. The deadline for completion of the accounts for 2023-24 is 31<sup>st</sup> May 2024 for the unaudited statement of accounts.

As the financial statements demonstrate, the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and operates in an environment of continuous improvement.

This narrative report is structured as follows:

1. An Introduction to Havant Borough
2. Summary of Achievements
3. Governance
4. Summary of the 2023-24 financial performance of the Council
5. Strategic Risks
6. Liability for pensions costs
7. Future Plans
8. Material assets/liabilities
9. Explanation of the Financial Statements
10. Acknowledgements

### **1. An Introduction to Havant Borough**

The Borough of Havant is nestled between the South Downs and the Solent, covering approximately 55km<sup>2</sup> of southeastern Hampshire. There are roughly 125,000 people living in the semi-urban borough, which benefits from 60km of coastline and more than 5 times the UK average of green urban space. The borough has a strong history of industry, is home to more than 4,000 businesses, and has excellent road and rail connections to London, Southampton, Portsmouth and Brighton. However, there are pockets of deprivation within the borough which score poorly for educational attainment, health and wellbeing.

Havant Borough Council is comprised of 36 councillors (typically elected by thirds) and operates according to the leader and cabinet model.

The councillors are supported by 285 full time equivalent members of staff, who co-ordinate the provision of more than 70 services from the Public Service Plaza in the centre of Havant. The

Council's Constitution sets out the committee structure, scheme of delegation and other important regulatory frameworks e.g., financial procedure rules.

The Council's income comes from a variety of sources. Against a backdrop of decreasing funding from central government, the Council has worked hard to continue delivering efficient and effective services to residents and businesses. It is committed to careful and sustainable management of its resources in an upcoming time of change and will prioritise the needs of local people and businesses as it undergoes transformation.

Towards the end of 2021-22 a decision was made to end the 12-year partnership with East Hampshire District Council and for each Council to establish their own management team so they could focus on their different strategic priorities and deliver outcomes for their communities more quickly. Following the formal decision in March 2022, work was undertaken to progress the transition to ensure the ending of shared management arrangements and the establishment of a new management structure which was put in place during the course of 2022-23. At the start of 2023-24 a new Executive Leadership Team was in place comprising of newly appointed Chief Executive, Chief Financial Officer (s151) and Chief Legal Officer (Monitoring Officer).

## 2. Summary of Achievements

### ***The Corporate Strategy***

Havant Borough Council sets out its strategic aims and objectives in its Corporate Strategy. The Corporate Strategy vision is to see a future borough whose communities are economically and socially viable, which is made up of places where people and families want to live, work and enjoy, and whose residents are proud to champion and respect their natural surroundings. The Corporate Strategy has a focus on the following themes:

- Wellbeing – the health of our communities
- Pride in place – creating a great place to live, work and enjoy.
- Growth – building our future.

The Corporate Strategy is supported by a number of other plans including our Regeneration & Economy Strategy, our Digital Strategy, our Homelessness and Rough Sleeper Strategy, our developing Local Plan and our Climate Change and Environment Strategy.

The Council delivered some notable achievements during 2023-24 as summarised below:

- We continued our investment in play areas with newly refurbished play areas at Front Lawn, Bidbury Mead, Springwood Avenue, Spences Field and Eastoke Corner. Funding was also secured to continue the programme of play park refurbishments across the borough.
- Supported the more vulnerable residents in our community through an agreed Council Tax discretionary payment scheme.
- Held our first Dementia Festival a free event giving people living with Dementia, their carers, friends, and families the opportunity to seek advice and support from local charities and organisations to ensure those on low incomes are supported.
- The Havant Borough Business Growth Programme, funded by Havant Borough Council delivered by the Solent Local Enterprise Partnership (LEP) offered up to 12 local businesses the opportunity to improve their chances of accessing finance and private sector investment over the next year to enable better business sustainability in the borough.
- Continued to award funds to local good causes through the Havant Community Lottery
- Installed 15 new CCTVs in Waterlooville Town Centre to significantly improve the ability to prevent and detect crime in the town centre
- Received the Employer Recognition Scheme Gold Award for outstanding support towards the Armed Forces community
- Became a member of the Solent Cluster, a private, public and non-governmental organisational group which wishes to collaborate to decarbonise the Solent region

- Continued to grow the The Link Up Youth Hub – during the year the Youth Hub hit its first major milestone in less than a year by successfully getting 100 young people into job starts, the hub helps young residents from across the borough with their next step into employment, education or training.
- Continued plans for the regeneration of Waterlooville Town Centre with the establishment of an empty shops scheme, free parking initiative and masterplan engagement throughout the year culminating in the Festival of Ideas in January 2024
- Agreed to implement a temporary accommodation purchase programme enabling the council to work in a more agile and commercial manner to purchase temporary accommodation. As part of the agreed programme, the council will purchase property for use as temporary accommodation rather than relying on costly short-term solutions such as Bed and Breakfast placements.
- Set up the Havant Town Centre Partnership Board (HTCPB) and invited residents and local business owners who have a keen interest in Havant Town Centre to join to help create a better future for the town centre.
- Committed to the demolition of Bulbeck Road Car Park to help regenerate Havant town centre
- Consulted on our draft Housing Strategy which aims to prevent homelessness, whilst increasing the supply, quality and choice of housing
- Agreed a balanced budget for 2024-25 despite considerable challenges within local government funding.

### **Key Business Indicators**

The table below contains some of our key corporate performance indicators in 2023-24, with comparison figures from previous years. In addition, we have sought to improve our performance reporting by adding further key performance measures which we now monitor during the year.

<b>Key Performance Indicator</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Business Rates collection rate	89.94%	97.37%	98.28%
Council Tax collection rate	94.59%	96.36%	96.28%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	88%	95%	88%
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	85%	86%	85%
All planning applications decided within 26 weeks (above 98%)	99%	93%	99%
Full Building Control plan applications checked within 15 days (over 90%)	88%	95%	97%
Customer Service calls answered within 20 seconds (above 75%)	82%	tbc	83%
Homelessness interventions (above 600 for the year)	825	655	We have changed the way we measure this so the data is not comparable to previous years
Affordable homes delivered	73	154	150
Freedom of Information requests responded within statutory deadline (above 95%)	95%	97%	98%

Our performance information is now routinely updated on our live corporate performance dashboard which can be found at the link on our website. [Corporate performance scorecard | Havant Borough Council](#)

### 3. Governance

Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved.

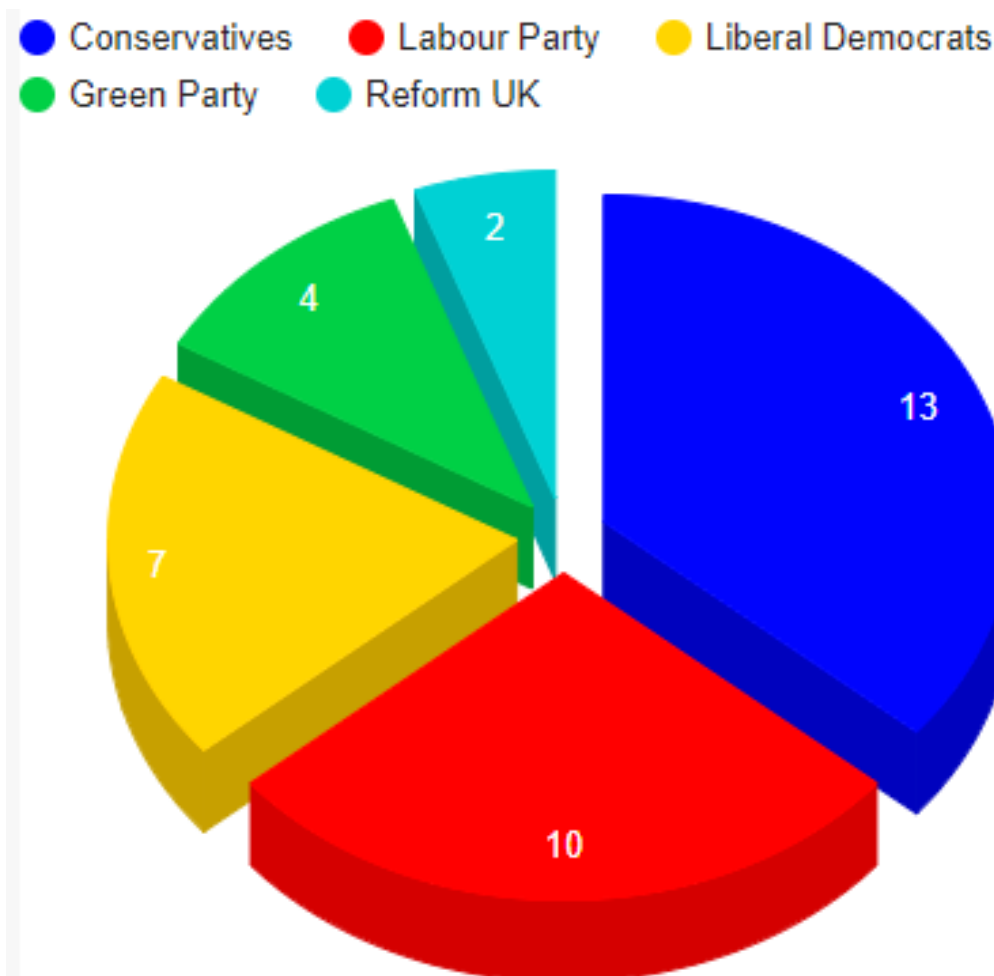
#### ***The Council***

Havant Borough is made up of 36 councillors typically elected in thirds, with each Councillor serving a four-year term. Councillors are democratically accountable to the residents of their ward. During 2023-24 due to a Boundary Review and subsequent boundary changes in the borough all Councillors were up for election.

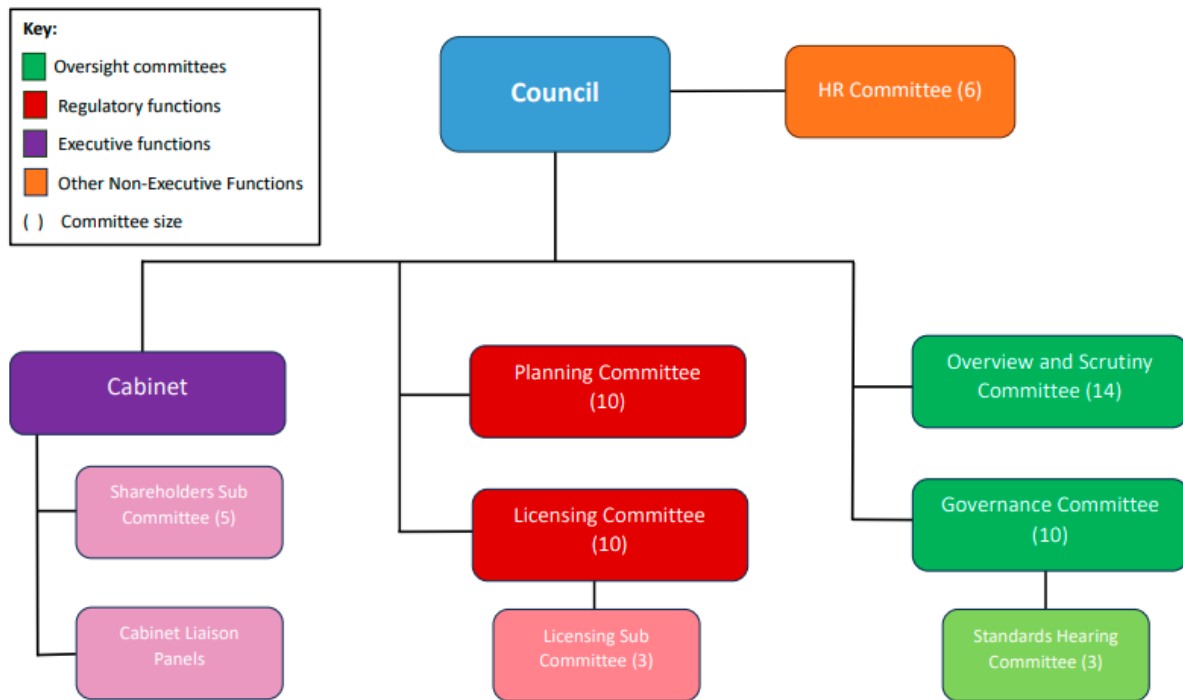
The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

All councillors meet together for Full Council meetings approximately eight times a year. These are held in public and are used to decide the council's overall policies and set the budget each year.

The political makeup of the members is shown in the table below and reflects the position as of 31<sup>st</sup> May 2024.



All the Councillors meet together as Full Council to set the policy and budget framework within which the Council operates. Set out below is a diagram of the decision-making bodies for Havant Borough Council that is currently in place.



### **Cabinet**

Havant Borough runs on a 'Leader and Cabinet' model. This works in the same way as the Prime Minister and Cabinet but on a local scale. The political party or parties which control the Council forms the Cabinet and elects one of its members as the Leader. Following the elections in May 2024 a coalition of Labour, Liberal Democrats and Greens have a majority of votes and have formed a Cabinet. Cabinet consists of seven councillors and normally meets monthly.

The Cabinet makes collective policy decisions for the council. The Cabinet will be advised and supported in its policy formulation role by Scrutiny and Policy Development Panels, with particular areas of responsibility and encompassing a broad range of opinion and expertise. In addition it is also advised by a number of committees.

The Cabinet has to make decisions which are in line with the council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the council as a whole to decide.

Each Cabinet Member is responsible for an area of the council's work, known as portfolios.

### **Overview & Scrutiny Committee**

The Committee is made up of 14 Councillors.

The Committee has the remit to:

- Review and scrutinise the decisions made and performance of the Executive and/or council officers both in relation to individual decisions and the impact of those decisions over time;
- Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas.

### **Governance Committee**



The Committee is made up of 10 Councillors.

The Committee has the remit to:

- provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- to promote and maintain high standards of conduct by Members and Co-opted Members of the Council;
- to adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity;
- to put in place arrangements to investigate and make decisions on written allegations against Elected Members both at and undertake an overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other remediation in cases of maladministration etc

### ***Planning Committee***

The Committee is made up of 10 Councillors and normally meets monthly.

The majority of planning applications are dealt with by council officers under delegated powers from the Planning Committee as they fall within the provisions of the council's adopted development plan.

The Planning Committee's function is:

- to deal with applications for planning permission and the conduct of planning appeals. It considers the larger more controversial applications.

The committee also has an enforcement role in ensuring that planning conditions are complied with and that unacceptable development which has taken place without the necessary planning permission is removed or ceased. It is also responsible for the protection and preservation of trees.

### ***Licensing Committee***

The Committee is made up of 10 Councillors and meets as required. The Licensing Committee is responsible for licensing and registration functions.

The full list of matters includes:

- hackney carriage and private hire taxis (and drivers);
- theatre licences; game dealers;
- entertainment licences; and
- lotteries.

### ***HR Committee***

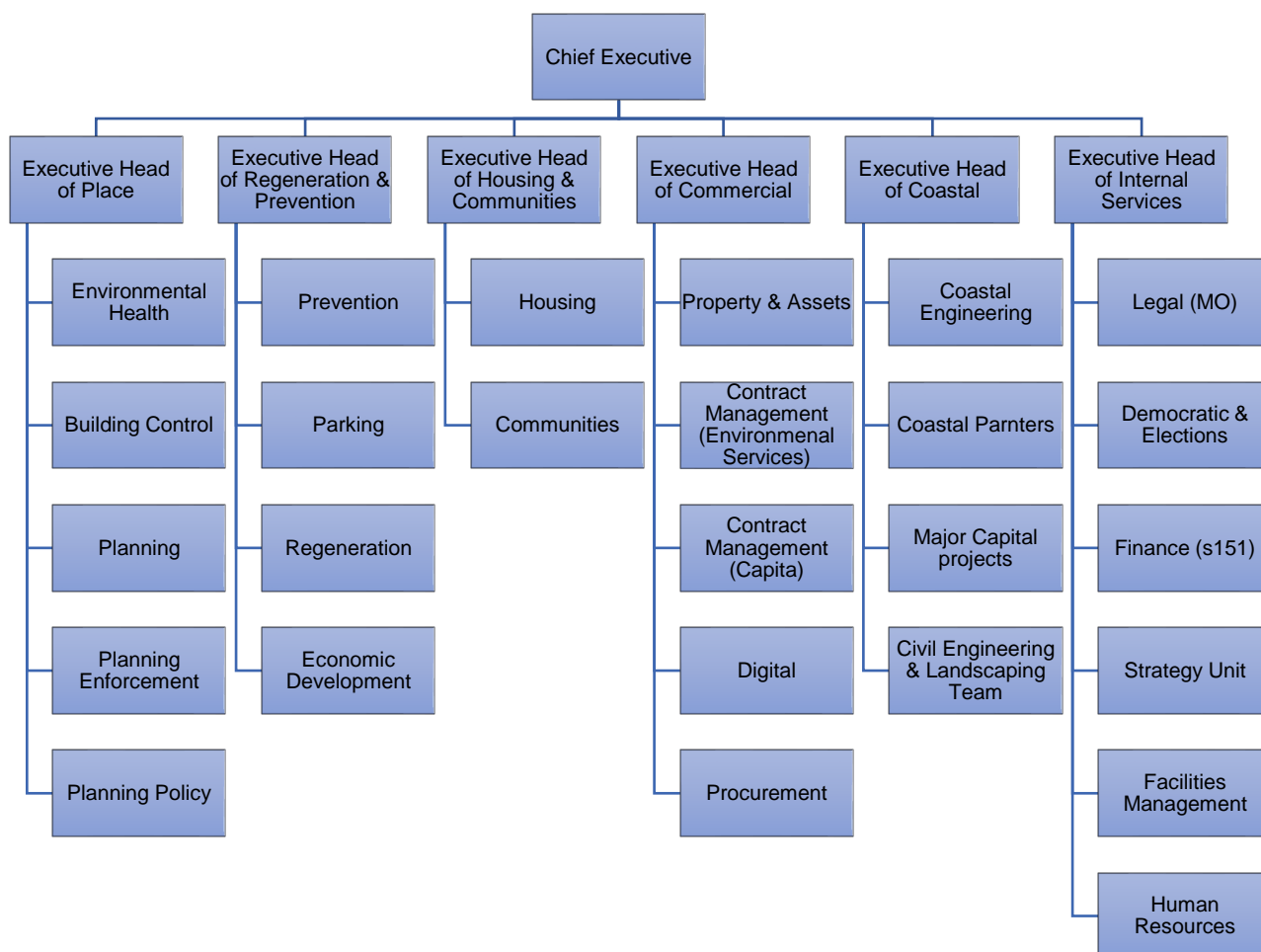
The Committee is made up of 6 Councillors.

In addition to the above, there are various sub-committees including, Shareholders, Licensing Sub-Committee and Cabinet Liaison Panels which meet as required during the year.

All meeting information (papers and minutes) of all Committee meetings are located on our website: <https://havant.moderngov.co.uk/mqListCommittees.aspx>

## Management Structure

Supporting the work of elected Members is the organisational structure of the Council headed by the Executive Leadership Team. The Council appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. Areas of responsibility are shown below.



## Staffing

A summary of the Council's staffing is shown in the table below:

<b>Employees</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Total number of current permanent full and part time employees	257	267	299
Total number of current temporary / fixed term employees	*	39	4
<b>Total number of employees</b>	<b>257</b>	<b>306</b>	<b>303</b>
Total number of employees expressed as full time equivalents	230	243	283

Posts	2021/22	2022/23	2023/24
Total number of permanent full and part time posts	279	346	304
Total number of temporary / fixed term posts	*	0	4
<b>Total number of posts</b>	<b>279</b>	<b>346</b>	<b>308</b>
Total number of posts expressed as full-time equivalents	252	322	283

\* Not available

Sickness and accident statistics are shown in the table below:

	2021/22	2022/23	2023/24
Short term sickness (days per FTE)	1.29	2.30	3.41
Long term sickness (days per FTE)	4.1	4.19	3.15
Overall sickness (days per FTE)	5.4	6.49	6.55

New guidance was created in December 2023 to accompany the Senior Pay Policy, providing a framework for senior officers to progress through the pay ranges to reflect good performance. The Senior Pay Policy was reviewed in July 2024, but the policy itself and approach to remuneration remained unchanged.

#### 4. A Summary of the 2023/24 Financial Performance of the Council

##### **General Fund**

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year. The General Fund Revenue Budget outturn is a deficit of £1.112m. The main variances are detailed as below:

Directorate	Variance (favourable) / Adverse	Reason for Variances
	£'000	
<b>Coastal Partnership</b>	(64)	In year vacancies and additional income from external projects
<b>Commercial</b>	759	Under recovery of property income and additional contract costs.
<b>Housing &amp; Communities</b>	450	Overspend relates to the Increase in demand in homelessness/B&B costs.
<b>Internal Services</b>	(517)	HR and Payroll brought back in house in-year and new equipment for elections, offset by over achievement cash surpluses invested.
<b>Place</b>	249	Under recovery of developer income.
<b>Regeneration</b>	236	Under recovery of Parking income and additional costs for car park maintenance.
<b>Cost of Service</b>	<b>1,112</b>	

A detailed Outturn report for 2023/24 was presented to Cabinet on 17<sup>th</sup> July 2024.

## General Fund: Capital Programme

The General Fund Capital Programme is summarised in the table below:

Executive Head	Scheme	2023/24 Original Budget	2023/24 Revised Budget	2023/24 Actuals	2023/24 Variance (Favourable) /Adverse
<b>Housing &amp; Communities</b>	Hayling Island Skate Park	0	0	170	170
	Purchase of Temporary Accommodation	0	2,700	780	(1,920)
	Refurbishment of HBC equipped play areas	0	70	608	538
<b>Housing &amp; Communities Total</b>		<b>0</b>	<b>2,770</b>	<b>1,557</b>	<b>(1,213)</b>
<b>Regeneration, Economic Development &amp; Preventative Services</b>	Bulbeck Road Redevelopment	1,650	1,650	117	(1,533)
	Local Authority Housing Fund - Tranche 1	212	6,567	53	(6,514)
	Local Authority Housing Fund - Tranche 2	0	3,314	0	(3,314)
	Waterlooville Masterplan	0	0	71	71
	W'ville Vacant Shop Scheme	0	0	5	5
	Chang Places Accessible Toilet Programme	0	0	11	11
<b>Regeneration, Economic Development &amp; Preventative Services Total</b>		<b>1,862</b>	<b>11,531</b>	<b>257</b>	<b>(11,274)</b>
<b>Head of Commercial</b>	Changing Places Accessible Toilet programme	100	100	0	(100)
	Expansion of Garden Waste Programme	100	100	87	(13)
	Property Asset Management System	0	140	0	(140)
	UKSPF Open Space and Play Area Improvements	80	80	0	(80)
<b>Head of Commercial Total</b>		<b>280</b>	<b>420</b>	<b>87</b>	<b>(333)</b>
<b>Place</b>	Disabled Facilities Grant	1,628	1,993	1,769	(224)
<b>Place Total</b>		<b>1,628</b>	<b>1,993</b>	<b>1,769</b>	<b>(224)</b>
<b>Coastal Defence Partnership</b>	Hayling Island Beach Management Activities	425	425	715	290
	Hayling Island Strategy	97	97	176	80
	Langstone FCERM	329	329	476	147
	Langstone Repairs	30	30	0	(30)
	Warblington Bridge	0	0	13	13
	W'ville to Denmead Active Travel	0	0	12	12
	Bedhampton MUGA Conversion	0	0	158	158
	Rusty Cutter Link Rd Travel Improvements	0	0	8	8
	Hooks Row-Share Pedestrian Cycle	0	0	5	5
	Future of Hayling Billy Trail	0	0	15	15
	Sfront Boardwalk Hayling Island	0	0	25	25
	Somborne Drive Car Park-Greening	0	0	3	3
	Milton Rd Roundabout Accessibility	0	0	0	0
	Bushy Lease Strat Sustainable	0	0	13	13
<b>Coastal Defence Partnership Total</b>		<b>881</b>	<b>881</b>	<b>1,619</b>	<b>738</b>
<b>Not in Published Capital Programme</b>	S106 Funded – HBC/Non-Assets	0	0	71	71
	CIL Funded Non-HBC Assets	0	0	549	549
<b>Not in Published Capital Programme Total</b>		<b>0</b>	<b>0</b>	<b>620</b>	<b>620</b>
<b>Head of Internal</b>	A2B Staff Office Move	0	0	19	19
<b>Head of Internal Total</b>		<b>0</b>	<b>0</b>	<b>19</b>	<b>19</b>
<b>Grand Total</b>		<b>4,651</b>	<b>17,595</b>	<b>5,929</b>	<b>(11,666)</b>

The outturn on the Capital Programme was an overall underspend of £11.66 million. The largest variance was within Regeneration, Economic Development & Preventative Services in relation to “Local Authority Housing Fund Tranche 1 and 2” schemes. These schemes including some other projects which have slipped into 2024/25. In addition, there were few schemes accelerated in the 2023/24 capital programme and the budget was approved as a part of 2024/25 Capital programme at full Council in Feb 2024.

A detailed Outturn report for 2023/24 was presented to Cabinet on 17<sup>th</sup> July 2024.

## **5. Strategic risks**

The Council maintains a risk register which details the major corporate risks facing its functionality and the delivery of its corporate objectives. Services maintain their own risk registers and can escalate a risk to the corporate register if necessary. Strategic risks are reported quarterly to the Audit & Finance Committee.

## **6. Liability for Pensions Costs**

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The Council’s net Pension Liability valued on an IAS 19 basis decreased from £10.439 million at 31st March 2023 to £6.091 million at 31st March 2024. It is detailed in Note 28 to the accounts. Gross liabilities have decreased by £4.348 million mainly due to changes in the financial assumptions.

The Council does not operate its own Pension Fund but is part of the Hampshire Local Government Pension Scheme which is administered by Hampshire County Council. Full details of the Pension Scheme and its accounts are available on-line at [www.hampshire.gov.uk](http://www.hampshire.gov.uk)

## **7. Future Plans**

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government’s aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

The Medium Term Financial Strategy has recently been updated indicating that due to reductions in government funding and demands on Council services as well as more general economic changes, the financing of the Council services remains challenging.

To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

### ***The Medium-Term Financial Strategy***

The budget for 2023/24 was set against further reductions in Government Grant. The Council’s Medium Term Financial Strategy has been updated and takes into account inflation (both pay and contract), superannuation and national insurance changes.

The medium term financial strategy for the period 2024-25 to 2028-29 is set out in the table below:-

## General Fund Summary

2024/25 to 2028/29 Medium-Term Financial Strategy

	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Expenditure</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Head of Coastal Partnership	343	343	343	343	343
Head of Commercial	8,075	7,881	8,111	8,340	8,570
Head of Internal Services	6,951	6,951	6,951	6,951	6,951
Head of Place	2,158	2,158	2,158	2,158	2,158
Head of Communities and Housing	1,615	1,315	1,265	1,265	1,265
Head of Regeneration	(982)	(1,232)	(1,232)	(1,232)	(1,232)
<b>Total Cost of Services</b>	<b>18,160</b>	<b>17,416</b>	<b>17,596</b>	<b>17,825</b>	<b>18,055</b>
Salary Inflation	0	488	991	1,508	2,041
<b>Total Cost of Services</b>	<b>18,160</b>	<b>17,904</b>	<b>18,586</b>	<b>19,333</b>	<b>20,096</b>

	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Funding</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Business Rates Retention	(5,356)	(5,249)	(5,354)	(5,461)	(5,570)
Council Tax	(9,902)	(10,274)	(10,687)	(11,117)	(11,564)
New Homes Bonus	(506)				
Service & LTS Grant	(21)	(21)	(21)	(21)	(21)
Core Spending Power	(549)	(724)	(557)		
RSG	(166)	(171)	(174)	(177)	(181)
Investment Income	(1,659)	(1,258)	(864)	(714)	(714)
<b>Total Income</b>	<b>(18,160)</b>	<b>(17,697)</b>	<b>(17,657)</b>	<b>(17,490)</b>	<b>(18,050)</b>
<b>Total deficit/(Surplus)</b>	<b>0</b>	<b>207</b>	<b>929</b>	<b>1,843</b>	<b>2,046</b>

	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Revenue Reserves</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Opening Balance	9,862	8,940	8,586	7,233	5,390
less planned movement in reserves	922	146	424		
(surplus)/deficit from revenue budget	0	207	929	1,843	2,046
Closing Balance	8,940	8,586	7,233	5,390	3,344
<b>Minimum Level of Balances</b>	<b>2,975</b>	<b>2,975</b>	<b>2,975</b>	<b>2,975</b>	<b>2,975</b>
<b>Usable Reserves Balance</b>	<b>5,965</b>	<b>5,611</b>	<b>4,258</b>	<b>2,415</b>	<b>369</b>

## **Capital Strategy 2024-2029**

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which seeks to provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how associated risk is managed
- the implications for future financial sustainability

The Council's Capital Strategy for 2024/25 was approved by Full Council in February 2024 and is available on the Council's website. The Capital Programme for 2024-25 to 2028-29 was prepared to mirror the 5 year timeframe of the MTF5.

[HBC Capital Strategy 2024-25 to 2028-29](#)

[HBC Capital Programme 24-25](#)

## **8. Material assets/liabilities**

The Council did not purchase or dispose of any significant assets during the year.

## **9. Explanation of the Financial Statements**

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. There have been no changes to policies.

These statements contain a number of different elements which are explained below.

**Statement of Responsibilities** sets out the respective responsibilities of the Council and the Chief Finance Officer.

**Independent Auditor's Report** gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

### **Statement of Accounts**

- **Comprehensive Income and Expenditure Statement** shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation.
- **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.
- **Balance Sheet** shows the value of the Council's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the reporting period.
- **Collection Fund** is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of

the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

## **10. Acknowledgements**

I would like to thank all those involved in managing the Council's finances and preparing this Statement of Accounts. Their support under ever increasing competing demands has been appreciated throughout these challenging times.

**Steven Pink**  
**Chief Finance Officer (s151 Officer)**



## Statement of Responsibilities

### **The Council's Responsibility**

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Havant Borough Council this officer is the Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

### **The Chief Finance Officer Responsibility**

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

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent, including an assessment of a going concern.
- complied with the local authority Code.

The Chief Finance Officer has also:

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

### **Chief Financial Officer Certificate**

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 4 to 75 give a true and fair view of the financial position of the Council as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

**Steven Pink**  
**Chief Finance Officer (s151 Officer)**

### **Approval of Accounts**

The draft accounts were presented to the Governance Committee on 8th July 2024, and the audited accounts were presented on 27th January 2025, when the audit is complete the accounts will be authorised by the Chair of the Committee, Councillor Shepherd.

Chair of Governance Committee

# MAIN FINANCIAL STATEMENTS

## Comprehensive Income and Expenditure Statement (CIES)

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 both the Expenditure and Funding Analysis (note 7) and the Council Movement in Reserves Statement.

2022/23 (Restated)			2023/24			
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
5,516	(4,557)	959	Executive Head for Coastal	5,237	(4,857)	380
40,747	(30,725)	10,022	Executive Head for Commercial	37,365	(26,627)	10,738
5,974	(2,092)	3,882	Executive Head for Housing & Communities	5,349	(3,204)	2,145
8,944	(2,256)	6,688	Executive Head for Internal Services	7,564	(480)	7,084
4,686	(1,713)	2,973	Executive Head for Place	3,886	(1,461)	2,425
3,116	(3,487)	(371)	Executive Head for Regeneration, Economic Development & Preventative Services	2,177	(2,492)	(315)
<b>68,983</b>	<b>(44,830)</b>	<b>24,153</b>	<b>Cost of Services*</b>	<b>61,578</b>	<b>(39,121)</b>	<b>22,457</b>
22	0	22	Other Operating I&E	78	0	78
0	0	0	Loss/(Gains) on the disposal of assets	0	0	0
<b>22</b>	<b>0</b>	<b>22</b>	<b>Other Operating Expenditure</b>	<b>78</b>	<b>0</b>	<b>78</b>
930	0	930	Net interest on defined pension liabilities	382	0	382
0	(700)	(700)	Interest receivable and similar income	0	(2,424)	(2,424)
126	0	126	Interest payable and similar expenses	122	0	122
0	(956)	(956)	Changes in fair value of investment properties	2,561	0	2,561
798	(2,221)	(1,423)	Income and expenditure in relation to investment properties	931	(2,186)	(1,255)
0	0	0	Net (gain)/losses on financial assets at fair value through profit and loss	472	0	472
<b>1,854</b>	<b>(3,878)</b>	<b>(2,023)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>4,468</b>	<b>(4,610)</b>	<b>(142)</b>
66	(8,753)	(8,687)	Council Tax Income	316	(9,836)	(9,520)
0	(1,278)	(1,278)	Non-Domestic Rates	0	(2,480)	(2,480)
0	(3,913)	(3,913)	Non-ringfenced government grants	0	(3,811)	(3,811)
0	(4,145)	(4,145)	Capital grants and contributions	0	(2,470)	(2,470)
<b>66</b>	<b>(18,089)</b>	<b>(18,023)</b>	<b>Taxation and non-specific grant income and expenditure</b>	<b>316</b>	<b>(18,597)</b>	<b>(18,281)</b>
<b>70,925</b>	<b>(66,797)</b>	<b>4,128</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>66,440</b>	<b>(62,328)</b>	<b>4,112</b>
		(1,800)	Surplus on revaluation of non-current assets.			(20,499)
		(29,082)	Remeasurement of the net defined benefit pension liability			(4,799)
		<b>(30,882)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(25,298)</b>
		<b>(26,754)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(21,186)</b>

\*A change in the Councils Executive structure has resulted in a restatement of Cost of Service headings but no overall change to the total.

## Movement in Reserves Statement

This Statement shows the movement in the year in the different reserves held by Havant Borough Council, analysed into 'usable reserves', which may be used to fund expenditure or reduce local taxation, and other reserves.

2022/23	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2022</b>	<b>(2,702)</b>	<b>(13,426)</b>	<b>(10,319)</b>	<b>(20,530)</b>	<b>(46,977)</b>	<b>(53,599)</b>	<b>(100,576)</b>
<b>Movement in Reserves in 2022/23</b>							
Surplus (deficit) on the provision of services (accounting basis)	4,127	0	0	0	4,127	0	4,127
Other Comprehensive Income and Expenditure	13	0	0	0	13	(29,505)	(29,492)
<b>Total Comprehensive Income and Expenditure</b>	<b>4,140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,140</b>	<b>(29,505)</b>	<b>(25,365)</b>
Adjustments between accounting and funding basis under regulation - note 9	2,789	0	0	(2,506)	283	(283)	0
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>6,929</b>	<b>0</b>	<b>0</b>	<b>(2,506)</b>	<b>4,423</b>	<b>(29,788)</b>	<b>(25,365)</b>
Transfers to/from Earmarked reserves - note 10	(5,816)	5,816	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>1,113</b>	<b>5,816</b>	<b>0</b>	<b>(2,506)</b>	<b>4,423</b>	<b>(29,788)</b>	<b>(25,365)</b>
<b>Balance at 31 March 2023</b>	<b>(1,589)</b>	<b>(7,610)</b>	<b>(10,319)</b>	<b>(23,036)</b>	<b>(42,555)</b>	<b>(83,387)</b>	<b>(125,941)</b>

2023/24	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2023</b>	<b>(1,589)</b>	<b>(7,610)</b>	<b>(10,319)</b>	<b>(23,036)</b>	<b>(42,555)</b>	<b>(83,387)</b>	<b>(125,941)</b>
<b>Movement in Reserves in 2023/24:</b>							
Surplus (deficit) on the provision of services (accounting basis)	4,112	0	0	0	4,112	0	4,112
Other Comprehensive Income and Expenditure	0	0	0	0	0	(25,298)	(25,298)
<b>Total Comprehensive Income and Expenditure</b>	<b>4,112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,112</b>	<b>(25,298)</b>	<b>(21,186)</b>
Adjustments between accounting and funding basis under regulation - note 9	(2,053)	0	192	36	(1,825)	1,825	0
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>2,059</b>	<b>0</b>	<b>192</b>	<b>36</b>	<b>2,287</b>	<b>(23,473)</b>	<b>(21,186)</b>
Transfers to/from Earmarked reserves - note 10	(843)	843	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>1,216</b>	<b>843</b>	<b>192</b>	<b>36</b>	<b>2,287</b>	<b>(23,473)</b>	<b>(21,186)</b>
<b>Balance at 31 March 2024</b>	<b>(373)</b>	<b>(6,767)</b>	<b>(10,127)</b>	<b>(23,000)</b>	<b>(40,268)</b>	<b>(106,860)</b>	<b>(147,127)</b>

## Balance Sheet

The Balance Sheet shows the value, at the Balance Sheet date, of the assets and liabilities recognised by Havant Borough Council.

31-Mar-23	Balance Sheet		31-Mar-24
£'000			£'000
69,588	Property, Plant and Equipment	Note 14	92,285
38,076	Investment Properties	Note 15	34,743
16	Intangible Assets		0
8,593	Long Term Investments	Note 26	8,121
54	Long Term Debtors	Note 18	83
<b>116,327</b>	<b>LONG TERM ASSETS</b>		<b>135,232</b>
9,791	Short Term Debtors	Note 18	6,419
30,259	Short Term Investments	Note 26	30,734
9,346	Cash and Cash Equivalents	Note 19	13,480
<b>49,396</b>	<b>CURRENT ASSETS</b>		<b>50,633</b>
(15,807)	Short Term Creditors	Note 20	(17,232)
(646)	Provisions	Note 21	(196)
(231)	Short Term Borrowing	Note 26	(231)
(2,115)	Capital grants receipts in advance	Note 13	(5,564)
<b>(18,799)</b>	<b>CURRENT LIABILITIES</b>		<b>(23,223)</b>
(6,222)	Capital grants receipts in advance	Note 13	(5,604)
(1,501)	Provisions	Note 21	(1,106)
(2,821)	Long Term Borrowing	Note 26	(2,711)
(10,439)	Net Defined Pension liability	Note 28	(6,091)
<b>(20,983)</b>	<b>LONG TERM LIABILITIES</b>		<b>(15,512)</b>
<b>125,941</b>	<b>NET ASSETS</b>		<b>147,130</b>
(1,589)	General Fund		(373)
(7,609)	Earmarked Reserves		(6,767)
(10,321)	Capital Receipts Reserve		(10,128)
(23,036)	Capital grants and contributions		(23,000)
<b>(42,554)</b>	<b>USABLE RESERVES</b>	Note 10	<b>(40,268)</b>
(41,503)	Revaluation Reserve		(60,897)
(53,293)	Capital Adjustment Account		(52,705)
10,439	Pensions Reserve		6,091
816	Collection Fund Adjustment Account		(16)
154	Accumulated Absences Account		193
0	Financial Instrument adjustment account		472
<b>(83,387)</b>	<b>UNUSABLE RESERVES</b>	Note 11	<b>(106,862)</b>
<b>(125,941)</b>	<b>TOTAL RESERVES</b>		<b>(147,130)</b>

## Cashflow Statement

The Cashflow Statement shows the changes in cash and cash equivalents of Havant Borough Council during the reporting period.

2022/23	Cash flow	2023/24
£'000		£'000
(10,201)	Taxation	(13,266)
(27,302)	Grants and Contributions	(27,963)
(20,521)	Sales of goods and rendering of services	(17,814)
(440)	Interest received	(1,949)
(639)	Other receipts from operating activities	(52)
<b>(59,103)</b>	<b>Cash inflows generated from operating activities</b>	<b>(61,044)</b>
12,511	Cash paid to and on behalf of employees	14,050
19,810	Housing benefit payments	20,003
33,183	Cash paid to suppliers of goods and services	26,014
127	Interest paid	122
3,561	Other operating cash payments	3,890
<b>69,192</b>	<b>Cash outflows generated from operating activities</b>	<b>64,079</b>
<b>10,089</b>	<b>Net cashflows from operating activities</b>	<b>3,035</b>
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14)
1,874	Purchase of property, plant and equipment, investment property and intangible assets	3,500
38,593	Purchase of short-term and long-term investments	25,000
0	Proceeds from the sale of short-term and long-term investments	(25,000)
0	Other payments for investing activities	0
(7,127)	Other receipts from investing activities	(7,762)
<b>33,340</b>	<b>Net cashflows from investing activities</b>	<b>(4,276)</b>
0	Cash Receipts - long/short term borrowing	0
105	Repayments of long/short term borrowing	109
(1,240)	Changes in Council Tax balances held for preceptors	(2,538)
2,850	Changes in National Non-Domestic Rates balances held for preceptors	(464)
<b>1,715</b>	<b>Net cashflows from financing activities</b>	<b>(2,893)</b>
<b>45,144</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>(4,134)</b>
54,490	Cash and cash equivalents 1 April	9,346
(45,144)	Net increase / (decrease) in cash and cash equivalents	4,134
<b>9,346</b>	<b>Cash and cash equivalents 31 March</b>	<b>13,480</b>
5,096	Call accounts and short term deposits	0
4,250	Bank balances	13,480
<b>9,346</b>	<b>Cash and cash equivalents 31 March</b>	<b>13,480</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1 Accounting Policies

### 1. Going Concern

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The Council has undertaken cash flow modelling until March 2026 which demonstrates the Council's ability to lend funds in both the short and long term. Current forecasting suggests we will remain in a lending position for this period, should that position change short term borrowing could be accessed from other local authorities and the Public Works Loan Board. This is in line with the Council's approved Treasury Management Strategy.

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. 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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council. However, for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- The revenue recognition standard in IFRS 15 introduces a single model for income with prescribed steps to identify when control of goods or services passes to the customer together with associated revenue in the contract between the parties. An assessment was made of the income streams and the effect of IFRS 15 on the accounts which was found to be immaterial.
- 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. Inventories below £10,000 are considered immaterial and are expensed.

- 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 is accounted for as income 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.

### **3. Council tax and non-domestic rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors, and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### **Accounting for Council Tax and Non-Domestic Rates**

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, overpayment creditors and receipts in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is held as part of the Short-Term Creditors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement. The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

### **4. 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 no more than ninety days 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 Council's cash management.

### **5. 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 (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of Havant Borough Council's financial performance.

### **6. 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **7. Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- revaluation and impairment gains, where they reverse losses previously charged to services.
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g., s.106 and community infrastructure levy) revenue contributions, earmarked reserves, or capital receipts.

Having regard to current Guidance on MRP issued by MHCLG and the "options" outlined in that Guidance and to even out the financing costs of assets over their anticipated life, on 3<sup>rd</sup> December 2019 Full Council approved the following MRP Statement to take effect from 1 April 2019:

- for all capital expenditure, MRP will be based on expected useful asset lives (Option 3 – asset life), calculated using the annuity method.

In applying 'Option 3':

- MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational.
- the estimated useful lives of assets used to calculate MRP should not exceed a maximum of 50 years except as otherwise permitted by the guidance (and supported by valuer's advice).
- if no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life should be taken to be a maximum of 50 years.



## 8. 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the

cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

### Termination Benefits

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

### Post Employment Benefits

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

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

- The liabilities of the Hampshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value
- The change in the net pensions' liability is analysed into the following components:
  - **current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked.

- **past service cost** - the increase 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 CI&ES as part of the cost of other Operating Expenses.
- **net interest on the defined benefit liability**, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the

discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - **the return on plan assets** - excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - **actuarial gains or losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - **contributions paid to the Hampshire pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

### **9. Events after the Reporting Period**

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.

## 10. Fair Values

The Council measures some of its non-financial assets (surplus assets and investment properties), and its available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction at the year end. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

The Council measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interest.

When measuring the fair value, the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

<b>Level 1</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end.
<b>Level 2</b>	Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly.
<b>Level 3</b>	Unobservable inputs for the asset or liability.

## 11. 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 in another entity. Non-exchange transactions, such as those relating to taxes, benefits, and government grants, do not give rise to financial instruments.

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and 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.

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.

Liabilities include trade payables. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

The business model of the council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, 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.

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

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a substantial amount of investments and employs treasury management advisers in addition to full time professional staff. However, reasonable, and verifiable information to support the measurement of lifetime losses on individual instruments is not available without undue cost or effort. Losses are mainly assessed for the portfolio on a collective basis.

Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances whilst making use of a simplified approach contained in regulations.

**Group 1** – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.

**Group 2** – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

**Group 3** – Other loans to local businesses, in support of the Council vision and objectives. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are charged to the Other Comprehensive Income and Expenditure and are held in the Financial Instrument Revaluation Reserve.

Movements in amortised cost are charged to the Surplus or Deficit on the Provision of Services. Cumulative gains/losses on fair value are transferred to the Surplus or Deficit on the Provision of Services on derecognition.

## **12. Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the CI&ES 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 liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, 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. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council has elected to charge a Community Infrastructure Levy (CIL), charged on new builds with appropriate planning consent. The income from the levy will be used to fund various projects described as "infrastructure" in a broader sense than used for Council property. The infrastructure investment is determined in the 123 list, and it is not necessarily this Council that will undertake the works. Part of the CIL income is retained to offset the cost of administration and is accounted for as income for the Planning service. Some is also payable to parishes: this is treated as an agency service and is excluded from the Comprehensive Income and Expenditure Statement. The rest is intended for use to finance capital and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income and is then transferred to the Capital Grants Unapplied Reserve. A small proportion of the monies may be used to fund revenue expenditure.

The income from CIL is accounted for on an accruals basis and recognised immediately in the CI&ES at the commencement date of the chargeable development. Surcharges and interest received in accordance with the CIL regulations will be accounted for as if they were CIL receipts.

### **13. 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. As a non-financial asset, investment properties are measured at highest and best use.

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 CI&ES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **14. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 that authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the

appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive

Income and Expenditure Account, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

#### **15. Interest 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 Council 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 Council.
- 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. The Council's relationship with Norse South East will be assessed. Fuller disclosures have been made in the interests in other entities note in 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. The position will be reviewed and updated on an annual basis.

## **16. 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 Council as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the 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.

**17. Overheads and Support Services**

The recharging of overheads and support services is not reflected in any part of these accounting statements and notes.

**18. Property, Plant and Equipment**

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

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de-minimis level for recognition has been set at £10,000.

## Measurement

Property Plant and Equipment is valued on the bases recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Operational properties and other operational assets are carried in the Balance Sheet using the following measurement bases:

- Depreciated Replacement Cost (DRC)
- Existing Use Value (EUV)

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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.
- Community assets and assets under construction - historic cost.
- Land and buildings - current 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 current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy above, equating to market value for their highest and best use from a market participant's perspective.
- Assets included in the Balance Sheet at current value are subject to a full valuation once every five years but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or fair value at the year-end. In addition, the top 10 assets in value and the top 20% across the portfolio are subject to a valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:
  - where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
  - where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.
- 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 the value of 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 CI&ES.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 50 years depending on the asset.
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 3 and 20 years.
- Infrastructure - straight-line allocation over 10 to 50 years.
- No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

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.

### **Componentisation of Property Assets**

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.

### **Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES 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 and are 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 non-current 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.

## 19. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

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

Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance

sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### Contingent Liabilities

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

### Contingent Assets

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

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

## 20. Reserves

The Council maintains two groups of reserves, usable and unusable.

### Usable reserves comprise the following:

- **Capital Receipts Reserve:** proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- **Capital Grants Unapplied:** the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- **Earmarked Reserves:** the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the

use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.

- **General Fund:** this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

**Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:**

- **Revaluation Reserve:** this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. 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 gains are realised.
- **Capital Adjustment Account:** Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- **Deferred Capital Receipts:** in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long-term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts 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 Council 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 Council 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- **Collection Fund Adjustment Account:** this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- **Accumulated Absences Reserve:** this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- **Financial Instrument Revaluation Reserve:** this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
  - revalued downwards or impaired and the gains are lost.
  - disposed of and the gains are realised.

## **21. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the CI&ES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in

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

## **22. 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.

## **Note 2 Accounting Standards Issued, Not yet Adopted**

The Council is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code').

Several accounting changes are being adopted by the Code in 2023/24, but it is not expected that any of them will have a material impact on the Council's financial statements.

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS 16) which, when adopted by the Code, will require the Council to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Council on its Balance Sheet. It had been anticipated that IFRS 16 would originally be adopted in the 2020/21 financial year, but the Code now allows local authorities to defer implementing the requirements of the standard until the 2024/25 financial year although allowing earlier implementation if a local authority wishes to. The Council has opted not to implement the standard in the financial year 2022/23 and 2023/24.

## **Note 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:

**Business rates** -The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from appeals determinations so far made against the 2017 and 2023 list. This year the Council have used a third party, Analyse Local, to provide estimates for the provision for appeals.

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

**Asset classifications** – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council, they are deemed to be Property, Plant

and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

**Lease classifications** – the Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed

to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken “in the round” and a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on leases) and could have a significant effect on the accounts.

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

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

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

## **Note 4 Assumptions Made about the Future & Major Sources of Estimation Uncertainty**

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The main items in the Council’s Balance Sheet at 31 March 2024 on which such assumptions have been made are as follows:

### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

Changes in any one assumption would be affected by changes in others, so that the effect of a number of changes would be a complex calculation.

### **Property, Plant and Equipment**

The Council’s external valuers provide a full valuation of all properties every 5 years. On an annual basis they provided desktop valuations as at 31 March 2024 for all of the Council’s investment portfolio and for the top 20% in value of its’ operational portfolio and where there has been material movement since the last full valuation. The remaining balance of operational properties was also reviewed to ensure values reflect current values. Valuations of property depend on various assumptions. In particular, valuers have to determine:

- The estimated life of the building.
- Whether or not there is a market for the property in its existing use, which means that they could value at such a market value (EUV). If there is no such market properties are valued at Depreciated Replacement Cost (DRC).

### **Investment Property**

The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If the value of the Council's investment properties were to reduce by 10% this would lead to a reduction in value of £3.5m.

### **Allowance for impairments of doubtful debts**

The Balance Sheet contains figures for various groups of debtors, including sundry debtors, council tax, non-domestic rates, and recoveries of overpayments of housing benefits. Allowances are made, and updated at the end of each financial year, on the basis of recent rates of recovery of the particular class of debt, as far as it can be ascertained.

### **Allowance for impact of rating appeals**

There are a few appeals outstanding against rating values, and the Council is liable for its share (40%) of the losses resulting from successful appeals.

The Council has made a provision for the likely impact on its yield of expected future successful appeals based on the 2017 and 2023 VoA (Valuation Office Agency) lists for the period to the end of March 2024 based on the reports provided by external consultant Anaylse Local.

### **Note 5 Material Items of Income and Expense**

Havant Borough Council undertakes the valuation of those non-current held at current value on a five-year rolling programme. Where assets increase in value, the gain is reported in Other Comprehensive Income and Expenditure (OCIE) and reflected in the revaluation reserve. Where there is a decrease in value, the decrease is reflected in OCIE and the revaluation reserve up to the amount of previous upward valuations and any additional reduction in valuation is reported through the Surplus/Deficit on the Provision of Services and the Capital Adjustment Account. In 2023/24, the increase in valuation of non-current assets chargeable against the Surplus/Deficit on the Provision of Services was £20.5m (2022/23: £1.800m).

### **Note 6 Events After the Reporting Period**

The Statement of Accounts was authorised for issue by Chief Finance Officer (s151 Officer) on 31 May 2024. Events taking place up to the date of signing the draft financial statements are reflected in the financial statements and notes. Where events taking place before this date provided information about conditions existing at 31 March 2024 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Local Borough Elections were held on 2 May 2024 and the new Governance took office on 15 May 2024.

No further events have occurred which need to be reported here.



## Note 7 Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Group Comprehensive Income and Expenditure Statement.

2022/23 (Restated)			2023/24			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Expenditure and Funding Analysis	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
290	669	959	Executive Head for Coastal	419	(39)	380
7,996	2,025	10,021	Executive Head for Commercial	8,368	2,370	10,738
2,457	1,425	3,882	Executive Head for Housing & Communities	1,494	651	2,145
4,624	2,063	6,687	Executive Head for Internal Services	7,508	(424)	7,084
1,850	1,123	2,973	Executive Head for Place	2,008	417	2,425
(1,230)	859	(371)	Executive Head for Regeneration, Economic Development & Preventative Services	(754)	439	(315)
22	0	22	Other Operating I&E	92	(14)	78
<b>16,010</b>	<b>8,165</b>	<b>24,174</b>	<b>Cost of Services*</b>	<b>19,135</b>	<b>3,401</b>	<b>22,536</b>
(5,924)	(14,123)	(20,047)	Other Income and Expenditure	(17,078)	(1,345)	(18,423)
<b>10,086</b>	<b>(5,959)</b>	<b>4,127</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>2,057</b>	<b>2,056</b>	<b>4,113</b>
£'000	£'000	£'000		£'000	£'000	£'000
<b>(13,425)</b>	<b>(2,701)</b>	<b>(16,126)</b>	<b>Opening balances</b>	<b>(7,609)</b>	<b>(1,588)</b>	<b>(9,197)</b>
0	6,929	6,929	(Surplus) or Deficit on Provision of Services	0	2,061	2,061
5,816	(5,816)	0	Transfers between General Fund and earmarked reserves	843	(843)	0
<b>(7,609)</b>	<b>(1,589)</b>	<b>(9,197)</b>	<b>Closing General Fund balance</b>	<b>(6,766)</b>	<b>(370)</b>	<b>(7,136)</b>

\*A change in the Councils Executive structure has resulted in a restatement of Cost of Service headings but no overall change to the total.

## Financing and Accounting Adjustments:

Financing and Accounting Adjustments					
2023/24	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
Executive Head for Coastal	0	20	0	(59)	(39)
Executive Head for Commercial	1,603	5	0	761	2,370
Executive Head for Housing & Communities	193	6	0	453	651
Executive Head for Internal Services	59	19	0	(502)	(424)
Executive Head for Place	147	14	0	256	417
Executive Head for Regeneration, Economic	86	5	0	348	439
Other Operating I&E	0	0	0	(14)	(14)
<b>Cost of Services</b>	<b>2,088</b>	<b>69</b>	<b>0</b>	<b>1,243</b>	<b>3,400</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	0	0	0	(1,345)	(1,345)
<b>Total for 2023/24</b>	<b>2,088</b>	<b>69</b>	<b>0</b>	<b>(102)</b>	<b>2,055</b>

Financing and Accounting Adjustments					
2022/23	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
Executive Head for Coastal	5	678	0	(14)	669
Executive Head for Commercial	824	189	0	1,013	2,026
Executive Head for Housing & Communities	1,264	163	0	(2)	1,425
Executive Head for Internal Services	58	521	0	1,484	2,063
Executive Head for Place	439	446	0	237	1,122
Executive Head for Regeneration, Economic	40	99	0	721	860
Other Operating I&E	0	0	0	0	0
<b>Cost of Services</b>	<b>2,630</b>	<b>2,096</b>	<b>0</b>	<b>3,439</b>	<b>8,165</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,101)	930	(2,495)	(4,300)	(10,966)
<b>Total for 2022/23</b>	<b>(2,471)</b>	<b>3,026</b>	<b>(2,495)</b>	<b>(861)</b>	<b>(2,801)</b>

### Adjustments for capital purposes

This column adjusts for depreciation, impairment and revaluation gains and losses in the service lines. The other income and expenditure line has adjustments for the following:

- Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- The statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue and capital grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year.

### Net change for the Pensions Adjustments

This column includes the removal of employer pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income in the service lines. The other income and expenditure line has an adjustment for the net interest on the defined benefit liability which is charged to the Comprehensive Income and Expenditure Statement.

### Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are as follows:

The change in the total value of the accrual for accumulated absence (holiday pay) is not chargeable under generally accepted accounting practices and removed in the service lines.

The difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund. Transfers to / from Earmarked Reserves are shown on a separate line in the other differences column. The details of reserve movements are shown in note 9.

### Note 8 Expenditure and Income analysed by Nature

This analysis provides detail of the expenditure and income of the Council on a subjective basis.

2022/23		2023/24	
Surplus / Deficit on the Provision of Services	Expenditure and Income analysed by nature	Surplus / Deficit on the Provision of Services	
£'000		£'000	
16,611	Employee benefits expenses	16,959	
51,780	Other service expenses	46,912	
126	Interest payments	122	
2,306	Depreciation, amortisation, impairment etc	2,089	
0	Gains on the disposal of assets	472	
<b>70,823</b>	<b>Total Expenditure</b>	<b>66,554</b>	
(23,587)	Fees, charges and other service income	(18,673)	
(956)	Investment Properties changes in fair value	2,561	
(700)	Interest income	(2,424)	
(9,966)	Council Tax and Non-Domestic Rate income	(12,108)	
(31,488)	Grants and Contributions	(31,782)	
0	Gains on the disposal of assets	(14)	
<b>(66,697)</b>	<b>Total income</b>	<b>(62,440)</b>	
<b>4,126</b>	<b>Net Expenditure and Income</b>	<b>4,114</b>	

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year in accordance with proper accounting practice to the resources actually available to the Group to meet future expenditure.

2023/24	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(16)			16	0
Depreciation and impairment of non-current assets	(2,073)			2,073	0
Movements in value of Investment Properties	(2,561)			2,561	0
Disposal of non-current assets	0			0	0
Capital receipts to Usable Capital Receipts Reserve	14	(14)			0
Capital grants and contributions to Capital Grants Unapplied Reserve	2,477		(2,477)		0
Difference between accounting and statutory employment benefit	(39)			39	0
Difference between accounting and statutory credit for Council Tax	364			(364)	0
Difference between accounting and statutory credit for Non-Domestic Rates	467			(467)	0
Revenue Expenditure Financed from Capital under Statute	(2,430)			2,430	0
Difference between accounting and statutory credit for pension costs	(451)			451	0
REFCUS income	2,430			(2,430)	0
Revaluation losses on PPE	0			0	0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Capital expenditure financed from revenue	0			0	0
Statutory Charge MRP	237			(237)	0
Other adjustments					
Capital expenditure financed from Capital Receipts		206		(206)	0
Capital expenditure financed from Capital grants and contributions			2,513	(2,513)	0
Adjustment FV	(472)			472	0
<b>Total for 2023/24</b>	<b>(2,053)</b>	<b>192</b>	<b>36</b>	<b>1,825</b>	<b>0</b>

2022/23	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(8)	0	0	8	0
Depreciation and impairment of non-current assets	(2,296)	0	0	2,296	0
Movements in value of Investment Properties	956			(956)	0
Disposal of non-current assets	0	0	0	0	0
Capital receipts to Usable Capital Receipts Reserve	0	0	0	0	0
Capital grants and contributions to Capital Grants Unapplied Reserve	4,145	0	(4,145)	0	0
Difference between accounting and statutory employment benefit	52	0	0	(52)	0
Difference between accounting and statutory credit for Council Tax	0	0	0	0	0
Difference between accounting and statutory credit for Non-Domestic Rates	2,495	0	0	(2,495)	0
Revenue Expenditure Financed from Capital under Statute	(1,468)	0	0	1,468	0
Difference between accounting and statutory credit for pension costs	(3,026)	0	0	3,026	0
REFCUS income	1,133	0	0	(1,133)	0
Revaluation losses on PPE	0	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Capital expenditure financed from revenue	570	0	0	(570)	0
Statutory Charge MRP	236	0	0	(236)	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	0	0	0	0
Capital expenditure financed from Capital grants and contributions	0	0	1,639	(1,639)	0
<b>Total for 2022/23</b>	<b>2,789</b>	<b>0</b>	<b>(2,506)</b>	<b>(283)</b>	<b>0</b>

## Note 10 Usable Reserves

The Council maintains a number of Usable Reserves including Earmarked Reserves for a variety of purposes. Below is an analysis of the Council's reserves showing the movements and transfers that took place.

	Balance at 31 March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31 March 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31 March 2024
<b>Usable Reserves</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>General Fund Balance</b>	<b>(2,702)</b>	6,929	(5,816)	<b>(1,589)</b>	1,681	(465)	<b>(373)</b>
<b>Earmarked Reserves</b>							
General Fund - earmarked	(23)			(23)	23		0
S31 Grant Reserve	(3,386)	3,386		0			0
Insurance Reserve	(653)			(653)	121		(532)
Restructuring Reserve	(418)			(418)	418		0
Financial Management Reserve	(4,656)			(4,656)	1,599	(26)	(3,083)
Strategic Commissioning Reserve	0			0	51	(1,328)	(1,277)
Service Support Reserve	(169)		(20)	(189)		(34)	(223)
Regeneration Reserve	(990)	293		(697)		(4)	(701)
Regeneration Investment Framework Reserve	(950)			(950)			(950)
Covid Financial Resilience Reserve	(2,180)	2,180		0			0
Transformation Reserve	0	2,157	(2,180)	(23)	23		0
<b>Total - Earmarked Reserves</b>	<b>(13,425)</b>	<b>8,016</b>	<b>(2,200)</b>	<b>(7,609)</b>	<b>2,235</b>	<b>(1,392)</b>	<b>(6,766)</b>
<b>Capital Reserves</b>							
Capital Receipts Reserve	(10,320)	0	0	(10,320)	205	(14)	(10,129)
Capital grants and contributions	(20,530)	0	(2,506)	(23,036)	3,095	(3,059)	(23,000)
<b>Total Capital Reserves</b>	<b>(30,850)</b>	<b>0</b>	<b>(2,506)</b>	<b>(33,356)</b>	<b>3,300</b>	<b>(3,073)</b>	<b>(33,129)</b>
<b>Total Usable Reserves</b>	<b>(46,977)</b>	<b>14,945</b>	<b>(10,522)</b>	<b>(42,554)</b>	<b>7,216</b>	<b>(4,930)</b>	<b>(40,268)</b>

The purposes of these reserves are set out below:

<b>General Fund Earmarked Reserve</b>	To fund specific projects
<b>Insurance Reserve</b>	To fund any insurance claims below the excess during the year.
<b>Capital Reserves</b>	To fund specific capital projects.
<b>Financial Management reserve</b>	To meet any potential future financial liabilities that may arise (for example insurance claims)
<b>Strategic Commissioning Reserve</b>	To fund the strategic commissioning of services, systems and software across the Council through a hybrid delivery model utilising both specialist external support and internal resource.
<b>Service Support Reserve</b>	To cover specific service projects which may arise in the future (e.g. economic development work or Local Plan work)
<b>Regeneration Reserve</b>	To ring fence income from Meridien for future economic development
<b>Regeneration Investment Framework Reserve</b>	To provide funding for future regeneration of the Borough

## Capital Receipts

Capital receipts arise from the income received from the disposal of capital assets. The use of capital receipts is governed by statute which require that they are used to fund future capital expenditure or for the redemption of debt. Capital receipts cannot be used to fund revenue expenditure except where allowed for by statute.

## Capital Grants and Contributions

Capital grants not used in the year of receipt and for which the conditions on the use of the grant is expected to be met or for which there are no conditions, are appropriated to the Capital Grants Unapplied Account and released to meet future years' capital expenditure.

## Note 11 Unusable Reserves

Unusable reserves are those that have arisen as a result of accounting adjustments and are, therefore, not available to spend. The table below shows the total unusable reserves at the year end.

	Balance 1 April 2023	Comprehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2024
	£'000	£'000	£'000	£'000
Revaluation Reserve	(41,503)	(20,498)	1,106	(60,896)
Capital Adjustment Account	(53,293)	0	588	(52,705)
Pensions Reserve	10,439	(4,799)	451	6,091
Collection Fund Adjustment Account	815		(831)	(16)
Accumulated Absences Account	154	0	39	193
Financial Instrument adjustment account	0	472	0	472
<b>Total for 2023/24</b>	<b>(83,388)</b>	<b>(24,825)</b>	<b>1,354</b>	<b>(106,861)</b>

	Balance 1 April 2022	Comprehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2023
	£'000	£'000	£'000	£'000
Revaluation Reserve	(40,998)	(1,799)	1,294	(41,503)
Capital Adjustment Account	(51,236)	0	(2,057)	(53,293)
Pensions Reserve	35,096	(27,683)	3,026	10,439
Collection Fund Adjustment Account	3,331	0	(2,516)	815
Accumulated Absences Account	206	0	(52)	154
Financial Instrument adjustment account	0	0	0	0
<b>Total for 2022/23</b>	<b>(53,601)</b>	<b>(29,482)</b>	<b>(305)</b>	<b>(83,388)</b>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from 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 gains are realised.

2022/23	Revaluation Reserve	2023/24
£'000		£'000
<b>(40,998)</b>	<b>Balance 1 April</b>	<b>(41,503)</b>
	Comprehensive Income & Expenditure:	
<b>(1,799)</b>	Gain on revaluation of assets	(20,498)
	Accounting / Financing Adjustments:	
<b>1,294</b>	Depreciation charged to Revaluation Reserve	1,106
<b>(41,503)</b>	<b>Balance 31 March 2024</b>	<b>(60,897)</b>

### Capital Adjustment Account

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

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2022/23	Capital Adjustment Account	2023/24
£'000		£'000
<b>(51,236)</b>	<b>Balance 1 April</b>	<b>(53,293)</b>
	Accounting / Financing Adjustments:	
8	Write down Intangible Assets	16
2,295	Depreciation and impairment of non-current assets	2,073
(956)	Movements in value of Investment Properties	2,561
0	Gain or (loss) on sale of non-current assets	0
1,468	Revenue Expenditure Financed from Capital under Statute	2,430
(1,703)	Capital expenditure financed from revenue	(2,636)
0	Capital expenditure financed from Capital Receipts	0
(1,639)	Capital expenditure financed from Capital grants and contributions	(2,513)
(236)	MRP	(237)
(1,294)	Depreciation charged to Revaluation Reserve	(1,106)
<b>(53,293)</b>	<b>Balance 31 March 2024</b>	<b>(52,705)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for postemployment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for postemployment 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.

2022/23	Pensions Reserve	2023/24
£'000		£'000
<b>35,096</b>	Balance 1 April	<b>10,439</b>
	Comprehensive Income & Expenditure:	
(27,683)	Remeasurement of the net defined benefit liability	(4,799)
	Accounting / Financing Adjustments:	
3,026	Difference between accounting and statutory credit for pension costs	451
<b>10,439</b>	<b>Balance 31 March 2024</b>	<b>6,091</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax /NNDR income in the CIES as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Following the localisation of business rates, a separate adjustment account for business rates has been created.

2022/23	Collection Fund Adjustment Account	2023/24
£'000		£'000
<b>3,333</b>	Balance 1 April	815
	Accounting / Financing Adjustments:	
414	Difference between accounting and statutory credit for Council Tax	(365)
(2,931)	Difference between accounting and statutory credit for Non-Domestic Rates	(466)
<b>815</b>	<b>Balance 31 March 2024</b>	<b>(16)</b>

### 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.

2022/23	Accumulated Absences Account	2023/24
£'000		£'000
<b>207</b>	Balance 1 April	154
	Accounting / Financing Adjustments:	
(53)	Difference between accounting and statutory employment benefit	39
<b>154</b>	<b>Balance 31 March 2024</b>	<b>193</b>

## Note 12 Grant Income

The Authority credited the following grants, contributions, and donations to the CIES in the year. The total amounts credited to Taxation and Non-Specific Grant Income are detailed below.

2022/23		2023/24
£'000		£'000
(20,152)	DWP benefits grants	(20,654)
(1,133)	Grants for revenue financed from capital under statute	(2,430)
(2,146)	Other Grants and Contributions	(2,417)
<b>(23,431)</b>	<b>Total within Cost of Services</b>	<b>(25,501)</b>
(474)	New Homes Bonus	(405)
(3,439)	Other non-specific grant	(3,406)
(4,145)	Grants and contributions towards capital expenditure	(2,471)
<b>(8,058)</b>	<b>Total within Taxation and non-specific grant income</b>	<b>(6,282)</b>
<b>(31,489)</b>	<b>Total income from grants and contributions</b>	<b>(31,783)</b>

## Note 13 Capital Grants Receipts in Advance

2022/23		2023/24
£'000		£'000
	Amounts falling due within one year:	
0	S106	0
(2,115)	Other	(5,564)
<b>(2,115)</b>	<b>Total short term capital grants received in advance</b>	<b>(5,564)</b>
	Amounts falling due after one year (all other bodies)	
(4,817)	S106	(4,277)
(1,405)	Other	(1,327)
<b>(6,222)</b>	<b>Total long term capital grants received in advance</b>	<b>(5,604)</b>

## Note 14 Property, Plant and Equipment

The following tables analyse movements in the carrying values of non-current assets during the year.

2023/24	Land & Buildings	Vehicles Plant etc	Infra-structure	Community Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>						
Opening value 1 April 2023	64,197	6,524	4,941	1,954	346	77,961
Additions	861	889	1,368	0	229	3,347
Disposals	0	0	0	(53)	0	(53)
Derecognitions	0	(3,423)	(1)	(249)	0	(3,673)
Impairment losses	(165)	0	0	0	0	(165)
Reclassifications	925	0	0	0	0	925
Revaluations	19,201	0	0	0	0	19,201
<b>Value 31 March 2024</b>	<b>85,018</b>	<b>3,990</b>	<b>6,308</b>	<b>1,652</b>	<b>575</b>	<b>97,544</b>
<b>Cumulative Depreciation:</b>						
Opening value 1 April 2023	(1,454)	(5,280)	(410)	(1,229)	0	(8,373)
Charge for the year	(1,585)	(161)	(148)	(13)	0	(1,908)
Disposals	0	0	0	53	0	53
Derecognitions	0	3,423	1	249	0	3,673
Reclassifications	0	0	0	0	0	0
Revaluations	1,298	0	0	0	0	1,298
<b>Balance 31 March 2024</b>	<b>(1,741)</b>	<b>(2,017)</b>	<b>(558)</b>	<b>(941)</b>	<b>0</b>	<b>(5,257)</b>
<b>Net book value 31 March 2024</b>	<b>83,277</b>	<b>1,973</b>	<b>5,750</b>	<b>712</b>	<b>575</b>	<b>92,285</b>

2022/23	Land & Buildings	Vehicles Plant etc	Infra-structure	Community Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>						
Opening value 1 April 2022	64,256	6,321	3,956	1,954	340	76,827
Additions	0	389	985	0	6	1,380
Disposals	0	0	0	0	0	0
Impairment losses	(111)	0	0	0	0	(111)
Reclassifications	0	(186)	0	0	0	(186)
Revaluations	51	0	0	0	0	51
<b>Value 31 March 2022</b>	<b>64,196</b>	<b>6,524</b>	<b>4,941</b>	<b>1,954</b>	<b>346</b>	<b>77,961</b>
<b>Cumulative Depreciation:</b>						
Opening value 1 April 2023	(1,231)	(5,379)	(304)	(1,209)	0	(8,123)
Charge for the year	(1,972)	(87)	(106)	(20)	0	(2,185)
Disposals	0	0	0	0	0	0
Reclassifications	0	186	0	0	0	186
Revaluations	1,749	0	0	0	0	1,749
<b>Balance 31 March 2023</b>	<b>(1,454)</b>	<b>(5,280)</b>	<b>(410)</b>	<b>(1,229)</b>	<b>0</b>	<b>(8,373)</b>
<b>Net book value 31 March 2023</b>	<b>62,742</b>	<b>1,244</b>	<b>4,531</b>	<b>725</b>	<b>346</b>	<b>69,588</b>

## Depreciation

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

- Other Land and Buildings (30 to 50 years)
- Vehicles, Plant, Furniture & Equipment (4 to 10 years)

## Revaluations

Assets are revalued on a 5-year programme. The useful economic life of operational land and buildings is also assessed. An annual desktop assessment is also carried out at the end of each financial year, and the values are updated where necessary. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. The land & building portfolio has been valued at 31 March 2024 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Wilks Head & Eve LLP.

There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy, both at the start and end of the financial year.

The following table shows the split of the certified valuations for Property plant and equipment across the financial years.

	Land & Buildings	Vehicles Plant etc	Infra-structure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost:</b>	0	3,990	6,308	1,652	<b>11,950</b>
<b>Carried at fair value as at:</b>					
31-Mar-24	62,825	0	0	0	<b>62,825</b>
31-Mar-23	5,679	0	0	0	<b>5,679</b>
31-Mar-22	8,677	0	0	0	<b>8,677</b>
31-Mar-21	4,296	0	0	0	<b>4,296</b>
31-Mar-20	3,541	0	0	0	<b>3,541</b>
<b>Total cost or valuation</b>	<b>85,018</b>	<b>3,990</b>	<b>6,308</b>	<b>1,901</b>	<b>96,968</b>

## Capital Commitments

At 31 March 2024 there were no significant commitments to report on.

## Note 15 Investment Properties

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

2022/23		2023/24
£'000		£'000
(2,221)	Rental income from investment property	(2,186)
798	Direct operating expenses arising from investment property	931
(956)	Net (gains) / loss from fair value adjustments	2,561
<b>(2,379)</b>	<b>Total</b>	<b>1,307</b>

Balance Sheet movements in Investment Properties during the year:

2022/23		2023/24
£'000		£'000
<b>36,626</b>	Balance at start of the year	<b>38,076</b>
494	Additions	152
956	Net gains / (loss) from fair value adjustments	(2,561)
0	Assets reclassified to Property Plant & Equipment	(924)
<b>38,076</b>	Balance at end of the year	<b>34,743</b>

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 2 of the Fair Value hierarchy (see Note 14 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use. The investment property portfolio has been valued at 31 March 2024 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Wilks Head & Eve LLP.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1, quoted prices.
- Level 2, inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3, unobservable inputs for the asset or liability.

## Note 16 Leases

### Authority as Lessee

The Authority may enter into lease arrangements to obtain assets used to provide services as an alternative to purchasing. Additionally, the Authority also leases out assets, for example, to community organisations. Lease arrangements may be finance or operating leases. The purpose of this note is to disclose the nature and extent of the Authority's leasing obligations.

### Lease Classifications

Leases are classified either as finance leases or operating leases. A finance lease is an arrangement where substantially all of the risks and rewards that are incidental to ownership of the asset, transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risk and rewards are classified as operating leases. Where an arrangement includes both land and buildings, the land and buildings element are considered separately for classification and leases of land are generally considered to be operating leases.

**Operating Leases as Lessee** - per IFRS16, no operating leases were identified.

**Finance Leases as Lessee** - per IFRS16, no operating leases were identified.

### Authority as Lessor: Operating Leases

The Authority leases land and property under operating leases for the following purposes:

- For the provision of community services including sports facilities, community centres and village halls.
- For economic development purposes, to provide affordable retail accommodation for local business.
- To provide allotment space for local residents.

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

31-Mar-23		31-Mar-24
£'000		£'000
1,839	Not later than one year	1,588
6,439	Later than one year and not later than five years	5,522
60,979	Over 5 years	51,983
<b>69,257</b>	<b>Total</b>	<b>59,093</b>

### Authority as Lessor: Finance Leases

There were no finance leases in 2022/23 and 2023/24.

## Note 17 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 Havant Borough Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by Havant Borough Council that has yet to be financed.

2022/23		2023/24
£'000		£'000
<b>13,120</b>	<b>Opening Capital Financing Requirement 1 April</b>	<b>12,884</b>
	<b>Capital Investment</b>	
1,380	Property, Plant and Equipment	3,347
494	Investment properties	153
1,468	Revenue Expenditure Funded from Capital under Statute (REFCUS)	2,430
	<b>Sources of finance</b>	
0	Capital receipts	(206)
(1,639)	Government grants and other contributions	(2,514)
(569)	Sums set aside from revenue and reserves	0
(1,133)	Grants and contributions towards REFCUS	(2,430)
(236)	MRP	(237)
<b>12,884</b>	<b>Closing Capital Financing Requirement 31 March</b>	<b>13,427</b>
<b>45,016</b>		<b>45,382</b>
£'000		£'000
69,588	Property, Plant and Equipment	92,285
38,076	Investment Properties	34,743
16	Intangible Assets	0
(41,503)	Revaluation Reserve	(60,897)
(53,293)	Capital Adjustment Account	(52,705)
<b>12,884</b>		<b>13,427</b>

## Note 18 Debtors

The table below shows the amounts owed to Havant Borough Council at the end of the year. The amounts owed have been analysed by type of debtor.

31-Mar-23		31-Mar-24
£'000		£'000
	Amounts falling due within one year:	
597	Central government bodies	1,513
(1,334)	Central Government bodies - Business rates	0
5,288	Other Local Authorities & Public Bodies	716
9,502	All other bodies	7,673
	Less allowances for expected credit losses	
(1,387)	General Fund debtors	(758)
(2,103)	Housing benefit Overpayments	(1,869)
(408)	Council Tax Arrears	(487)
(364)	Business Rates Arrears	(369)
<b>9,791</b>	<b>Total short-term debtors</b>	<b>6,419</b>
54	Amounts falling due after one year (all other bodies)	83
<b>9,845</b>	<b>Total Debtors</b>	<b>6,502</b>

## Note 19 Cash and Cash Equivalents

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

2022/23		2023/24
£'000		£'000
	<b>Cash held by the Authority:</b>	
4,250	Bank current accounts	13,480
5,096	Short-term deposits	0
<b>9,346</b>	<b>Total Cash and Cash Equivalents</b>	<b>13,480</b>

Havant Borough Council manages its current accounts so that they are always in credit.

## Note 20 Creditors

The table below shows amounts owed by the Council at the end of the year. The amounts due have been analysed by type of creditor.

31-Mar-23		31-Mar-24
£'000		£'000
	<b>Amounts falling due within one year:</b>	
(5,415)	Central government bodies	(7,598)
(1,671)	Other Local Authorities & Public Bodies	(2,217)
2	Public Corporations	0
(154)	Accumulated Absences	(193)
(8,569)	All other bodies	(7,225)
<b>(15,807)</b>	<b>Total short-term creditors</b>	<b>(17,232)</b>
<b>(15,807)</b>	<b>Total Creditors</b>	<b>(17,232)</b>

## Note 21 Provisions, Contingent Liabilities and Contingent Assets

The following table shows the value of Havant Borough Council's liabilities that will probably result in a transfer of economic benefits.

Provisions	Insurance Fund	Milestone Payments	Business Rates Backdated Appeals	Municipal Mutual Insurance	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance outstanding at 1 April 2023</b>	<b>(47)</b>	<b>(598)</b>	<b>(1,494)</b>	<b>(9)</b>	<b>(2,148)</b>
Additional provisions made during the year	0	0	(375)	0	(375)
Amounts used in the year	0	449	772	0	1,221
<b>Balance outstanding at 31 March 2024</b>	<b>(47)</b>	<b>(149)</b>	<b>(1,097)</b>	<b>(9)</b>	<b>(1,302)</b>
Under 1 year	(47)	(149)	0	0	(196)
1 year and over	0	0	(1,097)	(9)	(1,106)
<b>Balance outstanding at 31 March 2024</b>	<b>(47)</b>	<b>(149)</b>	<b>(1,097)</b>	<b>(9)</b>	<b>(1,302)</b>

The Council has a liability for its share of refunds of rate income arising from successful appeals, check and challenges against rateable values. The provision decreased to £1.097m in 2023/24.



The Council has a liability for its share of the milestone payments that were due to Capita at certain stages of the contract. At the 31 March 2024 Havant's share of the liability amounted to £149k.

Municipal Mutual Insurance Ltd (MMI) was the insurance company which insured 90-95% of local Authorities. Insolvency of MMI in 1992 meant it ceased to write new or renew any insurance business. By 2012 the potential liability to pay the claims on its books exceeded the funds available and liability transferred to those authorities that formed the mutual. Associated recovery monies regarding these claims were collected by means of ongoing levies.

The objective of the levies is to extinguish the deficit in the MMI balance sheet so that 75% of each outstanding claim (including those claims yet to be reported to MMI) can be paid. The former members of the mutual are then required to contribute 25% of each future claim payment themselves. The current provision was set in conjunction with the advice of the council's insurance brokers noting the approach taken by the other authorities. It remains possible that the entire remaining exposure will eventually be called upon by further levies, but this won't be known for many years. No reserve strengthening has been required by MMI since the 16/17 financial year. In MMI's most recently published annual report and accounts relating to y/e 30/06/22 they say that no further increases to the levy are currently anticipated. The forecast assumes that the run-off will continue until the year 2059 when the final claim will be received. Zurich Municipal (insurers) and Browne Jacobsen (solicitors) handle claims that fall to the MMI policies. This service is free of charge.

### Contingent Liabilities

There are no contingent liabilities as at 31 March 2024.

### Contingent Assets

There are no contingent assets as at 31 March 2024.

## Note 22 External Audit

Havant Borough Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors. The costs below include costs for the financial years 2021/22, 2022/23 and 2023/24. The Audit for 2021/22 was completed on 11<sup>th</sup> June 2024, and 2022/23 on 3<sup>rd</sup> December 2024. The 2022/23 fees are yet to be determined by Public Sector Audit Appointments (PSAA). As the 2023/24 is yet to be concluded, additional costs are likely to be incurred. Further costs related to any additional work carried out as agreed with the Council will need to be approved by PSAA.

2022/23		2023/24
£'000		£'000
106	External Audit fee for Prior years	0
57	External audit services - 2021/22 (additional work)	72
103	External audit services - 2022/23*	0
0	External audit services - 2023/24	139
11	Other services	22
<b>276</b>		<b>233</b>

## Note 23 Members' Allowances

The Authority paid the following amounts to members of Havant Borough Council during the year.

2022/23		2023/24
£'000		£'000
367	Members Allowances	359
2	Expenses	2
<b>369</b>		<b>361</b>

## Note 24 Officers' Remuneration

The remuneration paid to or receivable by Havant Borough Council's senior employees is detailed in the table below.

### Senior Officer Remuneration

The Council's Senior Employees' remuneration and expenses was as follows:

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Pension Contributions	Total Remuneration
	£	£	£
<b>Financial Year: 2023/24</b>			
Chief Executive	129,721	22,053	151,774
Chief Finance Officer (S151 Officer)	101,645	17,280	118,925
Chief Legal Officer & Monitoring Officer	104,412	17,750	122,163
Executive Head for Commercial*	69,416	11,801	81,217
Executive Head for Internal Services	99,180	16,861	116,040
Executive Head for Coastal Partnership	107,157	18,217	125,374
Executive Head for Regeneration, Economic Development & Preventative Services	89,575	15,228	104,803
Executive Head of Housing and Communities	83,856	14,255	98,112
Executive Head of Place	92,040	15,647	107,687
<b>TOTAL COST</b>	<b>877,003</b>	<b>149,091</b>	<b>1,026,094</b>

\* The Executive Head for Commercial was in post until 31/12/23

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Pension Contributions	Total Remuneration
	£	£	£
<b>Financial Year: 2022/23</b>			
Chief Finance Officer *	1,753	379	2,133
Executive Head for Coastal	101,534	17,565	119,099
Executive Head for Commercial *	59,616	10,314	69,930
Executive Head for Internal Services	87,680	15,169	102,849
<b>TOTAL COST</b>	<b>250,584</b>	<b>43,427</b>	<b>294,011</b>

\*The Chief Finance Officer was in post with effect from 22/03/2023.

\*The Executive Head of Commercial Services was in post with effect from 01/08/2022.

## Salaries over £50,000

2022/23		2023/24
21	£50,000 - £54,999	27
8	£55,000 - £59,999	13
2	£60,000 - £64,999	9
3	£65,000 - £69,999	2
1	£70,000 - £74,999	5
0	£75,000 - £79,999	0
1	£80,000 - £84,999	2
1	£85,000 - £89,999	0
0	£90,000 - £94,999	2
0	£95,000 - £99,999	1
1	£100,000 - £104,999	1
0	£105,000 - £109,999	2
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	1
<b>38</b>	<b>Total count</b>	<b>65</b>

## Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other are set out on the table below. Exit costs include payments to the Pension Fund in lieu of future years contributions (Pension strain).

2022/23				Banding	2023/24			
Number of exit packages			Cost		Number of exit packages			Cost
Compuls. Redund.	Other departures	Total exit packages	Total		Compuls. Redund.	Other departures	Total exit packages	Total
			£'000					£'000
0	0	0	0	£0 - £20,000	2	0	2	26
0	0	0	0	£20,001 - £40,000	0	0	0	0
0	0	0	0	£40,001 - £60,000	0	0	0	0
0	0	0	0	£60,001 - £80,000	1	0	1	76
0	0	0	0	£80,001 - £100,000	0	0	0	0
0	0	0	0	£100,001 - £150,000	0	0	0	0
0	0	0	0		3	0	3	102

## Note 25 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 12.

### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in Note 23. During 2023/24, no works or services were commissioned from companies in which Members had an interest. No grants were awarded to organisations in which Members were on the governing body. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members Interests are available for public inspection.

### **Officers**

There was no known material related party transaction with officers for 2022/23 or 2023/24.

### **Entities Controlled or Significantly influenced by the Authority**

There were no known entities controlled or significantly influenced by the Authority in 2023/24.

## **Note 26 Financial Instruments**

### **(A) Financial Instruments - Classifications**

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

### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets, or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- lease payables detailed in note 16,
- trade payables for goods and services received.

### **Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets, or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest, and the Council's business model is to collect those cash flow) comprising:
  - cash in hand,
  - bank current and deposit accounts with NatWest Bank,
  - loans to other local authorities,
  - trade receivables for goods and services provided.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

### **(B) Financial Instruments - Balances**

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Fair Value Level	Long Term		Short Term	
		31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23
		£'000	£'000	£'000	£'000
Borrowing	2	2,711	2,821	231	231
Bank Overdraft		0	0	0	0
<b>Total Borrowing</b>		<b>2,711</b>	<b>2,821</b>	<b>231</b>	<b>231</b>
Long Term Creditors		0	0	0	0
Trade Creditors		0	0	7,225	8,569
<b>Total Financial Liabilities</b>		<b>2,711</b>	<b>2,821</b>	<b>7,456</b>	<b>8,800</b>

All borrowing is on fixed terms and shown at amortised cost.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Fair Value Level	Long Term		Short Term	
		31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23
		£'000	£'000	£'000	£'000
Investments at amortised cost		0	0	30,734	30,259
<b>Fair Value through profit or loss:</b>					
Bonds	1	2,331	2,593	0	0
Property Funds	2	454	500	0	0
Multi – Asset Funds	1	4,172	4,000	0	0
Equity Funds	1	1,164	1,500	0	0
<b>Total Investments</b>		<b>8,121</b>	<b>8,593</b>	<b>30,734</b>	<b>30,259</b>
Cash at amortised cost		0	0	13,480	9,346
<b>Total Cash &amp; Cash Equivalents</b>		<b>0</b>	<b>0</b>	<b>13,480</b>	<b>9,346</b>
Long Term Debtors		83	54	0	0
Trade Debtors		0	0	3,235	9,502
<b>Total Financial Assets</b>		<b>8,204</b>	<b>8,647</b>	<b>47,449</b>	<b>49,107</b>

The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 18 and 20 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

### (C) Financial Instruments -Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

31-Mar-23	Income, expenses, gains and losses	31-Mar-24
£'000		£'000
(593)	Interest received from assets measured amortised cost	(2,055)
(107)	Investment income from assets measured a fair value through profit and loss	(369)
0	Fees paid	0
126	Interest expense	122
0	Net (gain)/losses on financial assets at fair value through profit and loss	472
(574)	<b>Net impact on surplus/deficit on provision of services</b>	<b>(1,830)</b>

### (D) Financial Instruments - Fair Values

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including money market funds, the fair value is taken from the market price.

The fair values valuations have been provided by the Council's Treasury Management advisor, Arlingclose. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same.

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 1 above. The Fair value through the profit and loss assets are assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices).

For loans from the PWLB, valued in line with level 2, new loan rates from the PWLB have been applied to provide the fair value.

The fair values of long-term borrowing are:

	31-Mar-24		31-Mar-23	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£'000	£'000	£'000	£'000
Borrowing	2,942	2,752	3,052	2,830

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

## Note 27 Nature and Extent of Risks Arising from Financial Instruments

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. It also considers maximum amounts and

The credit criteria in respect of the financial assets held by the Council at 31 March 2023 are summarised below.

- i. All investments will be with approved counterparties from countries with a minimum sovereign credit rating of A-
- ii. The total principal funds invested for more than 1 year is £20million

A copy of the Annual Treasury Management Strategy Statement Annual Investment Strategy is available on the Council's website.

The council does not generally allow credit for customers such that £916k is past due for payment. The past due not impaired is analysed as follows'

31-Mar-23		31-Mar-24	
£'000			£'000
3,608	0-30 days		1,241
40	31-90 days		41
91	91-180 days		179
1,020	Over 180 days		697
<b>4,759</b>	<b>Total</b>		<b>2,157</b>

### Liquidity Risk

The Council has a robust cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowings from the Public Works Loans Board for long term funding and substantial reserves. Interest rate risk is managed through the Council's Medium Term Financial Strategy Reserve. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

1-Mar-23	PWLB	31-Mar-24
£'000		£'000
110	Less than one year	114
114	Between one and two years	118
370	Between two and five years	385
724	Maturing in five to ten years	753
1,730	Maturing in more than ten years	1,568
<b>3,048</b>	<b>Total</b>	<b>2,938</b>

## **Market Risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest rates on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund balance.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

## **Note 28 Defined Benefit Pension Schemes**

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

### **Participation in pension schemes**

Havant Borough Council participates in the post-employment scheme, the Local Government Pension Scheme (LGPS), which is administered through the Hampshire Pension Fund operated under the framework of the Local Government Pension Scheme and policy is determined in accordance with the Pensions Fund Regulations. This is a funded defined benefit career average salary scheme, meaning the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The principal risks to Havant Borough Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (e.g., large-scale withdrawals), changes to inflation, bond yields and the performance of the equity investments held by the scheme. However, these are mitigated to a certain extent by the statutory provisions as set out in the following narrative.

Statutory provisions require that General Fund balances are charged with the amount payable by the Council 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 Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Recognition and Measurement**

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; which is 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 and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.80% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).



- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Market quoted investments – current bid price on the final day of the accounting period
  - Fixed interest securities – net market value based on their current yields
  - Unquoted investments – professional estimate

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

- **Service Cost** - comprising:
  - Current year service cost – the increase in the 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 increases in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements** - comprising:
  - The return on plan assets – excluding amounts including in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund**
  - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

### **Transactions relating to Post-Employment Benefits**

Havant Borough Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the sums specified on the actuary certificate published as part of the valuation as at 1 April 2019, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

2022/23	Local Government Pension Scheme	2023/24
<b>£'000</b>	<b>Comprehensive Income and Expenditure Statement</b>	<b>£'000</b>
3,587	Current Service Cost	1,673
0	Curtailments	24
<b>3,587</b>	<b>Cost of Services</b>	<b>1,697</b>
930	Net interest expense	382
<b>930</b>	<b>Financing and Investment Income and Expenditure</b>	<b>382</b>
<b>4,517</b>	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>2,079</b>
9,914	Return on plan assets, less included in interest expense	(4,590)
0	Actuarial gains & losses:	
7	Changes in demographic assumptions	(2,297)
(49,546)	Changes in financial assumptions	35
<b>11,942</b>	Other	2,053
<b>(27,683)</b>	<b>Remeasurement of the net defined benefit liability</b>	<b>(4,799)</b>
<b>(23,166)</b>	<b>Total Comprehensive Income and Expenditure Statement</b>	<b>(2,720)</b>

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

2022/23	Local Government Pension Scheme	2023/24
<b>£'000</b>		<b>£'000</b>
(117,251)	Present Value of the Defined Benefit Obligation	(118,861)
107,431	Fair Value of Plan Assets	113,484
<b>(9,820)</b>	<b>Deficit</b>	<b>(5,377)</b>
(619)	Present value of unfunded obligation	(714)
<b>(10,439)</b>	<b>Net defined benefit liability</b>	<b>(6,091)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total net liability of £6.1m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

2022/23		2023/24
<b>£'000</b>	<b>Movement in Reserves Statement</b>	<b>£'000</b>
4,517	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	2,079
(1,491)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,628)
<b>3,026</b>	<b>Total taken to Note 7</b>	<b>451</b>
<b>£'000</b>	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	<b>£'000</b>
117,166	Value of Assets at 1 April	107,431
3,122	Interest income on plan assets	4,968
587	Contributions by Members	632
1,491	Contributions by the Employer	1,628
(9,914)	Return on assets excluding amounts recognised in Other Comprehensive Income	4,590
(5,021)	Benefits Paid	(5,765)
<b>107,431</b>	<b>Total Assets</b>	<b>113,484</b>

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

2022/23		2023/24
<b>£'000</b>	<b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>	<b>£'000</b>
(152,262)	Value of Liabilities at 1 April	(117,870)
(3,587)	Current Service Cost	(1,673)
(4,052)	Interest Cost	(5,350)
(587)	Contribution by Members	(632)
	Actuarial Gains and (Losses):	
(7)	Change in demographic assumptions	2,297
49,546	Change in financial assumptions	(35)
(11,942)	Other experience gains and (losses)	(2,053)
0	Losses on Curtailments	(24)
5,021	Benefits Paid	5,765
<b>(117,870)</b>	<b>Total Liability</b>	<b>(119,575)</b>
<b>(10,439)</b>	<b>Net Liability at 31st March 2024</b>	<b>(6,091)</b>

The significant assumptions used by the actuary have been:

2022/23		2023/24
	<b>Mortality assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
23.3	Men	22.1
25.7	Women	24.7
	<b>Longevity at 45 for future pensioners:</b>	
23.8	Men	22.6
26.7	Women	25.7

2022/23		2023/24
2.70%	Rate of inflation (CPI)	2.8%
3.00%	Rate of increase in salaries	3.8%
2.70%	Rate of increase in pensions	2.8%
4.70%	Rate for discounting scheme liabilities	4.8%

### Fair value of employer assets

The assets at the year-end listed above are made up of the following categories:

31-Mar-23			31-Mar-24			
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	Asset Category	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
42.00%	15.60%	57.60%	Equities	37.94%	7.89%	45.83%
1.40%	5.40%	6.80%	Property	0.00%	7.45%	7.45%
16.50%	0.00%	16.50%	Government Bonds	14.50%	0.00%	14.50%
0.00%	0.00%	0.00%	Corporate Bonds	4.74%	5.12%	9.86%
1.10%	0.00%	1.10%	Cash	0.80%	0.00%	0.80%
0.00%	18.00%	18.00%	Other	5.36%	16.20%	21.56%
<b>61.00%</b>	<b>39.00%</b>	<b>100.00%</b>	<b>Totals</b>	<b>63.34%</b>	<b>36.66%</b>	<b>100.00%</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Aon, estimates being based on the latest full valuation of the scheme as at 31 March 2022.

In June 2023, the UK High Court (*Virgin Media Limited v NTL Pension Trustees II Limited*) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements

### Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis has been determined based on reasonably possible changes on the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumption may be interrelated. The methods and types of assumptions used in preparing the following sensitivity analysis did not change from those used in the previous period.

## **Note 29 Interest in Other Entities**

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

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

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have not been prepared.

### **Norse South East**

- NORSE SOUTH EAST LTD is a joint venture between Havant Borough Council and NORSE COMMERCIAL SERVICES LTD (Part of NORSE GROUP – wholly owned by NORFOLK COUNCIL)
- NORSE COMMERCIAL SERVICES LTD own 100% of the A shares – 8 shares of £1 each
- Havant Borough Council own 100% of the B shares – 2 shares of £1 each
- The Shareholders Agreement provides detail on how the directors and board shall operate, and how profit before tax is to be shared (50:50). Havant get their 50% share as a “discount/rebate”. The profit after paying this discount back to Havant is subject to Corporation tax and profits net of tax belong totally to Norfolk Council.
- It is considered by all parties that it is a teckal company for both Havant and Norfolk.
- The financial statements of Norse South East Limited for the year ended 31 March 2024 stated the gross income of £8.98m (2023 £12.62m) and cost of sales of £7.11m (2023 £10.61m). Its gross assets were £0.009m (2023 £0.013m) and net liabilities were £0.377m (2023 £0.412m).

### **Other Partnerships**

The Council has an interest in Portchester Crematorium Joint Committee which manages the operations of Portchester Crematorium. The Joint Committee is represented equally by the four constituent authorities, Fareham Borough Council, Havant Borough Council, Gosport Borough Council and Portsmouth City Council. Further information can be obtained from: The Treasurer to the Joint Committee, Civic Centre, Civic Way, Fareham. The accounts of this entity have not been consolidated into the financial statements of the Council. Havant Borough Council's share of the net assets of Portchester Crematorium Joint Committee is £2,475,241 (£2,500,201 in 2022/23).

During 2023/24 the Council received £100,000 from the Portchester Crematorium Joint Committee (£170,000 in 2022/23) being its share of the distributable surpluses.

### Note 30 Agency Services

Agency Services are services that the authority provides on behalf of another organisation. The Authority acts as an agent for the collection of Council Tax and Business Rates as an agent for major precepting bodies and Central Government. Income and Expenditure relating to these arrangements are disclosed within the Collection Fund outturn. The Authority also acts as an agent on behalf of Central Government for the payment of Housing Benefit. The cost of providing Housing Benefit is met from subsidy paid by Government.

Covid Grants paid on agency basis	B/f	Income	Expenditure	Repayment of Excess	Total to be re-paid
Financial Year: 2023/24	£'000	£'000	£'000	£'000	£'000
Local Restrictions Support Grant (Closed) Addendum	4	0	(4)	0	0
Local Restrictions Support Grant (Closed) 5 Jan 21 onwards	(10)	0	10	0	0
Closed Business Support Payment	(6)	0	6	0	0
Test & Trace	(60)	0	60	0	0
Restart Grants	(14)	0	14	0	0
Household Support	(121)	(564)	675	0	(10)
EBSS Grant	(423)	(16)	14	409	(16)
BEIS AP EPGAF	(35)	0	6	29	0
<b>TOTAL</b>	<b>(665)</b>	<b>(580)</b>	<b>781</b>	<b>438</b>	<b>(26)</b>

Covid Grants paid on agency basis	B/F	Income	Expenditure	Repayment of Excess	Total to be re-paid
Financial Year: 2022/23	£'000	£'000	£'000	£'000	£'000
Local Restrictions Support Grant (Closed) Addendum	4	0	0	0	4
Local Restrictions Support Grant (Closed) 5 Jan 21 onwards	(10)	0	0	0	(10)
Closed Business Support Payment	(6)	0	0	0	(6)
Additional Restrictions Grant	(20)	0	0	20	0
Test & Trace	(60)	0	0	0	(60)
Restart Grants	(1,039)	0	0	1,025	(14)
Omricon Business Grants	(460)	0	0	460	0
Household Support	(140)	(357)	376	0	(121)
EBSS Grant	0	(442)	19	0	(423)
BEIS AP EPGAF	0	(35)	0	0	(35)
<b>TOTAL</b>	<b>(1,731)</b>	<b>(834)</b>	<b>395</b>	<b>1,505</b>	<b>(665)</b>

# **SUPPLEMENTARY ACCOUNTING STATEMENTS**

# **Collection Fund 2023/24**



## Supplementary Accounting Statements

### Collection Fund Accounts

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the billing authority.

2022/23		2023/24
£'000		£'000
	<b><u>Council Tax</u></b>	
	<b>INCOME</b>	
(81,185)	Income from Council Taxpayers	(85,808)
	S13A Relief	(196)
<b>(81,185)</b>	<b>Total</b>	<b>(86,004)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund:	
58,098	Hampshire County Council	61,182
9,877	Hampshire Police & Crime Commissioner	10,536
3,151	Hampshire Fire & Rescue Authority	3,370
9,168	Havant Borough Council	9,472
	Apportionments of previous year surplus:	
(408)	Hampshire County Council	(1,993)
(68)	Hampshire Police & Crime Commissioner	(337)
(22)	Hampshire Fire & Rescue Authority	(108)
(66)	Havant Borough Council	(316)
	Bad & Doubtful Debts:	
375	Write offs of uncollectable income	162
1,582	Provision for uncollectable income-addition / (reduction)	768
<b>81,687</b>	<b>Total</b>	<b>82,736</b>
<b>503</b>	<b>Movement on Fund Balance - (surplus)/deficit</b>	<b>(3,268)</b>
	<b>FUND BALANCE FOR COUNCIL TAX</b>	
<b>(876)</b>	Balance brought forward	<b>(373)</b>
<b>503</b>	Surplus for year	<b>(3,268)</b>
<b>(373)</b>	Balance - (surplus)/deficit carried forward	<b>(3,641)</b>

## Supplementary Accounting Statements

2022/23		2023/24
£'000		£'000
	<b><u>Non-Domestic Rates</u></b>	
	<b>INCOME</b>	
(28,456)	Income from Ratepayers	(30,658)
(205)	Transitional Relief	(2,320)
	Apportionments of previous year deficit	
(4,638)	Central Government	(902)
(835)	Hampshire County Council	(162)
(93)	Hampshire Fire & Rescue Authority	(18)
(3,711)	Havant Borough Council	(722)
<b>(37,938)</b>	<b>Total</b>	<b>(34,782)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
15,185	Central Government	17,103
2,733	Hampshire County Council	3,078
304	Hampshire Fire & Rescue Authority	342
12,148	Havant Borough Council	13,682
	Bad & Doubtful Debts	
	Interest on Refunds	14
	Transitional Relief	84
0	Write offs of uncollectable income	152
(50)	Bad Debt Contribution	14
	Impairments resulting from appeals	
(3,472)	Settled reductions for Rateable loss	(1,928)
3,632	Contribution to provision for Rateable Loss	941
133	Transfer to General Fund - Cost of Collection Allowance	134
<b>30,613</b>	<b>Total</b>	<b>33,616</b>
<b>(7,325)</b>	<b>Movement on Fund Balance - (surplus) / deficit</b>	<b>(1,166)</b>
	<b>FUND BALANCE FOR NON-DOMESTIC RATES</b>	
<b>9,455</b>	Balance brought forward	<b>2,130</b>
<b>(7,325)</b>	(Surplus) / deficit for year	<b>(1,166)</b>
<b>2,130</b>	Balance - (surplus) / deficit carried forward	<b>964</b>
	<b>COLLECTION FUND BALANCE</b>	
<b>8,579</b>	Balances brought forward	<b>1,757</b>
<b>(6,822)</b>	(Surplus) / deficit for year	<b>(4,434)</b>
<b>1,757</b>	Balance - (surplus) / deficit carried forward	<b>(2,677)</b>

## Supplementary Accounting Statements

### NOTE 1. GENERAL

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax and non-domestic rates) which is a statutory fund separate from the main accounts of the Council, although the elements related to this Council are included within its accounting statements and notes. The account has been prepared on the accruals basis. The costs of administering collection are accounted for within Central Services in the Cost of Services in the Comprehensive Income and Expenditure Statement.

### NOTE 2. COUNCIL TAX

Council Tax is a charge levied on the notional value of properties as at 1st April 1991. The VOA (Valuation Office Agency) allocates one of eight Council Tax Bands (A-H) to each property within the Borough according to its value. Band A is the lowest band and Band H is the highest.

The Council sets a benchmark charge for a Band D property and, for tax base purposes, all properties in the other bands are expressed in terms of a Band D equivalent. For example, a Band A property is 6/9ths of a Band D, while a Band H property is 18/9ths.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

Council Tax Base 2023/24	Number of Chargeable Dwellings	Relationship to Band D	Band D Equivalent	Non collection allowance	Band D Equivalent for Taxbase
Band & Value	Total				£
Band A - up to £40,000 (disabled)	10.2	5/9	5.6	0.1	5.6
Band A - up to £40,000	4,714.2	6/9	3,142.8	39.3	3,103.5
Band B - over £40,000 up to £52,000	11,054.6	7/9	8,598.0	107.5	8,490.5
Band C - over £52,000 up to £68,000	11,266.2	8/9	10,014.4	125.2	9,889.2
Band D - over £68,000 up to £88,000	9,130.9	9/9	9,130.9	114.1	9,016.7
Band E - over £88,000 up to £120,000	5,322.0	11/9	6,504.6	81.3	6,423.3
Band F - over £120,000 up to £160,000	2,376.9	13/9	3,433.3	42.9	3,390.3
Band G - over £160,000 up to £320,000	892.8	15/9	1,488.0	18.6	1,469.4
Band H - over £320,000	34.5	18/9	69.0	0.9	68.1
<b>Tax Base</b>	<b>44,802.1</b>		<b>42,386.6</b>	<b>529.8</b>	<b>41,856.8</b>
Add MOD Adjustment					42.1
Other Adjustments					0.6
<b>Tax base for Council Tax Requirement</b>					<b>41,898.3</b>

The Council Tax Base, as shown in the final column above, assumes a collection rate of 98.75% of the numbers of properties adjusted for discounts.

## Supplementary Accounting Statements

### **NOTE 3. INCOME FROM BUSINESS RATEPAYERS**

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The national multipliers for 2023/24 were:

- 49.9p for qualifying Small Businesses (49.9p in 2022/23)
- 51.2p for other businesses (51.2p in 2022/23) – the standard multiplier

The rateable value as at the 31st March 2024 was £91,031,059 (£84,207,409 as at 31 March 2023).

# **ANNUAL GOVERNANCE STATEMENT**

## Annual Governance Statement 2023/24

### Introduction

The Leader of the Council (Councillor Philip Munday) and Chief Executive (Steve Jordan) both recognise the importance of having good systems in place to manage and deliver services to the residents of Havant Borough. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. This AGS is in respect of the 2023-24 financial year.

### The purpose of the governance framework

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

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

The governance framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The framework recognises that the Council's business is focused upon its strategic aims and aspirations and seeks to facilitate delivery to our local communities.

The risk management processes and other internal control systems such as standards of conduct and audit form part of this framework. Members and senior Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Executive Leadership Team which comprises the Chief Executive, Executive Heads, Chief Finance Officer (Section 151 Officer) and the Chief Legal Officer (Monitoring Officer). The Executive Leadership Team is further supported and provided with assurance by:

- a) the Corporate Governance Board, chaired by the Monitoring Officer, which provides oversight of decision reports going forward to Cabinet, Council and committees through peer review, problem solving and check against strategic fit.
- b) the Information Governance Steering Group, chaired by the Senior Information Risk Officer, which provides oversight on data protection, information security and information risk.
- c) A regular meeting of Statutory Officers.

## Supplementary Accounting Statements

### How do we know it is working?

The annual process that we use to maintain and review effectiveness of our governance arrangements is outlined below:



## How we apply the governance framework to the Local Code of Corporate Governance

The Council aims to achieve effective corporate governance through the Local Code of Corporate Governance. The table below highlights examples of how the Council has adhered to its governance commitments as set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

<b>A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW</b>	
<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>There are codes of conduct in place for all Councillors and Officers which can be found in Part 4 of the Constitution, these reflect the seven principles of public life. The Council has appointed independent persons to investigate any allegations of misconduct, and the Standards Committee receives regular reports from the Monitoring Officer on any complaints regarding Councillors.</p> <p>The Council's Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing. The Constitution has been reviewed and updated to reflect the Council operations and structure during 2023-24. The Constitution is a living document and shall continue to be reviewed and updated to reflect the Council's practices.</p> <p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in role profiles and contract particulars. Pay operates under a clear pay policy statement, supported by NJC based payscales and an agreed senior pay policy. A robust job evaluation scheme is in place.</p> <p>There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period. This declaration is kept on a register which is open to inspection by the public. Councillors must disclose Disclosable Pecuniary Interests or any other interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality, and an annual register of declarations. Any declarations of interest made during meetings are recorded in the minutes.</p> <p>The Council has in place a complaints procedure including weekly reminders to relevant managers responsible, on the progress of cases. The ultimate arbiter of complaints for Local Government is the Local Government Ombudsman. This body reports performance annually.</p> <p>Statutory officer roles are the Head of Paid Service who is the Chief Executive, the Chief Financial (S151) Officer, who carries overall responsibility for the Council's financial administration, and the Chief Legal / Monitoring Officer, who ensures the Council acts lawfully. The Statutory Officers meet regularly to consider matters which may raise ethical, political, financial, legal, staffing or other issues that may impact on statutory duties.</p> <p>The Data Protection Officer is also a statutory role under the UK GDPR legislation.</p> <p>The Council has a Monitoring Officer who is a member of the Executive Leadership Team. The Monitoring Officer has oversight of propriety and lawfulness and ensures the Council acts in accordance with the Constitution. They are kept appraised on the Council's projects and actions and are ultimately responsible for legal compliance. The Monitoring Officer also chairs the Corporate Governance Board.</p>	<p><a href="#">Councillor Code of Conduct</a> <a href="#">Staff Code of Conduct</a></p> <p><a href="#">Standards Committee</a></p> <p><a href="#">Audit &amp; Finance Committee</a></p> <p><a href="#">Constitution</a></p> <p><a href="#">Anti Fraud &amp; Corruption Policy including Fraud Response Plan</a> <a href="#">Whistleblowing Policy</a></p> <p><a href="#">Staff pay and senior salaries   Havant Borough Council</a></p> <p><a href="#">Declarations of interest</a></p> <p><a href="#">Complaints procedure</a></p> <p><a href="#">Havant Borough Council - Local Government and Social Care Ombudsman</a></p> <p><a href="#">Management structure</a></p>



<b>B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT</b>	
<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>The Council has laid out its purpose, strategic aims and aspirations in its Corporate Strategy which can be obtained either on the Council's website or from the Council's offices. The Council Corporate Strategy is reviewed on a regular basis. During 2023-24 the Cabinet outlined and agreed their priorities to deliver the Corporate Strategy. These 16 priorities set out the key projects that would deliver the strategy with progress routinely reported to Cabinet and Overview &amp; Scrutiny Committee.</p> <p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500.</p> <p>Formal decision making operates with a presumption of openness and transparency. The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. Meetings are held face to face and are livestreamed for the public to view.</p> <p>The Council usually carries out a residents' survey every two years, but during the Covid-19 pandemic has increased the frequency to be able to monitor the concerns and feelings of residents as the situation changes. During 2023-24 Cabinet agreed as part of the budget setting to fund a new Residents Survey for completion in 2024-25. In addition, the Council has an online panel of residents who volunteer to take part in questionnaires and polls to express their views on council services and the local area.</p> <p>In addition, the Council has a Facebook page and Twitter feed which is actively promoted and used. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, Twitter, LinkedIn and Instagram to get updates from and interact with the Council.</p> <p>The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax and Waste and Recycling, can be accessed quickly and easily from the homepage. The website was reviewed and relaunched in 2023-24 with a significant upgrade which resulted in an increase in website usage. The new website is much more user friendly and easier to navigate and locate items.</p> <p>In addition, significant stakeholder engagement took place during 2023-24, this included engagement with key stakeholders in Waterlooville during the development of the Waterlooville Masterplan as well as engagement on our draft Housing Strategy. Engagement took the form of roadshows, workshops and questionnaires. Further routine engagement also took place on our required statutory consultations as well as our rolling playpark improvement programme.</p> <p>The Statement of Accounts provides a clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p> <p>The Council has a joint venture partnership (Norse South East) for waste collection which is governed by the Norse South East Board. There are members from Norse Commercial Services and the Council on the Board. Norse South East is responsible for the procurement and efficient management of waste and recycling collections, street cleaning, public convenience cleansing, grounds maintenance and associated service facilities for the treatment and disposal of residual waste.</p>	<p><a href="#">Corporate Strategy</a></p> <p><a href="#">Freedom of Information</a></p> <p><a href="http://havant.gov.uk/publication-scheme/transparency">havant.gov.uk/publication-scheme/transparency</a></p> <p><a href="#">Committees and Papers</a></p> <p><a href="#">Browse plans - Cabinet Forward Plan, 2024   Havant Borough Council (moderngov.co.uk)</a></p> <p><a href="#">Resident Views</a></p> <p><a href="#">HBC</a> <a href="#">Facebook</a> <a href="#">Twitter</a> <a href="#">Instagram</a></p> <p><a href="http://www.havant.gov.uk/">http://www.havant.gov.uk/</a></p> <p><a href="#">Waterlooville Town Centre Masterplan</a></p> <p><a href="#">Housing Strategy Consultation</a></p> <p><a href="http://www.havant.gov.uk/accounts">http://www.havant.gov.uk/accounts</a></p> <p><a href="http://norsesoutheast.co.uk/">http://norsesoutheast.co.uk/</a></p>

<b>C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS</b>	
<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>A new Corporate Strategy has been developed and was approved in February 2023; the new Corporate Strategy contains the following themes:</p> <ul style="list-style-type: none"> <li>• Wellbeing – the health of our communities</li> <li>• Pride in Place – creating a great place to live, work and enjoy</li> <li>• Growth – building our future</li> </ul> <p>These evidence based themes are used to guide the Council’s corporate planning and decision making. 16 priorities were agreed during 2023-24 and these were reported on. All the Corporate Strategy priorities have been mapped against the benefits they will seek to deliver, such as economic, social and/or environmental and these are tracked on our Corporate Performance Scorecard which is routinely updated and can be found on our website. The balancing of economic, social and environmental factors is extensively considered as part of the decision-making process and can be seen in the Council reports.</p> <p>The Council has also developed a Digital Strategy which supports the Corporate Strategy delivery and to create digitally ‘savvy’ staff and councillors and services designed to be accessible and convenient for our customers. The Council is committed to moving towards a Software-as-a-Service (SaaS) solution for business IT systems as they markedly reduce the maintenance required by Council staff and ensure that staff have access to the latest features and functionality. SaaS products also help reduce the service deliverability risk in business continuity planning for wider infrastructure disruption scenarios.</p> <p>The Council takes an annual approach to strategic planning, business planning and budget setting, underpinned by a close link between business and financial planning. The Medium Term Financial Strategy is reviewed annually and forms the basis of the annual budgeting process.</p> <p>The Corporate Strategy has been prepared to detail the key actions that are required to deliver the overall strategy. Within the Corporate Strategy the aspiration, aims, initiatives and benefits are listed under each theme. Each service’s Key Performance Indicators are monitored corporately and reported to the Executive Leadership Team on a quarterly basis to ensure that the objectives in the Corporate Strategy are on target. Financial forecasts are submitted to the Executive Leadership Team and quarterly to Councillors alongside the quarterly performance report. We monitor and track performance through our Corporate Performance Scorecard which is published on our website</p> <p>The Council uses evidence based insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the community. For example through our online residents panel.</p>	<p><a href="#">Corporate Strategy</a></p> <p><a href="#">Corporate Performance Scorecard</a></p> <p><a href="#">Digital Strategy</a></p> <p><a href="#">Council Budget</a></p> <p><a href="#">Corporate Performance</a></p> <p><a href="#">Resident Views</a></p>

<b>D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES</b>	
<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>The Council has a Medium-Term Financial Strategy (available on the Council's website as part of the budget for the forthcoming year) which is used to align resources to key priorities.</p> <p>The Council has report templates to ensure authors cover all the requirements to enable a decision to be made; they include options appraisal (if required), cost and risk analysis in addition to key signatories such as legal and finance and must include the Cabinet lead. This process has been significantly improved in recent years to increase the robustness of decision making.</p> <p>All decision-making meetings are held in public, and decisions made by Cabinet members and Officers are published in line with the statutory legal requirements, although some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings.</p> <p>The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p> <p>The Council has an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. Audit recommendations are monitored to ensure that they are completed by the service within a reasonable timeframe, and any actions which are not completed are reported to the management team.</p> <p>The Overview &amp; Scrutiny Committee has responsibility for the performance of overview and scrutiny functions under the Local Government Act 2000 Section 9F. The role of Overview &amp; Scrutiny Committee is to hold Cabinet decision makers to account by monitoring and scrutinising the decisions being made, both before and after they take effect. Members of the Overview &amp; Scrutiny Committee must not be members of the Cabinet and, where possible, should be from different political parties.</p> <p>Our Corporate Strategy considers the outcomes of our priorities, and this is shown in both the strategy and our corporate performance reporting.</p>	<p><a href="#">Medium Term Financial Strategy</a></p> <p><a href="#">Council Decisions</a></p> <p><a href="#">Complaints procedure</a></p> <p><a href="#">Internal audit</a></p> <p><a href="#">Overview &amp; Scrutiny Committee</a></p>

<b>E. DEVELOPING THE COUNCIL'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT</b>	
<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>Following the separation with East Hampshire District Council during 2022-23 a new Executive Leadership team was recruited with the majority of posts recruited and started on 1 April 2023. The new Executive Leadership Team reduced the reliance on interim leadership posts and include a new permanent CEO, s151 and MO.</p> <p>A fundamental design principle for the organisation was the Decision-Making Accountability Model. This was used to inform a streamlined and empowered management structure, which has been maintained. Building on application of this model, an Operational Leadership Team cohort has been identified, with a view to training, developing and empowering that team, to a) take more of a lead future management of the organisation, b) have a greater say in decisions, and c) form a ground from which future Executive Head recruitment can take place. This succession planning will underpin the Councils desire to "grow our own".</p> <p>In addition, a new set of values and behaviours for the Council was established and these are referenced in the new Corporate Strategy. The values and behaviours</p>	<p><a href="#">Management structure</a></p>

<p>were used as a basis for recruitment to the new Executive Leadership team and used for both recruitment and as part of objective setting for staff.</p> <p>The Council has a performance management framework which includes a comprehensive induction programme for new starters. Performance appraisal processes for all employees include objective setting, regular 1:1 meeting and all staff must complete an end of year appraisal discussion. In 2023-24 mandatory e-learning courses were introduced for all staff (including health and safety, equality and diversity and GDPR), alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services. In 2023-24, a new appraisal system was launched with simpler form alongside monitoring to check that all staff had objectives set and the necessary mid-year and end of year reviews.</p> <p>During the year a full review of all Democratic forms and procedures was completed and this results in a new Committee template paper, a suit of training through 'lunch and learn' for officers to attend and updated guidance on decision making, committee report writing and Scheme of Delegation.</p> <p>Following the Borough Council elections, all Councillors are required to undertake a comprehensive training programme which ensures that they have an understanding of the procedures and protocols of the Council. This includes training on planning and licensing matters and Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken.</p> <p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme and accompanying Competency Framework, during the course of a Councillor's term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.</p>	<p><a href="#">Councillor Competency Framework</a></p>
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<b>F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	
<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>The Council ensures that the roles and responsibilities for decision making, and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.</p> <p>There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out its roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council Constitution.</p> <p>The Cabinet operates within the policy framework set by Full Council and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan and Key Decision notice is published on the Council website. Decisions made by Cabinet can be called in for review by the Overview &amp; Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p> <p>Risk is considered and recorded throughout the year as part of the quarterly review of performance and financial management (quarterly performance report). The Council has a wide range of performance indicators, which are used to measure progress against the Council's priorities. Performance indicators are reported quarterly to the Executive Leadership Team and to Cabinet. Performance indicators clearly link individual services to the corporate objectives and include details of</p>	<p><a href="#">Council structure</a></p> <p><a href="#">Committee structure</a></p> <p><a href="#">Forward Plan</a></p> <p><a href="#">Corporate Risk Policy</a></p>

<p>national and local performance indicators and risk. Performance indicators are reviewed annually to ensure they continue to be relevant and stretching.</p> <p>Risk is considered as part of the decision-making process. All Council reports include a section on risk to ensure that it is considered at the outset.</p> <p>The Council's budget report contains a summary of the budget that was set for Havant Borough Council for 2023-24, as approved by the Council on the 22nd February 2023. It shows on what service areas money is spent, and how this expenditure is funded. Also within this document is information showing the forecast financial position over the next five years, taking into account changes in government funding, other income and spending. The most recent budget for year 2023-24 was approved by the Council on the 28th February 2024. At the most recent budget the s151 recommended that in relation to the Medium-Term Financial Strategy that the Council embarks on a five-year savings and efficiency programme starting in early 2024-25. The aim of the programme will be to close the current established base budget gap over the MTFS period so that the reserves are protected and available for their specific use only. The s151 also confirmed that they were content with the budget as presented and that the level of reserves held throughout the MTFS are adequate to meet the Council's financial obligations.</p> <p>Procurement frameworks are in place for the purchase of goods and services and to ensure all contracts are appropriately procured and managed. Details on procurement are published on our website as well as data about the contracts that the council has with external suppliers.</p> <p>A Corporate Governance Board has been established with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This is underpinned by the Local Code of Corporate Governance. In addition, the Corporate Governance Board is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks. The Board's Terms of Reference were reviewed in 2023-24 with a particular focus on reviewing Council papers going forward for decision to ensure they were robust and provided the necessary information for Councillors to make an informed decision.</p> <p>The Council has in place a number of policies and procedures to ensure decisions made are robust. These include the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers. In addition, a Policy Register was prepared during the year in order to provide oversight of all policies at the Council.</p>	<p><a href="#">Procurement   Havant Borough Council</a></p> <p><a href="#">Governance   Havant Borough Council</a></p> <p><a href="#">Local Code of Corporate Governance</a></p> <p><a href="#">Policy Hub</a></p>
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<b>G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY</b>	
<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>The Council complies with data protection legislation, which includes UK GDPR (UK General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This ensures that such processing is carried out fairly, lawfully, and transparently. The Council reviews and supplements its policies, and also keeps its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued from time to time by the Information Commissioner.</p> <p>The Council ensures that officers handling personal data are trained to an appropriate level in the use and control of personal data. It is made clear that all staff and Members are personally accountable for using the Council's information</p>	<p><a href="#">Data Protection</a></p>

responsibly and appropriately. All staff must undertake protecting information e-learning training, and this forms part of the induction process for new staff. Data protection also forms part of the induction programme for new Members and new staff.

The council believes in the importance of publishing as much data as possible and as part of our transparency we routinely publish and keep updated information on apprenticeships, business rates, contract spend, property assets, parking income and expenditure, monthly payments over £500.

Information Governance is overseen by the Information Governance Steering Group chaired by the Executive Head of Internal Services who is the Senior Information Risk Officer for the Council (SIRO).

The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.

The Council has an Audit and Finance Committee to provide assurance to the Council on the effectiveness of internal audit and the robustness of the Council's Annual Accounts. Risk management is controlled through the Corporate Governance Board and reported to the Executive Leadership Team through the quarterly governance report. Risks rated as above the risk threshold are reported as part of the quarterly performance report to Councillors at the Audit & Finance Committee.

Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework and approves the annual budget. The Audit and Finance Committee approves the Statement of Accounts.

The Council is subject to independent external audit currently by Ernst & Young. The external audit plan outlines the work undertaken and the timing of external audit reports.

The Council supplements this work with an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error and provides management with assurance that policies and procedures are robust. The Chief Internal Auditor is required to provide a written status report to the management team, summarising the assurance opinions arising from the internal audit reviews carried out during the year. In addition, any management actions, including progress against those actions, that are identified as part of an Internal Audit are routinely reported to Executive Leadership Team and Audit & Finance Committee by the Internal Auditors as part of quarterly reporting.

The Council has appointed the Chief Finance Officer as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs.

The Council ensures reports are written in a fair, balanced and understandable way. They are written using plain language and a standard format. The Council publishes agendas, minutes and seeks to webcast its meetings.

[Transparency | Havant Borough Council](#)

[Statement of Accounts](#)

[Audit and Finance Committee](#)

[Full Council](#)

[Internal audit](#)

## Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the following areas:

Area	Review of effectiveness
Political leadership	<ul style="list-style-type: none"> <li>• During the year Cabinet approved 16 corporate priorities to deliver the Corporate Strategy and these were routinely reviewed and reported on throughout the year.</li> <li>• During the year the Overview &amp; Scrutiny Committee set a work programme which included a number of items including, the future of Meridian Centre, Council's roundabout sponsorship scheme, planning enforcement service, the Housing Strategy, the budget 2024-25 and progression of the corporate priorities.</li> <li>• During budget setting, there was consistent and rigorous consultation between Finance, management, Cabinet Leads and Cabinets. Cabinet provided a strong lead on prioritisation and action needed, to deliver a balanced budget.</li> <li>• Throughout the year, strong relationships between Cabinet and the Executive Leadership Team were maintained, to ensure political leadership and oversight could be firmly supported.</li> </ul>
Officer leadership	<ul style="list-style-type: none"> <li>• A new organisational structure was put in place to reflect the move away from shared management and a new permanent Executive Leadership team was in place for the start of 2023-24</li> <li>• Updates are provided to Audit and Finance Committee through the quarterly performance and governance reports which have undergone further improvements during 2023-24 both in format (through the use of PowerBi) and content, with an extended range of quantitative performance indicators now being included.</li> <li>• There are regular reporting arrangements in place regarding the financial affairs of the Council with financial performance being reported on a quarterly basis to Members.</li> <li>• The Corporate Governance Board Terms of Reference were reviewed to reflect the new Executive Leadership Team in place during 2023-24 and to act as a final point of review for any decision-making papers going forward.</li> <li>• Development and empowerment of management tiers reporting into the Executive Heads was enhanced via convention of an "Operational Leadership Team".</li> </ul>
Internal assessment and monitoring	<ul style="list-style-type: none"> <li>• Effective operation of the Performance Management Framework throughout the year: monitoring information on key areas of performance has been provided for review and action. The majority of service performance indicators were met during the year.</li> <li>• The Council has incorporated the Oflog draft measures into its performance reporting in order to track against the measures Oflog feels are important. In addition, an exercise was completed to assess the Council against the Best Value Framework that was developed by Oflog. Areas of weakness identified in that review will be taken forward during 2024-25</li> <li>• The Annual Governance Questionnaire is a survey run every January which asks officers for their self-assessment of the effectiveness of governance arrangements in their service area. Participation has improved in recent years following the extension of the questionnaire to all staff to reflect that good governance is everyone's responsibility.</li> <li>• The results of the questionnaire highlighted the following:             <ul style="list-style-type: none"> <li>○ Trends were broadly positive with notable improvements in confidence in particular areas.</li> <li>○ Areas of strength:                 <ul style="list-style-type: none"> <li>▪ Compliance with our Complaints procedure</li> <li>▪ Compliance with FOI procedure</li> </ul> </li> <li>○ Areas for improvement:                 <ul style="list-style-type: none"> <li>▪ Awareness of structure of the council in particular the O&amp;S Committee</li> <li>▪ Code of Conduct and Member/Officer protocols awareness</li> </ul> </li> </ul> </li> </ul> <p>Statements about the culture of transparency and openness and fairness and equality at the Council remained high with over 80% either strongly agreeing or agreeing. Areas that scored poorly in the questionnaire will be targeted with a programme of improvements throughout 2023-24 and the questionnaire will be repeated to see if any trends can be identified.</p>

<p>Chief Finance Officer (s151)</p>	<p>The Chief Finance Officer (S151) is the Responsible Financial Officer and is a member of the Executive Leadership Team. They are responsible for delivering and overseeing the financial management arrangements of the Council.</p> <p>The main channels used by the s151, to ensure and assure effectiveness over 2023-24 were:</p> <ul style="list-style-type: none"> <li>• Putting in place new reporting requirements for financial monitoring with more regular reports coming through to Executive Leadership Team on the financial performance of the council</li> <li>• Recruitment to the finance team to ensure a full complement of staff was in place.</li> <li>• Procurement of a new finance system for implementation during 2024-25</li> <li>• Review of the Capital programme to ensure a more robust programme is in place and a new Investment Strategy in place.</li> <li>• Setting of the 2024-25 budget and updated Medium-Term Financial Strategy.</li> </ul>
<p>Chief Legal Officer (MO)</p>	<p>The Chief Legal Officer (Monitoring Officer) is a member of the Executive Leadership Team whose role in the organisation is to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and to be responsible for the operation of the council's constitution.</p> <p>The main channels used by the MO, to ensure and assure effectiveness over 2023-24 were:</p> <ul style="list-style-type: none"> <li>• Updating of the Constitution and Scheme of Delegation</li> <li>• New training and guidance provided on decision making and report writing.</li> <li>• Development of a new Legal Partnership with Southampton City Council to provide legal services to the Council.</li> <li>• Resetting of the Corporate Governance Board to ensure decision papers going forward were robust and considerate of all relevant issues</li> </ul>
<p>Senior Information Risk Owner (SIRO)</p>	<p>The Senior Information Risk Officer for the Authority is the Executive Head of Internal Services. This role is supported by deputies, nominated from time to time. The role of the SIRO includes the following:</p> <ul style="list-style-type: none"> <li>• Lead and foster a culture that values and protects information and ensures its use for public good.</li> <li>• Ensure there is a plan to achieve and monitor the right culture across the organisation. Takes step to ensure that plan is delivered.</li> <li>• Ensures that the organisation has key staff in place, who are skilled and supported.</li> <li>• Oversees effective responses to security incidents.</li> <li>• Own the information risk policy and risk assessment process, ensuring regular update and review of the risk register.</li> </ul> <p>The main channels used by the SIRO, to ensure and assure effectiveness over 2023-24, were:</p> <ul style="list-style-type: none"> <li>• Completion of formal training in the role</li> <li>• Close working with key roles such as the Chief Policy Officer, Data Protection Officer and Information Governance Team, and the Digital Services Manager (on cyber security).</li> <li>• Monitoring of risks and information governance performance, via formal Authority mechanisms for these areas.</li> <li>• Establishment and promotion of a new Information Governance Steering Group, who members include the Monitoring Officer, the Data Protection Officer, the Chief Policy Officer and IT. This met regularly during 2023-24 with a total of six meetings.</li> <li>• Participation as a standing member and attendee of the Executive Leadership Team and Cabinet Briefing, ensure that information risk items can be, and are, tabled at the highest governance levels in the Authority. This ensures that the SIRO is a 'Board' level officer, as needed.</li> </ul>



Internal audit	<ul style="list-style-type: none"> <li>• The Council's internal audit programme is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually.</li> <li>• Progress against the audit plan is reported quarterly to the Audit and Finance Committee. Any outstanding high-risk actions are addressed as a matter of priority.</li> <li>• Any outstanding management actions are reported to the Executive Leadership Team to ensure that these are escalated where necessary and completed within a reasonable timescale.</li> <li>• The Southern Internal Audit Partnership delivered thirteen internal audit opinions over the course of the year ending 31 March 2024 with one 'substantial' assurance reports, six 'reasonable' assurance reports, six 'limited' assurance report and no 'no assurance' reports. Additional reviews were conducted which did not lead to an audit opinion as they were advisory reviews and/or follow-up reviews.</li> <li>• The Chief Internal Auditor's annual opinion of Havant Borough Council's framework of governance, risk management and management control is limited. Officers have provided a detailed management response and action plan in light of the limited assurance rating. The letter can be found at the below link:  <a href="#">Appendix 21 - MANAGEMENT RESPONSE -Internal Audit Report and Opinion.pdf</a></li> </ul>
External audit	<ul style="list-style-type: none"> <li>• The Council's external audit requirement is provided by Ernst &amp; Young LLP.</li> <li>• The role of external audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims.</li> <li>• The Council's external auditor provided the Council with a disclaimed opinion on the last set of accounts approved within their Audit Results Report.</li> <li>• Ernst &amp; Young LLP also found no significant weakness in the Councils arrangements to secure Value for Money.</li> </ul>

## Last year's key improvement areas

In the 2022-23 Annual Governance Statement, three key issues were identified for improvement. Below are the issues and actions taken during 2023-24.

Improvement area	Issue of concern	Objective and actions taken
Review and update of Constitution	The Constitution is required to be updated and reviewed as a result of the ending of the JMTA with East Hampshire District Council and the need to provide greater clarity to officers around the Scheme of Delegation in place for decision making.	Review of Constitution Updated Scheme of Delegation Training for officers and members on the new Constitution Clear guidance provided on decision making process and recording decisions.
Review of policies and strategies to ensure they are consistent with corporate priorities	There are a number of policies and strategies which have not been updated for a number of years and need to be reviewed. A robust Policy Register needs to be fully embedded across the organisation to capture those policies/strategies which require review.	Policy Register in place and being maintained Review of critical policies and strategies that need updating Update of internal HR policies was completed during the year with policies approved by HR Committee
Establishment and embedding of a Contracts Register	The Council has identified the need to put in place a more robust system for monitoring and review contracts when they are due for renewal.	Contracts Register in place and being maintained Appropriate reporting of Contracts coming up for renewal
Training plans in place for staff and refreshed appraisal system	Highlighted within the AGS questionnaire as an area for improvement was to ensuring appropriate training plans are in place for officers. In addition, there is a requirement to ensure that officers have a clear link with our corporate priorities and their objectives through a refreshed appraisal system is required.	Training plans discussed with all staff and training needs highlighted Refreshed appraisal system rolled out to all staff Monitoring of completion of objective setting, mid-year reviews and end of year reviews.
Review and rationalisation of information management arrangements	This is has two drivers: <ul style="list-style-type: none"> <li>To address issues identified following the transition exercise, in regard to the volume, location and form of information held.</li> <li>To prepare the ground for re-procurement of the IT solution, and a firm move to further cloud based solutions.</li> </ul>	Review and reinforcement of retention schedules. A physical document review and clear out conducted as part of the Plaza A2B project Generation of an appropriate, cloud based, information management and document management structure.

Progress of the above actions was monitored during the year with quarterly reporting to Executive Leadership Team

## Identified key improvement areas

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2024-25.

Issue of concern	Key improvement	Lead officer	Action required
Training and development	A robust understanding of the corporate strategy, and associated reporting.	Chief Policy Officer	<ul style="list-style-type: none"> <li>Induction session</li> <li>All Member Briefings</li> <li>Reporting on Councillor Hub</li> <li>Induction sessions</li> </ul>

	A clear understanding and operation of the Member and Officer role and relationship.	Chief Legal Officer	<ul style="list-style-type: none"> <li>• 121 support as needed</li> <li>• Member and Officer training</li> </ul>
Overview and Scrutiny Committee	Facilitate and support the Overview and Scrutiny Committee to ensure it holds the Council to account and in doing so, ensures that the Council remains transparent, accountable and open – resulting in improved public policies, services and outcomes	Chief Legal Officer/Executive Head, Internal Services	<ul style="list-style-type: none"> <li>• Work with the Chair to develop a work programme, based on strategic and performance insights</li> <li>• SEE training</li> <li>• Review of Overview and Scrutiny Standing Orders</li> </ul>
Shareholder Sub-Committee	Embedding more effective shareholder oversight of Companies and Joint Ventures.	Chief Legal Officer/ Executive Head of Commercial	<ul style="list-style-type: none"> <li>• Review Shareholder Committee membership and Terms of Reference</li> <li>• Develop a work programme/ business planning cycle</li> <li>• Training, as needed.</li> </ul>
Information Asset Management	Executive and Operational Leadership Team understanding of responsibilities, and operation of due policies and processes	Data Protection Officer	<ul style="list-style-type: none"> <li>• Executive Head to review and assure Information Asset Arrangements, and to offer assurance to the SIRO formally.</li> <li>• Operational Leadership training and support.</li> </ul>
Embedding effective decision making, report standards and recording	<p>Embedding Cabinet Lead and Executive Head ownership of Key Decisions and associated report submissions.</p> <p>More robust consideration and discussion of implications, risks and consultation elements for Key Decisions.</p> <p>Recording of delegated decisions.</p>	<p>Executive Heads / Chief Legal Officer</p> <p>Chief Legal Officer / Chief Policy Officer</p> <p>Chief Legal Officer</p>	<ul style="list-style-type: none"> <li>• Induction, briefings and 121 support for Cabinet Leads.</li> <li>• Review by Corporate Governance Board</li> <li>• Feedback to Executive Heads on development areas.</li> <li>• Regular review at Executive Leadership Meetings.</li> <li>• Development of “Implications” processes, supported by briefings to Executive and Operational Leadership Teams.</li> <li>• Training and briefing sessions.</li> <li>• Compliance checks</li> </ul>
Compliance with financial controls and contract standing orders	<p>Full reporting and transparency on contracts.</p> <p>Improved adherence to agreed cash limited budgets. Identifying financial risks in time to implement corrective action and Ensuring reporting and controls support this.</p>	<p>Chief Finance Officer</p> <p>Chief Finance Officer</p>	<ul style="list-style-type: none"> <li>• Regular updates, review and publication of Contracts register</li> <li>• Improvement in budget monitoring information through increased reporting</li> <li>• Targeted budget management training for service managers</li> </ul>

Service planning	Implement and embed service planning, to support achievement of the corporate strategy, and the link between this, and team and personal objectives.	Chief Policy Officer	<ul style="list-style-type: none"> <li>• Review service planning information from services</li> <li>• Implement new templates for completion making clear link between Corporate Strategy and service reviews</li> <li>• Review personal objectives forms with HR to ensure link between Corporate Strategy and objectives are made.</li> </ul>
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**Opinion**

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

Signed

Steve Jorden  
Chief Executive Officer

Philip Munday  
Leader of the Council

# INDEPENDENT AUDITOR'S REPORT

## Disclaimer of Opinion

We were engaged to audit the financial statements of Havant Borough Council ('the Council') for the year ended 31 March 2024. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Movement in Reserves Statement;
- Balance Sheet;
- Cash Flow Statement;
- the related notes 1 to 30 including material accounting policy information; and
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for Havant Borough Council was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 5 December 2024.

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to delays in receiving audit evidence in sufficient time before the backstop date, and delays in the previous year's audit, we did not have the required resource available and have been unable to complete our audit procedures on the Comprehensive Income and Expenditure Statement net cost of services income (23/24 £39.1m, 22/23 £44.8m) and expenditure (23/24 £61.6m, 22/23 £69.0m); Comprehensive Income and Expenditure Statement non-ringfenced government grants (23/24 £2.5m, 22/23 £4.1m); Comprehensive Income and Expenditure Statement council tax income (23/24 £9.8m, 22/23 £8.8m); Note 16 - Leases (23/24 £59.1m, 22/23 £69.3m); and the Collection Fund business rates income (23/24 £34.8m, 22/23 £37.9m).

As a result of the disclaimer of opinion in the prior year and the backstop date, we also do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' that were not revalued in year;

- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet;
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet; and
- in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.

Therefore, we are disclaiming our opinion on the financial statements.

### **Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

### **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Havant Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Havant Borough Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## **Use of our report**

This report is made solely to the members of Havant Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we

do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Mathers (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
13 February 2025



# Glossary of Terms

For the purposes of the Statement of Accounts, the following definitions have been adopted: -

## **Accounting Policies**

Define the process whereby transactions and other events are reflected in the financial statements.

## **Accruals**

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

## **Actuarial Gains and Losses**

The change in actuarial deficits or surpluses arising from actual gains/ losses since the last valuation or changes in actuarial assumptions.

## **Amortisation**

The practice of reducing the value of intangible assets to reflect their reduced worth over time.

## **Budget**

The Council's policy expressed in financial terms for a specified period.

## **Capital Charge**

A charge to service revenue accounts to reflect the cost of Property, plant & equipment used in the provision of services.

## **Capital Expenditure**

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

## **Capital Receipts**

The proceeds from the sale of fixed assets.

## **Cash Equivalents**

Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **Code of Practice on Local Authority Accounting**

Standards issued by the accountancy bodies to prescribe approved accounting methods.

## **Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no specific life span, and that may have restrictions on their disposal. Examples of such assets include parks and historic buildings.

## **Classes of Tangible Assets**

Operational Assets:

- Council Dwellings, Other land and building, Vehicles, plant, furniture, and equipment
- Infrastructure Assets; Community Assets

Non-Operational Assets:

- Investment property, Assets under construction and Surplus assets for disposal

## **Contingent Asset or Liability**

A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within our control.

## **Creditors**

Amounts owed by an authority at the balance sheet date for goods received or work done.

### **Defined Benefit Scheme**

A pension scheme having a statutory duty to ensure pensionable benefits, due to the employee are maintained through changes in the employer's contributions, as determined through periodic valuation.

### **Debt**

This refers to the amount of long-term debt borrowed by an authority or for which the authority has responsibility to repay and which was used to finance the acquisition of Property, plant & equipment. It is similar to a mortgage on a private person's home.

### **Debtor**

Amounts due to an authority but unpaid at the balance sheet date.

### **Depreciation**

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

### **Earmarked Reserves**

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

### **Exceptional Items**

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

### **Events after the Balance Sheet date**

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

### **Fair value**

The fair value of an asset is the price at which it could be exchanged in an "arm's length" transaction less, where applicable, any income receivable towards the purchase or use of that asset.

### **Finance Lease**

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

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors and derivatives and embedded derivatives.

### **General Fund**

The main revenue account of the Council which contains the revenue income and expenditure of all services provided.

### **Government Grants**

Central Government contributions towards local authority expenditure. Examples are Revenue Support grant and Housing Benefit Subsidy.

### **Impairment**

A reduction in the value of a fixed asset arising from changes in market value, obsolescence or change in business.

### **Infrastructure Assets**

Property, plant & equipment that are inalienable or immovable, expenditure on which is recoverable only by the continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **Interest Costs (Pensions)**

Expected changes during the period in the present value of the schemes liabilities because the benefits are one year nearer their settlement.

### **Inventories**

These comprise the following:-

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances;
- finished goods for resale.

### **Investments**

A long-term investment is an investment that is intended to be held on a continuing use basis in the activities of the authority. Investments, other than those in relation to pensions fund, that do not meet the above criteria are classed as current assets

### **Intangible Assets**

Identifiable non-monetary assets such as software licences.

### **Investment Properties**

Interest in land and / or buildings:

- in respect of which construction work and development have been completed; and
- which is held for its investment potential, rather than its use in the provision of the local authority's service to the public, any rental income being negotiated at arm's length.

### **Lease**

An agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time.

### **Liquid Resources**

Current assets and investments that are readily disposable without disrupting the authority's day to day business.

### **Minimum Revenue Provision**

The minimum amount of an authority's external debt that must be repaid in accordance with Government regulations, by the revenue account in the year of account.

### **Net Debt**

The amount of long-term borrowing less cash and liquid resources such as cash.

### **Net Book Value**

The amount at which Property, plant & equipment are included in the balance sheet, i.e., their historic cost or current value less the cumulative amounts provided for depreciation.

### **Net Current Realisable Costs**

The cost of replacing an asset, or its nearest equivalent, that reflects its current condition.

### **Net Realisable Value**

The open market value of an asset in its existing use less expenses incurred in realising the asset

### **Non-Operational Assets**

Property, plant & equipment held by the local authority but not directly occupied, used, or consumed in the delivery of its services. Examples of non-operational assets include investment properties and those assets which are surplus to requirements, and which are being held pending sale or redevelopment.

### **Operational Assets**

Property, plant & equipment held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

### **Past Service Costs**

Changes in the present value of the schemes' liabilities related to employee service in prior periods arising from the introduction of, or improvement in, retirement benefits in the current period.

### **Precepts**

The amount that the authority is required to collect from council taxpayers to fund another, non-tax collecting authority's expenditure. Precepts are issued by Parish Councils and the local police authority.

### **Prior Period Adjustments**

Those material adjustments which apply to previous years, which have arisen from changes in accounting policies or from the correction of fundamental errors. Such errors would destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets whose realisation can be assessed with reasonable certainty.

### **Property, Plant and Equipment (PPE)**

Tangible assets that yield up benefit to the Council over more than one accounting period, e.g. Land and Buildings.

### **Provisions**

Sums set aside for any liabilities or losses which are likely to be incurred, but uncertain as to the dates on which they will arise.

### **Public Works Loan Board (PWLB)**

A Government financed body which provides a source of long term borrowing for local authorities.

### **Related Parties**

Parties are related when one party has direct or indirect control or influence over the financial and/or operational activities of the other. Examples include government departments, local authorities, members and chief officers.

### **Related Party Transaction**

A related party transaction is the transfer of asset or liability or performance of service by, to or for a related party.

### **Remuneration**

Sums (including expenses allowances and non-cash benefits subject to UK income tax) paid to or receivable by employees. They exclude employee and employer pensions contributions.

### **Reserves**

Reserves are maintained by transferring money to and from the Income and Expenditure Account. There are generally two types of Reserve:

1. General Reserves which create a cushion against unexpected events or emergencies or to even out the effect of variations in cash flow (i.e. to avoid temporary borrowing)
2. Earmarked Reserves created to meet known or predicted liabilities (e.g. Capital Reserves, Insurance Reserves and schools balances).

### **Residual Value**

The net realisable value of an asset at the end of its useful life.

### **Retirement Benefits**

All forms of benefits given by an employer in exchange for services rendered by employees that are payable at the completion of employment. Such benefits exclude an employer's decision to terminate employment before normal retirement and an employee accepting early retirement as these are not given in exchange for services rendered.

### **Revenue Expenditure funded from Capital under Statute**

Expenditure that may be funded from capital resources, but which does not result in an asset on the Balance Sheet. Qualifying items would be grants or expenditure on property not owned by the Council. The expenditure is charged to the Income and Expenditure Account and shown as a reconciling item in the Statement of Movement on the General Fund Balance.

### **Tangible Property, plant & equipment**

Tangible assets that yield benefits to the local authority and the services it provides for a period of time in excess of one year.

### **Total Cost**

The total cost of a service or activity includes all costs related to the provision of that service or activity.

### **Useful Life**

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

### **Unusable Reserves**

These are reserves, including those offsetting non-current assets and the negative reserve that offsets the long term pension liability, that are not immediately available to support revenue or capital expenditure.

### **Usable Reserves**

These reserves are available to support the Council's expenditure, although the Capital Receipts Reserve and the Capital Grants and Contributions Reserve may only be used for capital purposes.