Contents

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

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Havant Borough Council,
Civic Offices, Civic Centre Road,
HAVANT, Hants. PO9 2AX
Telephone: Havant (023 9244 6304)

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

Introduction

The Statement of Accounts for 2010/11 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The purpose of the published Statement of Accounts is to give electors, local taxpayers, Councillors and other interested parties clear information about the Council's finances. The statements inform readers of the cost of services provided by the Council in the year 2010/11, how services were paid for and the Council's assets and liabilities at the year end date of 31st March 2011.

2010/11 has seen local government bodies complete the transition from preparing accounts on a UK Generally Accepted Accounting Principles basis to preparing accounts under International Financial Reporting Standards. This has seen major changes to the way the accounts are produced and the presentation of the main statement pages. The most significant changes are explained in the notes to the accounts (Note 6). The purpose of each of the main statement pages is explained below.

The accounts comprise the following key statements:

The Comprehensive Income & Expenditure Statement (page 9)

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

The Balance Sheet (page 10).

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

The Statement of Movements on Reserves (page 11-12)

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

The Cash Flow Statement (page 13)

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

Notes to the Core Financial Statements (including pensions disclosures) (pages 14-72)

The Collection Fund (pages 73-75)

This account records all transactions relating to Council Tax and National Non Domestic Rates (NNDR). Whilst both elements are shown as one account, they are discrete as are the treatment of surpluses or deficits. Council Tax receipts are allocated between the District and major precepting authorities. NNDR is self balancing within the account.

Council Services

The Council's services and activities vary widely, covering homelessness and housing services, the collection of refuse, recycling, leisure and recreation, car parking, planning services, cemeteries, environmental health and many other services.

Review of the Year

For the 2010/11 financial year, the Council agreed its budget for Net revenue spending on General Fund services at £18,167,500.

Net revenue spending is financed in part by Government Grant and the Council's share of National Non-Domestic Rates (NNDR), with the remainder being raised through, council tax, use of reserves and interest on external investments. The Council tax charge for Council services was set at £192.78 for band D properties.

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

	Original Budget £'000	Actual £'000	Under / (Over) £'000
Net Service Expenditure	20,071	19,239	832
Revenue expenditure funded from capital	(300)	251	(551)
Contribution to / (from) Reserves	(133)	26	(159)
Repayment of Borrowing	633	600	33
Reversal of capital charges	(2,020)	(2,472)	452
Net investment income	(53)	(72)	19
Langstone Harbour Board Precept	75	75	0
Area Based Grant	(105)	(156)	51
	18,168	17,491	677
Funded by :			
Council Tax and Government Grant	(18,168)	(18,168)	0
Outurn Saving			**677**

The outturn saving was transferred to a provision for concessionary travel operator appeals account to fund the expected costs to the Council arising from a successful bus operator legal claim against the scheme.

At the end of the year, the Council's General Fund Balance (this reserve is held to provide financial stability to the Council, and enable it to meet unexpected demands) remained at £1,260,000 as anticipated when the Council set the budget in February 2010.

During the year the Council made savings and generated additional income which enabled it to fund the following significant one off costs without impacting on its general or earmarked reserves.

- Year 1 net costs of establishing a Joint Management Team with East Hampshire District Council £445,000

- Implementation costs new ICT contract with Hampshire County Council £500,000

Material Credits to the Accounts

During 2010/11 the inflation assumption used by the actuaries in calculating pension increases changed from Retail Price Index to Consumer Price Index. This had the effect of reducing the Council's Pension liability by £12.1m.

Capital Spending and Receipts

Capital expenditure is defined as expenditure which generates an asset that has a useful life of more than one year. The expenditure in the year amounted to £7.0m. The main items of Capital Expenditure are detailed in the table below. During 2010/11 the Council commenced a major project in partnership with Hampshire County Council to provide a “Public Service Village” at an estimated cost of £13.057m for the refurbishment and extension to the civic offices enabling the delivery of integrated public and voluntary services.

Main Items of Capital Expenditure	Actual £'000
Public Service Village	4,469
Disabled Facilities Grants	707
Acquisition of Vehicles	650
Various Cycleway Projects	604
Eastoke Corner Improvements	222
Sombourne Drive enhancements	113
CCTV	104
All other schemes	136
Total	7,005
Funded by:	
Government grants and contributions	6,353
Capital Receipts	221
Borrowing	431
Total	7,005

Pension Costs

Information regarding assets, liabilities, income and expenditure relating to the Council’s pension scheme is included on page 65-69. The Council’s share of assets and liabilities of the pension fund show an estimated liability of £38.1m at 31st March 2011. The liability represents the difference between the value of the authority’s pension fund assets and the estimated present value of payments which it is committed to make. Statutory arrangements for funding the liability mean that the financial position of the Council remains acceptable because a proportion of contributions made in 2010/11 relate to past service costs, which ensures that sufficient cash is available to cover current liabilities.

Further Information

More details of the Council’s finances and external reports on the Council’s performance can be found on the Council’s web-site, http://www.havant.gov.uk.

Overall Financial Position

The Council’s overall financial position remains strong with good levels of reserves. There are robust processes in place for budget setting and forecasting, and the Council has in place a Medium Term Financial Strategy. There are sound systems in place to ensure cash is collected, that debtor balances are minimised and all funding streams are exploited.

Keith Price (S151 Officer)
21 September 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities:

The Council is required to:

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

Responsibilities of the Section 151 Officer:

The Executive Head of Governance and Logistics is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.

In preparing this Statement of Accounts, the S151 Officer has selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the local authority SORP.

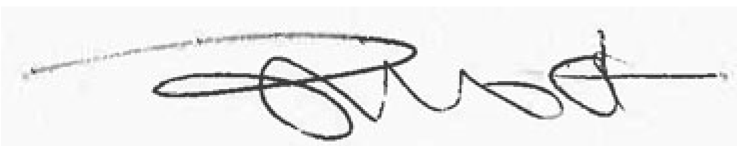
The Section 151 Officer also*:*

- has kept proper accounting records which were up to date.

- has taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view the financial position of the Council at the 31 March 2011 and its income and expenditure for the year then ended.

Signed:



Dr N E Street C.P.F.A
S151 Officer

Date: 28 June 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Certification of the Audited Statement of Accounts:

I confirm that the Statement of Accounts have been audited and, in accordance with the Accounts and Audit Regulations (amendment) 2011, I certify that the Audited Statement of Accounts present a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31st March 2011.

Signed:

Mr. Keith Price
S151 Officer

Date: 21 September 2011

Certificate of approval by the Council:

I confirm that the Audited Statement of Accounts were approved at the Standards Committee meeting of Havant Borough Council on 21 September 2011.

Signed:

Mr. Tony Horne
Chairman of the Standards Committee

Date: 21 September 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVANT BOROUGH COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Havant Borough Council for the year ended 31March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of Havant Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Head of Governance and Logistics and Auditor

As explained more fully in the statement of the Executive Head of Governance and Logistics responsibilities, the Executive Head of Governance and Logistics is responsible for the preparation of the Authority'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Havant Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011. I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVANT BOROUGH COUNCIL

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Havant Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Havant Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Catlow
Officer of the Audit Commission
The Audit Commission
Collins House
Bishopstoke Road
Eastleigh
Hampshire
S050 6AD

29 September 2011

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2009/10				2010/11	
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000's	£000's	£000's		£000's	£000's	£000's
10,846	(9,781)	1,065	Central services to the public	11,496	(10,152)	1,344
16,790	(2,697)	14,093	Cultural, environmental, regulatory and planning services	15,998	(2,896)	13,102
3,442	(1,966)	1,476	Highways and transport services	4,447	(2,017)	2,430
30,791	(29,043)	1,748	Housing services	32,607	(31,352)	1,255
122	(92)	30	Social services	123	(94)	29
2,247	(2)	2,245	Corporate and democratic core	2,387	(14)	2,373
101		101	Non distributed costs	194		194
	(645)	(645)	Exceptional item (Note 5)	(12,106)		(12,106)
64,339	**(44,226)**	**20,113**	**Cost of Services**	**55,146**	**(46,525)**	**8,621**
82	(277)	(195)	Other operating expenditure (Note 9)	97		97
3,057	(865)	2,192	Financing and investment income and expenditure (Note 10)	1,805	(7,764)	(5,959)
	(19,911)	(19,911)	Taxation and non-specific grant income (Note 11)		(23,585)	(23,585)
67,478	**(65,279)**	**2,199**	**(Surplus) or Deficit on Provision of Services**	**57,048**	**(77,874)**	**(20,826)**
		(470)	Surplus on revaluation of property, plant and equipment assets			(627)
		12,690	Actuarial gains/losses on pension assets/liabilities			(5,570)
		12,220	**Other Comprehensive Income and Expenditure**			**(6,197)**
		14,419	**Total Comprehensive Income and Expenditure**			**(27,023)**

BALANCE SHEET

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

1st April 2009	31st March 2010			31st March 2011
£000's	£000's			£000's
			Notes	
47,700	47,455	Property, plant and equipment	12	51,819
9,668	9,668	Investment property	13	16,568
234	183	Intangible assets	14	133
194	190	Long term debtors	15	180
57,796	**57,496**	**Long term assets**		**68,700**
2,511	1,004	Short term investments		0
70	72	Inventories	16	82
3,678	3,421	Short term debtors	17	3,125
1,930	2,728	Cash and cash equivalents	18	6,007
8,189	**7,225**	**Current assets**		**9,214**
(648)	(154)	Bank overdraft		(134)
(5,281)	(3,108)	Short term creditors	19	(4,584)
(5,929)	**(3,262)**	**Current liabilities**		**(4,718)**
(234)	(233)	Long term creditors	15	(233)
(147)	(130)	Provisions	20	(766)
(38,660)	(53,940)	Other long term liabilities	22	(38,100)
(183)	(743)	Receipts in advance	30	(661)
(39,224)	**(55,046)**	**Long term liabilities**		**(39,760)**
20,832	**6,413**	**Net assets**		**33,436**
7,808	9,117	Usable reserves	21	8,817
13,024	(2,704)	Unusable reserves	22	24,619
20,832	**6,413**	**Total reserves**		**33,436**

Signed:

Keith Price
S151 Officer

MOVEMENT IN RESERVES STATEMENT

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

Movements in 2010/11:

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	1,260	5,946	658	1,253	9,117	(2,704)	6,413
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	20,826				20,826		20,826
Other Comprehensive Income and Expenditure	6,197				6,197		6,197
Total Comprehensive Income and Expenditure	27,023				27,023		27,023
Adjustments between accounting basis & funding basis under regulations (Note 7)	(26,994)		(194)	(135)	(27,323)	27,323	
Net Increase /(Decrease) before Transfers to Earmarked Reserves	29		(194)	(135)	(300)	27,323	27,023
Transfers to/(from) Earmarked Reserves (Note 8)	(29)	26		3	0		
Increase/(Decrease) in 2010/11	0	26	(194)	(132)	(300)	27,323	27,023
Balance at 31 March 2011	1,260	5,972	464	1,121	8,817	24,619	33,436

MOVEMENT IN RESERVES STATEMENT

Comparative movements in 2009/10:

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	1,260	4,697	595	1,256	7,808	13,024	20,832
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	(2,199)				(2,199)		(2,199)
Other Comprehensive Income and Expenditure	(12,220)				(12,220)		(12,220)
Total Comprehensive Income and Expenditure	(14,419)				(14,419)		(14,419)
Adjustments between accounting basis & funding basis under regulations (Note 7)	15,588		63	77	15,728	(15,728)	
Net Increase /(Decrease) before Transfers to Earmarked Reserves	1,169		63	77	1,309	(15,728)	(14,419)
Transfers to/(from) Earmarked Reserves (Note 8)	(1,169)	1,249		(80)	0		
Increase/(Decrease) in 2009/10	0	1,249	63	(3)	1,309	(15,728)	(14,419)
Balance at 31 March 2010	1,260	5,946	658	1,253	9,117	(2,704)	6,413

CASH FLOW STATEMENT

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

2009/10			2010/11
£ 000's			£ 000's
(2,199)	Net surplus or (deficit) on the provision of services		20,826
3,899	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(17,115)
(58)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or and financing activities		(64)
73	Net cash flow from operating activities (Note 23)		83
(610)	Investing activities (Note 24)		(1,114)
187	Financing Activities (Note 25)		683
1,292	Net increase or (decrease) in cash, cash equivalents and bank overdraft		3,299
1,282	Cash, cash equivalents and bank overdraft at the beginning of the reporting period		2,574
2,574	**Cash, cash equivalents and bank overdraft at the end of the reporting period (note 18)**		5,873

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as amended in 2011, which 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

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

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

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

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

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

Changes to previously reported figures arising from the change to the preparation of the accounts following the International Financial Reporting Standards are not technically a prior period adjustment. Details of the significant changes to previously reported figures arising from this change in are shown in note 6.

v. Charges to Revenue for Non-Current Assets

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

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

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

vi. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the balance sheet on an actuarial basis using the projected unit method – ie 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 of 5.1% (based on the indicative rate of return on AA corporate bonds).

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

ix. Government Grants and Contributions

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

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

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

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

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

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

x. Intangible Assets

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority’s goods or services.

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

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

xi. Inventories

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

xii. Investment Property

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

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

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

xiii. Interests in Companies and Other Entities

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

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

Consideration has been given to the relationship with all potential entities and the following disclosures have been made:-

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

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

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

xiv. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

xv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvi. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xviii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 22.

xix. Revenue Expenditure Funded from Capital under Statute

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

xx. 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.

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

The Accounting Code of Practise requires any accounting standards that have been issued but have yet to be adopted to be identified in the notes to the accounts. There is one new standard relating to Heritage assets. Financial Reporting Standard (FRS) 30 on Heritage assets will require the council to recognise Heritage Assets as a separate class of assets for the first time in the 2011/12 accounts. Heritage assets are defined as assets of historical or similar significance. The Council does not possess any Heritage assets and therefore there is no impact on the accounts.

3. Critical Judgements in applying accounting policies

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

Future funding for local government - There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

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

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

Production of group accounts – the council has decided that it does not need to produce group accounts even though it has an interest in another entity “Portchester Crematorium Joint Committee” which manages the operations of Portchester Crematorium. The judgement was based on the fact that grouping the accounts would not materially change the reported figures in the Statement of Accounts and it would confuse the reader of the accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or 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 items in the authority's balance sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming year are as follows.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns from pension fund assets. A firm of actuaries is engaged by the pension fund administrator to provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £7.22M. However, the assumptions interact in complex ways. During 2010/2011, the Authority's actuaries advised that the net pension's liability had decreased by £4.24M as a result of estimates being corrected as a result of experience and decreased by £0.33M attributable to updating of the assumptions.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs & maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs & maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases & the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £41,000 for every year that useful lives had to be reduced.
Provisions	At 31 March 2011, the authority had a balance for sundry debtors for £920,200 and for Overpaid Housing Benefits £1,583,000. The authority has made allowances for doubtful debt on a sliding scale dependant upon the age of the debt. However in the current economic climate it is not certain that such allowances would be sufficient.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the allowance of £42,000 and (2009/10 £107,200).

5. Material Items of Income and Expense

During 2010/11 the inflation assumption used by the actuaries in calculating pension increases changed from Retail Price Index to Consumer Price Index. This had the effect of reducing the Council's Pension liability by £12.1m and has been reported as an exceptional item.

The revaluation of the investment property portfolio in the year has resulted in a revaluation surplus of £6.8m being credited to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

6. Significant changes resulting from the transfer to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Short term creditors	(6,587)	(118)
Accumulated Absences Account	0	118

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Short term creditors	(4,813)	(135)
Accumulated Absences Account	0	135

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)

	2009/10 Statements £000	Adjustment made £000
Cultural, environmental, regulatory and planning services	13,511	17

2. Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The council, as lessee, has one property lease where the accounting treatment has changed following the introduction of the Code. The lease was previously classified as an operating lease, but under the Code, the buildings element of the lease has been classified as a finance lease.

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

The council has recognised an asset (the building) and a finance lease liability.

The operating lease charge within Cultural, Environmental, Regulatory and Planning Services has been reduced by the amount that relates to the buildings element of the lease payments.

A depreciation charge has been included within Cultural, Environmental, Regulatory and Planning Services.

The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Property, plant and equipment	47,128	11
Short term creditors	(6,587)	(15)
Long term creditors	0	(234)
Capital Adjustment Account	(40,109)	238

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Property, plant and equipment	46,895	10
Short term creditors	(4,813)	(15)
Long term creditors	0	(234)
Capital Adjustment Account	(38,532)	239

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £000	Adjustment made £000
Cultural, environmental, regulatory and planning services	13,511	(14)
Financing and investment income and expenditure	2,981	15

The net change to Cultural, Environmental, Regulatory and Planning Services consists of the removal of the operating lease charge for the buildings element of the lease (-£15,000) and the inclusion of the depreciation charge (+£1,000).

3. Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Deferred grants	(5,308)	5,308
Capital contributions deferred	(2,498)	2,498
Capital adjustment account	(40,109)	(7,806)

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Deferred grants	(6,193)	6,193
Capital contributions deferred	(2,433)	2,433
Capital adjustment account	(38,532)	(8,626)

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £000	Adjustment made £000
Central services to the public	258	8
Cultural, environmental, regulatory and planning services	13,511	495
Highways and transport services	1,429	35
Taxation and non-specific grant income	(18,476)	(1,261)

4. Capital grants and other contributions unapplied account

Under the Code, grants and other contributions are recognised as income when they become receivable (i.e. once all conditions relating to the grant or contribution have been met). Previously, grants and developers contributions were held in Creditors or Unapplied capital grants account and recognised as income over the life of the assets which they were used to fund.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Creditors	(6,587)	1,256
Capital grants and other contributions unapplied reserve	0	(1,256)

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Creditors	(4,813)	1,114
Unapplied capital grants	(139)	139
Capital grants and other contributions unapplied reserve	0	(1,253)

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £000	Adjustment made £000
Cultural, environmental, regulatory and planning services	13,511	73
Highways and transport services	1,429	12
Financing and investment income and expenditure	2,981	(5)
Taxation and non-specific grant income	(18,476)	(174)

5. Cash and Cash Equivalents

The definition of Cash and cash equivalents has changed to include highly liquid investments previously shown within Short term investments. The definition of Cash and cash equivalents is given in accounting policy iii on page 14.

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Short term investments	3,515	(1,004)
Cash and cash equivalents	926	1,004

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Short term investments	3,006	(2,002)
Cash and cash equivalents	726	2,002

6. Investment Property Revaluation Gains

The Code requires that any changes in the value of Investment Properties are shown in the Comprehensive Income and Expenditure Account. The effect of this on the Balance Sheet is that revaluation gains on Investment Property previously credited to the Revaluation Reserve are now credited to the Capital Adjustment Account.

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Revaluation reserve	(4,111)	856
Capital adjustment account	(40,109)	(856)

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Revaluation reserve	(4,441)	856
Capital adjustment account	(38,532)	(856)

As a result of the transition to reporting under IFRS, the Authority undertook a review of the classification of assets as investment properties. As a result two properties were transferred from Investment properties to Property, plant and equipment. This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Property, plant and equipment	47,128	561
Investment properties	10,229	(561)

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustment made £000
Property, plant and equipment	46,895	550
Investment properties	10,229	(561)
Capital adjustment account	10,229	11

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £000	Adjustment made £000
Cultural, environmental, regulatory and planning services	13,511	11

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

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

2010/11	Usable Reserves: General Fund Balance £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants and Other Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	2,467			(2,467)
Revaluation gains on Property Plant and Equipment	(627)			627
Movements in the market value of Investment Properties	(6,900)			6,900
Amortisation of intangible assets	50			(50)
Capital Grants and contributions applied	(5,096)			5,096
Movement in Donated Assets Accounts				
Revenue expenditure funded from capital under statute	(218)			218
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	31			(31)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(600)			600
Capital Expenditure charged against the General Fund	(33)			33
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(164)		164	
Application of grants to capital financing transferred to the Capital Adjustment Account			(299)	299

2010/11	Usable Reserves: General Fund Balance £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants and Other Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12)	30		(18)
Use of Capital Receipts Reserves to finance new capital expenditure		(221)		221
Contributions from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	3	(3)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited and credited to the Comprehensive Income and Expenditure Statement	(14,120)			14,120
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,720)			1,720
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3)			3
Adjustment primarily involving Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(52)			52
Total Adjustments	(26,994)	(194)	(135)	27,323

2009/10	Usable Reserves: General Fund Balance £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants and Other Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	2,657			(2,657)
Revaluation gains on Property Plant and Equipment	(470)			470
Movements in the market value of Investment Properties				
Amortisation of intangible assets	51			(51)
Capital Grants and contributions applied	(1,261)			1,261
Movement in Donated Assets Accounts				
Revenue expenditure funded from capital under statute	328			(328)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14			(14)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(537)			537
Capital Expenditure charged against the General Fund	(17)			17
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(174)		174	
Application of grants to capital financing transferred to the Capital Adjustment Account			(97)	97

2009/10	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(291)	317		(26)
Use of Capital Receipts Reserves to finance new capital expenditure		(247)		247
Contributions from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	7	(7)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited and credited to the Comprehensive Income and Expenditure Statement	17,020			(17,020)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,740)			1,740
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(16)			16
Adjustment primarily involving Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17			(17)
Total Adjustments	15,588	63	77	(15,728)

8. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1 April 2009 £000	Transfers out 2009/10 £000	Transfers in 2009/10 £000	Balance at 31 March 2010 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 March 2011 £000
General Fund - earmarked	650	(446)	355	559	(1,368)	1,284	475
Insurance Reserve	535	(7)		528		55	583
Planning Reserve	405	(346)		59	(59)		0
LABGI Reserve	482	(166)	78	394	(154)		240
Asset Acquisition Reserve	1,930	(34)		1,896			1,896
Capital Reserve	695		1,815	2,510	(880)	268	1,898
Restructuring and Redundancy Reserve						880	880
Total	4,697	(999)	2,248	5,946	(2,461)	2,487	5,972

9. Other Operating Expenditure

	2009/10 £000	2010/11 £000
Langstone Harbour Board precept	75	75
Payments to the Government Housing Capital Receipts Pool	7	3
(Surplus) / Loss on disposal of non-current assets	(277)	19
Total	(195)	97

10. Financing and Investment Income and Expenditure

	2009/10 £000	2010/11 £000
Interest payable and similar charges	17	15
Pensions interest cost and expected return on pensions assets	3,040	1,790
Interest receivable and similar income	(66)	(79)
Income and expenditure in relation to investment properties (Note 13)	(799)	(785)
Change in the fair value of investment properties (Note 13)		(6,900)
Total	2,192	(5,959)

11. Taxation and non specific grant incomes

	2009/10	2010/11
	£000	£000
Council tax Income	8,243	8,272
Non domestic rates	7,984	8,643
Revenue support grant	1,843	1,255
Non-ringfenced government grants (Note 30)	406	155
Capital grants and contributions (Note 30)	1,435	5,260
Total	19,911	23,585

12. Property, plant and equipment

Movements in 2010/11:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment * £000
Cost or Valuation:						
At 1 April 2010	36,967	9,492	9,041	2,458	147	58,105
Additions	37	745	795	164	4,493	6,234
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(573)					(573)
Revaluation increases/(decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(33)					(33)
Derecognition - disposals		(304)				(304)
Other movements in cost or valuation	(1,523)	1,523				0
At 31 March 2011	34,875	11,456	9,836	2,622	4,640	63,429
Accumulated Depreciation and Impairment:						
At 1 April 2010	(2,109)	(6,151)	(1,761)	(629)		(10,650)
Depreciation Charge	(750)	(1,175)	(388)	(121)		(2,434)
Depreciation written out to the Revaluation Reserve	1,200					1,200
Derecognition - disposals		274				274
At 31 March 2011	(1,659)	(7,052)	(2,149)	(750)		(11,610)
Net Book Value:						
as at 31 March 2011	33,216	4,404	7,687	1,872	4,640	51,819
as at 31 March 2010	34,858	3,341	7,280	1,829	147	47,455

Comparative movements in 2009/10:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment * £000
Cost or Valuation:						
At 1 April 2009	37,722	8,887	7,815	2,405	215	57,044
Additions	84	582	1,226	53	11	1,956
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(43)					(43)
Revaluation increases/(decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(796)					(796)
Derecognition - disposals		(42)			(14)	(56)
Other movements in cost or valuation		65			(65)	0
At 31 March 2010	36,967	9,492	9,041	2,458	147	58,105
Accumulated Depreciation and Impairment:						
At 1 April 2009	(2,329)	(5,087)	(1,400)	(528)		(9,344)
Depreciation Charge	(690)	(1,106)	(361)	(101)		(2,258)
Depreciation written out to the Revaluation Reserve	513					513
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	397					397
Derecognition - disposals		42				42
At 31 March 2010	(2,109)	(6,151)	(1,761)	(629)	0	(10,650)
Net Book Value:						
as at 31 March 2010	34,858	3,341	7,280	1,829	147	47,455
as at 31 March 2009	35,393	3,800	6,415	1,877	215	47,700

***** There were no PFI assets included in Property, Plant and Equipment in 2010/11 or 2009/10.

Depreciation:

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

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

Capital Commitments:

At 31 March 2011, the Authority has entered into a number of contracts with a value of £6,908,000 for the construction or enhancement of Property, Plant and Equipment . The major commitments are:

- Public Service Village £6.8m – a project in partnership with Hampshire County Council for the refurbishment and extension to the civic offices enabling the delivery of integrated public and voluntary services.
- The provision of cycleways £61,000.

Effects of changes in estimates:

During 2010/11 the Authority introduced a componentisation policy for its properties valued at over £5m. The purpose of componentisation is to identify the value of plant, equipment and engineering services within a building and depreciate these separately. This resulted in a reclassification from Land and buildings assets to Vehicles, plant and equipment of £1,523,000, and an increased annual depreciation charge of £151,000.

Revaluations:

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured to fair value is revalued at least every five years. All valuations are carried out under the supervision of an Estates officer employed by the Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and the accounting policies set out in Note 1 (xvi).

	Land and Buildings £000	Other £000	Total £000
Carried at historical cost:			
Community assets		1,872	1,872
Infrastructure assets		7,687	7,687
Assets under construction		4,640	4,640
Vehicles, plant, furniture and equipment		3,066	3,066
Valued at fair value as at:			
31 March 2011	21,334	1,338	22,672
31 March 2010	0		0
31 March 2009	2,859		2,859
31 March 2008	5,367		5,367
31 March 2007	3,656		3,656
Total property, plant and equipment	33,216	18,603	51,819

13. Investment Properties

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

	2009/10 £000	2010/11 £000
Rental Income from investment property	1,027	1,026
Direct operating expenses arising from investment property	(228)	(241)
Net gain/(loss)	799	785

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct, develop or enhance investment property.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000	2010/11 £000
Balance at the start of the year	9,668	9,668
Net gains/losses from fair value adjustments		6,900
Balance at the end of the year	9,668	16,568

14. Intangible Assets

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

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

The carrying value of intangible assets is cost less any accumulated amortisation and any accumulated impairment loss. The cost is amortised on a straight-line basis. The amortisation of £50,000 charged to revenue in 2010/11 was absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

	2009/10 £000	2010/11 £000
Balance at the start of the year:		
Gross carrying amounts	533	533
Accumulated amortisation	(299)	(350)
Net carrying amount at the start of the year	234	183
Amortisation for the period	(51)	(50)
Net carrying amount at the end of the year	183	133
Balance at the end of the year:		
Gross carrying amounts	533	533
Accumulated amortisation	(350)	(401)

The one item of capitalised software that is individually material to the net carrying cost of intangibles at the end of the year is the electronic document retrieval and management system (EDRMS), the current net book value of which is £92,000.

15. Financial Instruments

Categories of Financial Instruments

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

	Current		Long-term	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Financial Assets				
Mortgages (sales of council houses)	4	3	3	0
Loans to local organisations	11	10	38	63
Staff car loans	111	84	145	117
Short term investments	1,004			
Trade receivables	116	109	4	
less provisions	(58)	(40)		
Bank deposits	2,701	5,991		
	3,889	6,157	190	180
Financial Liabilities				
Finance lease liability (Note 34)	15	15	233	233
Trade payables	1,214	3,005		
Overdraft	154	134		
	1,383	3,154	233	233

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

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

Trade receivables and the provisions against them relate to housing initiatives where settlement is deferred. The following table discloses an age analysis of receivables past their due date for payment:

Age analysis of trade receivables	2009/10	2010/11
	£000	£000
Up to two months	27	3
Two to six months	8	3
Six months to one year	6	5
One year or more	79	98
	120	109

16. Inventories

	Fuel		Maintenance Materials		Other		Total	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	28	32	25	26	14	14	67	72
Purchases	294	345	330	322	117	115	741	782
Recognised as an expense in the year	(290)	(334)	(329)	(324)	(117)	(114)	(736)	(772)
Written off balances								
Balance outstanding at end of year	32	43	26	24	14	15	72	82

17. Debtors

	31 March 2010	31 March 2011
	£000	£000
Central government bodies	846	225
Other local authorities	915	1,233
NHS bodies	3	0
Public corporations and trading funds	16	1
Other entities and individuals	2,953	3,031
	4,733	4,490
Less:		
Collection fund bad debt provision	(362)	(266)
Overpaid housing benefits	(841)	(1,010)
General bad debt provision	(109)	(89)
Total	3,421	3,125

18. Cash and cash equivalents

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

	31 March 2010 £000	31 March 2011 £000
Cash held by the Authority	27	16
Bank current accounts	14	29
Short term deposits	2,687	5,962
Total Cash and cash equivalents	2,728	6,007
Bank overdraft	(154)	(134)
Total Cash, cash equivalents and bank overdraft	2,574	5,873

19. Creditors

	31 March 2010	31 March 2011
Short term creditors	£000	£000
Central government bodies	588	476
Other local authorities	493	1,136
Other entities and individuals	2,027	2,972
Total	3,108	4,584
Long term creditors		
Long term liability under a finance lease (Note 34)	233	233
Total	233	233

20. Provisions

Provisions at 31 March, 2011 represent amounts set aside for the purpose of providing for liabilities, which are likely or certain to be incurred but are uncertain as to the amount or the date on which they will arise. Insurance claims are met by an insurance fund operated by the Council. Insurance premiums are paid into the fund from the revenue account by services requiring insurance cover. Insurance claims less than the policy excesses, and policy excesses, are then met from the Insurance Fund. Risks covered by the fund include: Employers Liability; Third Party Claims; Property; Motor Vehicles; Engineering; Terrorism; Officials Indemnity and Professional Indemnity within agreed excess levels.

A bus operator has made a successful appeal against Havant Borough Council's Concessionary travel scheme for additional capacity costs relating to the period from 2007/08 to 2010/11. Additional capacity costs are costs claimed by a participating operator for providing a service over and above that which the operator would be reasonably expected to provide if there was no scheme. The estimated liability to the Council is £677,000 and the Council has made provision in the accounts for this claim.

	Insurance Fund	Concessionary Travel - additional capacity claim	Total
	£000	£000	£000
Balance outstanding at 1 April 2010	130	0	130
Additional provisions made during the year		677	677
Amounts used in the year	(41)		(41)
Balance outstanding at 31 March 2011	89	677	766

21. Usable reserves

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

22. Unusable reserves

	31 March 2010	31 March 2011
	£000	£000
Revaluation reserve	3,585	4,063
Capital adjustment account	47,764	58,718
Deferred capital receipts account	7	4
Pensions reserve	(53,940)	(38,100)
Collection fund adjustment account	14	17
Collection fund (residual community charge)	1	
Accumulated absences account	(135)	(83)
Total unusable reserves	(2,704)	24,619

Revaluation reserve:

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

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

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

		31 March 2010 £000		31 March 2011 £000
Balance outstanding at start of year		3,255		3,585
Upward revaluation of assets	563		1,111	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(93)		(484)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		470		627
Difference between fair value depreciation and historical cost depreciation		(140)		(149)
Balance outstanding at end of year		3,585		4,063

Capital adjustment account:

	31 March 2010 £000		31 March 2011 £000	
Balance outstanding at start of year		48,533		47,764
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(2,657)		(2,467)	
- Amortisation of intangible assets	(51)		(50)	
- Revenue expenditure funded from capital under statute	(328)		218	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14)		(31)	
		(3,050)		(2,330)
Adjusting amounts written out of the Revaluation Reserve		140		149
Net written out amount of the cost of non-current assets consumed in the year		(2,910)		(2,181)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	247		221	
- Repayments of loans to local organisations	(18)		(14)	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,358		5,395	
- Statutory provision for the financing of capital investment charged against the General Fund	537		600	
- Capital expenditure charged against the General Fund	17		33	
		2,141		6,235
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement				6,900
Balance outstanding at end of year		47,764		58,718

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

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

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

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

Pensions reserve:

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

	31 March 2010 £000	31 March 2011 £000
Balance outstanding at start of year	(38,660)	(53,940)
Actuarial gains or (losses) on pensions assets and liabilities	(12,690)	5,570
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,330)	8,550
Employer's pensions contributions and direct payments to pensioners payable in the year	1,740	1,720
Balance outstanding at end of year	(53,940)	(38,100)

Deferred capital receipts reserve:

The Deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital receipts reserve. This reserve represents the two remaining mortgage balances on sold council houses.

	31 March 2010 £000	31 March 2011 £000
Balance outstanding at start of year	15	7
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	(3)
Balance outstanding at end of year	7	4

Collection fund adjustment account:

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

	31 March 2010 £000	31 March 2011 £000
Balance outstanding at start of year	(2)	14
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	16	3
Balance outstanding at end of year	14	17

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, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

		31 March 2010 £000		31 March 2011 £000
Balance outstanding at start of year		(118)		(135)
Settlement or cancellation of accrual made at the end of the preceding year	118		135	
Amounts accrued at the end of the current year	(135)		(83)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(17)		52
Balance outstanding at end of year		(135)		(83)

23. Net cash flow from operating activities

The cash flows for operating activities include the following items:

	2009/10 £000	2010/11 £000
Interest received	73	83

24. Net cash flow from investing activities

	2009/10 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,880)	(5,984)
Purchase of short-term and long-term investments		
Capital grants received	976	4,845
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	266	11
Other receipts from investing activities	28	14
Net cash flows from investing activities	(610)	(1,114)

25. Net cash flow from financing activities

	2009/10 £000	2010/11 £000
Net (increase) / decrease in short term investments	1,500	1,000
Net increase / (decrease) in national non-domestic rates cash	(1,407)	(393)
Net increase / (decrease) in preceptors share of council tax cash	109	91
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(15)	(15)
Net cash flows from financing activities	187	683

26. Amounts reported for resource allocation decisions

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- income and expenditure from investment properties is included in Customer and Support Services but has been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

Service Head Income and Expenditure 2010/11	CEO and Directors Office £000	Development & Technical Services £000	Environmental Services £000	Regeneration £000	Resources £000	Customer and Support Services £000	Organisational Development £000	Total £000
Total Income	233	3,026	1,918	533	41,613	1,525	89	48,937
Employee expenses	814	2,606	4,663	1,344	1,318	2,326	1,469	14,540
Other service expenses	27	2,777	1,549	1,245	42,508	2,135	1,643	51,884
Total Expenditure	841	5,383	6,212	2,589	43,826	4,461	3,112	66,424
Net Expenditure	608	2,357	4,294	2,056	2,213	2,936	3,023	17,487

Service Head Income and Expenditure 2009/10	CEO and Directors Office £000	Development & Technical Services £000	Environmental Services £000	Regeneration £000	Resources £000	Customer and Support Services £000	Organisational Development £000	Total £000
Total Income	42	2,862	2,116	693	39,231	1,628	43	46,615
Employee expenses	383	2,418	5,104	1,279	1,207	2,468	1,554	14,413
Other service expenses	26	2,356	1,952	1,341	40,181	2,021	1,338	49,215
Total Expenditure	409	4,774	7,056	2,620	41,388	4,489	2,892	63,628
Net Expenditure	367	1,912	4,940	1,927	2,157	2,861	2,849	17,013

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

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

	2009/10 £000	2010/11 £000
Net expenditure in the Service Head analysis	17,013	17,487
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	3,143	(8,823)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(43)	(43)
Cost of Services in Comprehensive Income and Expenditure Statement	20,113	8,621

Reconciliation to Subjective Analysis

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

2010/11	Service Head analysis £000	Amounts not reported to management in the analysis £000	Amounts not included in the I&E £000	Total £000
Total Income	48,937		43	48,980
Employee expenses	14,540			14,540
Other service expenses	51,884			51,884
Depreciation, amortisation and impairment		2,517		2,517
Accumulated absences provision		(52)		(52)
Capital Grants and Contributions		2		2
IAS19 Pension Adjustment		(12,060)		(12,060)
Other operating expenditure (Note 9)		97		97
Financing and Investment Income and Expenditure		(5,189)		(5,189)
Taxation and non specific grant income (Note 11)		(23,585)		(23,585)
Total Expenditure	66,424	(38,270)		28,154
Surplus or deficit on the provision of services	17,487	(38,270)	(43)	(20,826)

2009/10	Service Head analysis £000	Amounts not reported to management in the analysis £000	Amounts not included in the I&E £000	Total £000
Total Income	46,615		43	46,658
Employee expenses	14,413			14,413
Other service expenses	49,215			49,215
Depreciation, amortisation and impairment		2,708		2,708
Accumulated absences provision		17		17
Capital Grants and Contributions		84		84
IAS19 Pension Adjustment		(450)		(450)
Other operating expenditure (Note 9)		(195)		(195)
Financing and Investment Income and Expenditure		2,976		2,976
Taxation and non specific grant income (Note 11)		(19,911)		(19,911)
Total Expenditure	63,628	(14,771)		48,857
Surplus or deficit on the provision of services	17,013	(14,771)	(43)	2,199

27. Officers' Remuneration

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

Post holder information		Notes	Salary (including fees & allowances)	Expenses Allowances	Benefits in Kind	Compensation for loss of office	Pension Contributions	Total Remuneration
			£	£	£	£	£	£
Chief Executive	2010/11	Note 1	125,000				23,875	148,875
	2009/10		115,025				16,679	131,704
Corporate Director A	2010/11	to 20/03/11	85,261			170,446	16,285	271,992
	2009/10		84,260				12,218	96,478
Corporate Director B	2010/11	to 31/03/11	84,903			96,069	16,216	197,188
	2009/10		84,903				12,311	97,214
Head of Resources	2010/11	to 31/03/11	64,426			160,838	11,858	237,122
	2009/10		74,202				10,759	84,961
Head of Environmental Services	2010/11	Note 2	0				0	0
	2009/10	to 31/07/09	21,427				3,985	25,412
Head of Environment and Neighbourhood Quality	2010/11	Note 3	37,500		108		7,163	44,771
	2009/10							
Head of Development and Technical Services	2010/11	Note 4	34,214		108		6,535	40,857
	2009/10		68,427				9,922	78,349
Head of Regeneration	2010/11	to 07/11/10	41,246		109	69,743	7,878	118,976
	2009/10		68,427		516		9,922	78,865
Head of Economy and Communities	2010/11	Note 5	37,500				7,163	44,663
	2009/10							
Head of Customer and Support Services	2010/11	to 31/12/10	52,370			78,738	9,802	140,910
	2009/10		68,427				9,922	78,349
Head of Organisational Development	2010/11	Note 4	34,214				6,535	40,749
	2009/10		68,427				9,922	78,349

*A senior employee is defined as an officer who earns a salary of more than £150,000 per annum, or is the designated head of the paid service, or is a statutory chief officer, or is any person having responsibility for the management of the council, to the extent that the officer has power to direct or control the major activities of the council, in particular activities involving the expenditure of money, whether solely or collectively with other officers.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1: With effect from 12th October 2010 the post of Chief Executive became a shared post with East Hampshire District Council. The cost of this post is split equally between both Councils. The amount received from East Hampshire towards the cost of this post during 2009/2010 was £34,926. However as the Chief Executive is an employee of Havant Borough Council the full costs are shown above. The amount received from East Hampshire District Council for 2010/2011 was £81,424.

Note 2: The post of Head of Environmental Services remained vacant to 30 September 2010 and was then deleted.

Note 3: The post of Executive Head of Environment and Neighbourhood Quality was effective from 01 October 2010 as part of the joint management team that is shared with East Hampshire District Council, which contributed £24,225 to Havant Borough Council for 2010/2011.

Note 4: The posts of Head of Development and Technical Services and Head of Organisational Development were deleted from 01 October 2010.

Note 5: The post of Executive Head of Economy and Communities was effective from 01 October 2010 as part of the joint management team that is shared with East Hampshire District Council, which contributed £24,175 to Havant Borough Council for 2010/2011.

Note 6: The posts of Head of Resources, Head of Regeneration and Head of Customer and Support Services were deleted on the dates shown above.

Note 7: East Hampshire District Council contributed £28,021 and £10,996 to Havant Borough Council in respect of Corporate Directors A and B respectively.

Note 8: The joint management team arrangements that came into effect on 01 October 2010 resulted in Havant Borough Council paying a contribution to the remuneration of senior officers employed by East Hampshire District Council as follows:

Executive Director	£29,500
Executive Head of Marketing and Development	£24,225
Executive Head of Planning and Built Environment	£24,225
Executive Head of Governance and Logistics	£8,195 (post occupied from 31 January 2011)

Note 9: Havant Borough Council received £181,478 from East Hampshire District Council as a contribution to the termination costs of senior managers employed by Havant Borough Council. Havant Borough Council paid £144,414 to East Hampshire District Council as a contribution to the termination costs of senior managers employed by East Hampshire District Council.

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

	Number of Employees	
	2009/10	**2010/11**
£55,000 - £59,999	1	2
£50,000 - £54,999	8	8

28. Members' Allowances

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

	2009/10 £000	2010/11 £000
Allowances	343	348
Expenses	5	6
Total	348	354

29. External audit costs

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

	2009/10 £000	2010/11 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	107	101
Fees payable in respect of statutory inspections	9	
Fees payable for the certification of grant claims and returns for the year	32	36
Total	148	137

30. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/10	2010/11
	£000	£000
Credited to taxation and non specific grant income		
HCC co-location capital grant		4,493
Revenue support grant	1,843	1,255
EA beach renourishment grant	1,088	74
LPSA2 reward grant	278	6
Planning delivery grant	118	
Department for children, schools and families grant		78
Aiming High for disabled children grant		30
Local authorities business growth incentive grant	78	
SUSTRANS grant	73	284
Area base grant	71	94
Crime reduction grant	50	
HCC playbuilder grant	50	50
Hampshire police CCTV contribution		4
New burdens grants		36
Planning delivery of core strategy grant		25
Developers contribution		113
Supplementary planning and green transport contributions	35	45
Other private sector contributions		10
Other HCC grants		73
Total	3,684	6,670

	2009/10	2010/11
	£000	£000
Credited to services		
Department for work and pensions benefits grant	38,335	40,022
Homelessness grant	110	74
Disabled facilities grant	600	926
Concessionary travel	335	344
EA beach recycling	138	71
DCLG support for town centres	53	
Equalities and diversity grant	17	12
Crime reduction grant	46	34
Food standards agency grant		11
English nature grant	7	8
New burdens grants	36	
HCC grant - sports unlimited	13	6
Total	39,588	41,508

The Authority has received a number of developers contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end included in Receipts in advance are £661,000 (2009/10: £743,000)

31. Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are detailed in Note 30.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 28. There were no known material related party transactions with councillors.

Officers

There were no known material related party transactions with officers.

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

Entities Controlled or Significantly Influenced by the Authority

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

- Havant & District Citizens Advice Bureaux – payment of a grant of £141,200 under a service level agreement.
- Havant Council of Community Service – payment of a grant of £73,300 under a service level agreement and payment of £116,100 towards the cost of providing meals to the elderly.

32. Interests in Other Entities

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

The Council has an interest in Portchester Crematorium Joint Committee which manages the operations of Portchester Crematorium. The Joint Committee is represented equally by the four constituent authorities, Fareham Borough Council, Havant Borough Council, Gosport Borough Council and Portsmouth City Council. Further information can be obtained from: The Treasurer to the Joint Committee, Civic Centre, Civic Way, Fareham. The accounts of this entity have not been consolidated into the financial statements of the Council.

Havant Borough Council's share of the net assets of Portchester Crematorium Joint Committee is £1,337,000 *(*£1,137,000 in 2009/2010*).* During 2010/2011 the Council received £135,000 from the Portchester Crematorium Joint Committee being its share of the distributable surpluses.

33. Capital Expenditure and Capital Financing

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

	2009/10	2010/11
	£000	£000
Opening capital financing requirement	5,565	5,708
Capital investment:		
- Property, plant and equipment	1,956	6,235
- Investment properties		
- Intangible assets		
Loans to local organisations	2	63
Revenue expenditure funded from capital under statute	328	(219)
Sources of finance:		
- Capital receipts	(247)	(221)
- Government grants and other contributions	(1,375)	(5,395)
Sums set aside from revenue:		
- Direct revenue contributions		(33)
- MRP	(537)	(600)
Movement in loans to local organisations	16	(48)
Closing capital financing requirement	5,708	5,490

	2009/10	2010/11
	£000	£000
Explanation of movements in year:		
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	127	(170)
Movement in Loans to Local Organisations	16	(48)
Increase/(decrease) in capital financing requirement	143	(218)

34. Leases

Authority as Lessee

Finance Leases

The Council has acquired a 98 year interest in a regional business centre under a finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet at £278,000 (2009/10 £284,000)

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

	31 March 2010 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	15	15
- non-current	1,297	1,282
Finance costs payable in future years	(1,064)	(1,049)
Minimum lease payments	248	248

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	15	15	15	15
Later than one year and not later than five years	52	52	60	60
Later than five years	181	181	1,237	1,222
Finance costs payable in future years			(1,064)	(1,049)
	248	248	248	248

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £9,000 contingent rents were payable by the Authority (2009/10 £9,000).

Operating Leases

The Authority has no rental obligations as lessee under operating leases.

Authority as Lessor

Finance Leases

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

Operating Leases

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

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

	31 March 2010	31 March 2011
	£000	£000
Not later than one year	1,087	1,074
Later than one year and not later than five years	4,083	3,925
Later than five years	58,412	57,796
	63,582	62,795

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

35. Impairment losses

During 2010/11, the Authority recorded no impairment losses. In 2009/10 impairment losses of £398,940 arose on the downward revaluation of the Civic offices and its Depot.

36. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £646,000 (£91,000 in 2009/10). Of this total, £576,000 is payable to senior officers of the council, as disclosed in Note 28, in the form of compensation for loss of office, of which £154,000 relates to enhanced pension benefits,. The remaining £70,000 is payable to four officers, who were made redundant and who were not senior officers.

37. Defined benefit pension schemes

Participation in Pensions Schemes
As part of the terms and conditions of employment of employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment, to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

Transactions Relating to Post-employment benefits

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

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £16,310,000.

	Local Government Pension Scheme	
	2009/10	2010/11
	£000	£000
Comprehensive Income and Expenditure Statement:		
Cost of Services:		
- current service cost	1,220	1,650
- past service costs	70	(11,990)
Financing and Investment Income and Expenditure:		
- interest cost	5,620	5,700
- expected return on scheme assets	(2,580)	(3,910)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,330	(8,550)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	12,690	(5,570)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	17,020	(14,120)
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(17,020)	14,120
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	1,740	1,720

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2009/10 £000	2010/11 £000
Opening balance at 1 April	84,890	113,680
Current Service Cost	1,220	1,650
Interest cost	5,620	5,700
Contributions by scheme participants	600	610
Actuarial gains and losses	25,160	(4,600)
Benefits paid	(3,880)	(4,070)
Past service costs	70	(11,990)
Closing balance at 31 March	113,680	100,980

Reconciliation of fair value of the scheme (plan) assets:

	2009/10 £000	2010/11 £000
Opening balance at 1 April	46,230	59,740
Expected rate of return	2,580	3,910
Actuarial gains and losses	12,470	970
Employer contributions	1,710	1,690
Contributions by scheme participants	600	610
Benefits paid	(3,850)	(4,040)
Closing balance at 31 March	59,740	62,880

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £4,880,000 (2009/10: £15,050,000).

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present Value of Liabilities in the Local Government Pension Scheme	(89,960)	(82,770)	(84,890)	(113,680)	(100,980)
Fair value of assets in the Local Government Pension Scheme	57,720	59,550	46,230	59,740	62,880
Surplus/(deficit) in the scheme:	(32,240)	(23,220)	(38,660)	(53,940)	(38,100)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £38,100,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 are £1,680,000.

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 Hampshire Pension Scheme liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2009/10	2010/11
	%	%
Long-term expected rate of return on assets in the scheme:		
Equity investments	8.0	8.4
Property	8.5	7.9
Government bonds	4.5	4.4
Corporate bonds	5.5	5.1
Cash	0.7	1.5
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.3	23.8
Women	24.3	24.8
Longevity at 65 for future pensioners:		
Men	24.7	25.6
Women	26.5	26.7
RPI inflation	3.8	3.7
CPI inflation	N/A	2.8
Rate of increase in salaries	5.3	5.2
Rate of increase in pensions	3.8	2.8
Rate of increase to deferred pensions	3.8	2.8
Rate for discounting scheme liabilities	5.5	5.5

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2009/10	2010/11
	%	%
Equity investments	61.3	63.4
Property	6.1	7.3
Government bonds	24.4	23.3
Corporate bonds	2.4	1.7
Cash	5.8	4.3
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	(0.1)	(0.6)	(34.5)	20.90	1.50
Experience gains and losses on liabilities	0.30	(3.0)	(0.6)	1.20	4.20

38. Contingent liabilities and contingent assets

At 31 March 2011 the authority has the following material contingent liabilities:

On the 30 September 1992, the Council's insurers, M.M.I Limited, announced that they had ceased taking on new business or issuing renewals and had placed a moratorium on claims payments. On 6 October 1992, M.M.I resumed the full payment of claims but no new business was accepted and existing policies were not renewed.
On 21 January 1994, a contingent scheme of arrangement became effective for the company. Under the terms of the scheme the company will continue to pay all creditors in full and be managed by the directors unless at any time in the future a solvent runoff cannot be foreseen, at which point the payment provisions of the scheme were to be triggered and management of the company would pass to the scheme administrator. Under the provisions of the scheme the largest insurance creditors of the company would suffer a reduction in the level of their claim payments and a partial claw back of claims paid since 1 October 1993, which would correspond to the level of deficit. In return for agreeing to enter into the agreement, the scheme creditors and the policy holders protection board are entitled to commission up to a total of £30m split in proportion to claims paid since 1 October 1993. This commission will be the first call upon any surplus that the company may have immediately prior to the final winding up of the company and ahead of any distribution to members.
The director's report within the last MMI accounts indicates that the company feels that all the outstanding claims will be met in full and therefore no provision has been made within the balance sheet.
However, in the event of a clawback of claims, the Council's maximum liability would be £154,000.

It is possible that Land Search information will have to be provided free of charge under the Environmental Information Regulations 2004 (EIR). The potential liability for to the Council should it have to repay personal search fees received since 1st January 2005 amounts to £149,577.

The council operates a rent deposit guarantee scheme under which it guarantees rent deposits payable by tenants to landlords in order to assist them to obtain rented accommodation as part of the council housing strategy. If all of these guarantees where called upon the council's potential liability would be in the order of £152,000.

There were no contingent assets.

39. Nature and extent of risks arising from financial instruments

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

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

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

Credit Risk

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

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise. The Council has experienced no loss arising from defaults on its investments during the last five years.

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

No credit limits were exceeded during the reporting period.

Liquidity Risk

The Council has no borrowing at 31st March 2011. Borrowings take place exceptionally to meet short term cash flow needs. In the event of an unexpected cash requirement the authority has ready access to borrowings from the money markets to cover any day to day cash flow need.

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

Market Risk

Interest Rate Risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 70% of its borrowings in variable rate loans. Due to the nature of the investments held at 31 March 2011, the authority was not exposed to significant interest rate risk.

Price Risk

The Authority does not invest in equity shares.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

40. Agency Services

The Council is responsible for aspects of highway maintenance within the borough on behalf of Hampshire County Council. The Council spent £485,100 in respect of highway revenue works (£473,400 in 2009/10). The County Council reimburses the Council for this work together with a contribution towards revenue administrative costs. Agency works expenditure is not included in the Income and Expenditure Account but administration costs and the associated County Council reimbursement are included.

The Council has entered into an agency agreement with Hampshire County Council for the enforcement of parking control. The net cost of this service was £157,500 during 2010/11 (£219,100 in 2009/10); all net costs are included within the Income and Expenditure Account. The County Council does not reimburse the Borough for these net costs; however, any cumulative net costs can be reimbursed from any future surplus of income arising from parking enforcement.

41. Events after the Balance Sheet Date

The Statement of Accounts was approved by the Responsible Finance Officer on 30th June 2011, and this is the date up to which events after the balance sheet date have been considered for inclusion in the Accounts. No post balance sheet events have been identified for 2010/11.

42. Authorisation of the statement of accounts

The Statement of Accounts was approved by the Responsible Finance Officer on 30th June 2011.

COLLECTION FUND

2009/2010		Note	2010/2011
£000's	**Income**		£000's
51,769	Income from Council Tax (net of benefits)	2	52,664
8,996	Council Tax Benefits		9,424
26,003	Income collectable from Business Ratepayers	3	26,482
86,768			88,570
	Expenditure		
60,314	Precepts from Police Authority, Fire Authority, County and District Councils	4	61,592
-	Distribution of previous year's estimated surplus		101
	Business Rate:		
25,859	Payment to National Pool		26,339
144	Costs of collection		143
331	Provision for bad and doubtful debts		376
86,648			88,551
	Movement on Fund Balance		
12	Deficit brought forward		(108)
86,648	Expenditure		88,551
86,660			88,443
(86,768)	Income		(88,570)
(108)	(Surplus)/Deficit carried forward	4	(127)

NOTES TO THE COLLECTION FUND

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

2. Council Tax is calculated by reference to the valuation band appropriate to each chargeable dwelling; the total yield being determined by what is known as the band D equivalent. The band D charge in 2010/2011 was £1,438.29. The Council Tax base was as follows:-

	*Band A	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
No. of Properties	-	8,025	13,604	12,195	9,653	5,437	2,374	929	38
Equivalents after exemptions, etc	10	6,490	12,005	10,942	8,686	4,955	2,199	850	25
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9
No. of Band D Equivalents	6	4,327	9,337	9,726	8,687	6,056	3,176	1,417	50
Band D Equivalents					42,782				
Contributions in lieu of armed forces accommodation					41				
Tax Base					42,823				

* after disabled reduction

3. **Non-Domestic Rateable Value and Rate Multiplier**

The total non-domestic rateable value at the 31 March 2011 was £81,924,016 and the national non-domestic rate multiplier for the year was 41.4p and 40.7p for small businesses. The income collectable was considerably lower than the gross yield as a result of retrospective adjustments in respect of reductions made to rateable values, provisions for non-collection and various reliefs awarded.

4. **Precepts and Demands on the Collection Fund**

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

NOTES TO THE COLLECTION FUND

	2009/2010	---------------2010/2011---------------		
	Total £000's	Precept / Demand £000's	Share of 31st March 2011 Surplus £000's	Total £000's
Hampshire County Council	43,527	44,445	92	44,537
Hampshire Police Authority	6,076	6,263	13	6,276
Hampshire Fire & Rescue Service	2,578	2,628	5	2,633
Havant Borough Council	8,241	8,255	17	8,272
	60,422	61,591	127	61,718

5. Arrears

A summary of Council Tax / NNDR arrears (including court costs) and bad debt provisions are shown below.

Gross arrears outstanding	Arrears 31/03/2011	Provision for Doubtful Debts 31/03/2011	Arrears for which no provision had been made 31/03/2011	Arrears for which no provision had been made 31/03/2010
	£ 000's	£ 000's	£ 000's	£ 000's
Council Tax	3,491	1,987	1,504	1,691
Non Domestic Rates	452	227	225	300
Total	3,943	2,214	1,729	1,991

6. Write Offs

A summary of amounts written off for Council Tax and NNDR (excluding court costs) are shown below.

Amounts written off	2009/2010	2010/2011
	£000's	£000's
Council Tax	244	225
Non Domestic Rates	249	190
Total	493	415
Council Tax Credit Balances written back	(12)	(28)

ANALYSIS OF 2010/11 SERVICE EXPENDITURE

	Expenditure £000's	Income £000's	Net £000's
Central Services to the Public			
Local tax collection	10,569	9,986	583
Elections	287	2	285
Emergency planning	96	0	96
Local land charges	142	164	(22)
General grants, bequests and donations	353	0	353
Other central services to the public	49	0	49
	11,496	10,152	1,344
Cultural, Environmental and Planning Services			
Cultural and heritage	228	30	198
Recreation and sport	1,722	301	1,421
Community parks and open spaces	2,126	318	1,808
Tourism	158	8	150
Cemetery and cremation services	341	312	29
Coast protection	687	122	565
Environmental health	2,147	323	1,824
Community safety	581	20	561
Waste collection	2,544	617	1,927
Street cleansing	1,121	16	1,105
Building control	549	262	287
Development control	1,419	311	1,108
Planning policy	836	0	836
Economic development	581	245	336
Other cultural, environmental and planning services	958	11	947
	15,998	2,896	13,102
Highways, Roads and Transport Services			
Transport planning policy and strategy	88	0	88
Highways/roads (structural)	0	8	(8)
Highways/roads (routine)	815	213	602
Parking services	1,120	1,400	(280)
Public transport	2,409	396	2,013
Other highways, roads and transport services	15	0	15
	4,447	2,017	2,430
Housing Services			
Private sector housing renewal	1,020	926	94
Homelessness	391	107	284
Housing benefits payments	29,089	29,305	(216)
Housing benefits administration	1,788	1,014	774
Other housing services	319	0	319
	32,607	31,352	1,255
Social Services			
Meals	123	94	29
	123	94	29
Corporate and Democratic Core			
Corporate Management	792	14	778
Democratic representation and management	1,595	0	1,595
	2,387	14	2,373
Unapportionable Central Overheads	(11,912)	0	(11,912)
GRAND TOTAL	55,146	46,525	8,621