

Havant Borough Council

**DRAFT FINANCIAL REPORT AND
STATEMENT OF
ACCOUNTS**

2019/20

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NARRATIVE REPORT

Introduction

The Statement of Accounts for Havant Borough Council for the year ended 31 March 2020 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

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

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts. The deadline for completion of the accounts is 31 May for the unaudited statement of accounts and 31 July for the audited statement of accounts. The Council is required to publish unaudited accounts by the end of May and Audit Committee will need to approve audited accounts by the end of July 2020.

As a result of the global pandemic and subsequent pressures put on Local Authorities the statutory deadline of 31 May for the draft Statement of Accounts has been changed by central Government and the first draft of the statutory accounts must now be approved by 31 August with the final audited accounts published by 30 November.

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

This narrative report is structured as follows:

1. An Introduction to Havant
2. Covid 19
3. Summary of Achievements
4. Governance
5. Summary of the 2019/20 Financial Performance of the Council
6. Strategic Risks
7. Liability for Pensions Costs
8. Future Plans
9. Material assets/liabilities
10. Explanation of the Financial Statements
11. Acknowledgements

1. An Introduction to Havant Borough

The Borough of Havant is nestled between the South Downs and the Solent, covering approximately 55km² of south-eastern Hampshire. There are roughly 125,000 people living in the semi-urban borough, which benefits from 60km of coastline and more than 5 times the UK average of green urban space. The borough has a strong history of industry, is home to more than 4,000 businesses, and has excellent road and rail connections to London, Southampton, Portsmouth and Brighton. However there are pockets of deprivation within the borough which score poorly for educational attainment, health and wellbeing.

Havant Borough Council is comprised of 38 councillors (elected by thirds) and operates according to the leader and cabinet model. In 2019-20 the Council has been controlled by a Conservative majority, with two Labour councillors, two UKIP councillors and one Liberal Democrat councillor.

The councillors are supported by 219 full time equivalent members of staff, who co-ordinate the provision of more than 70 services from the Public Service Plaza in the centre of Havant. The Council’s Constitution sets out the

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committee structure, scheme of delegation and other important regulatory matters, and has been thoroughly reviewed throughout 2019-20 to ensure that it remains an effective, streamlined document.

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

Havant Borough Council shares its Chief Executive and senior management team with the neighbouring East Hampshire District Council. The Council also understands the benefits of partnership working in enhancing people's lives and intends to develop its existing arrangements further in the years to come.

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2. Covid 19 PANDEMIC

Background

The Covid-19 pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 23 March 2020, has meant that many of the businesses in the Borough have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's income. Furthermore, the Council has had to put considerable resources into ensuring that residents are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

Financial Impact

These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The Council is expecting substantial losses across many of its largest streams of income. These include parking, licensing fees and planning fees. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances. On the expenditure front some of the key areas of additional pressure will include accommodation and support for rough sleepers. It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial – even after the Government's emergency Covid-19 funding for local authorities is taken into account. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has sought in recent years to build up the general fund balance to ensure the Council is financially resilient in a recession. The Council is therefore in a position to draw upon its general fund reserve balance in 2020/21 to balance its budget. The Council has reset its Medium Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's strategic objectives. The Covid-19 crisis has meant that the Council has had to review what its most critical services are and which are required to still be operational even during a global pandemic. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change going forward.

We have considered the impact on the Council's finances as an event after the balance sheet date (note 29 on page 94).

Summary

The coronavirus pandemic has had a profound impact on all aspects of life in Havant. Through 2020/21 the Council will adopt a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. Anticipated impacts for example include an increased need for employment services and regeneration, homelessness prevention, and business support services.

3. Summary of Achievements

The Corporate Strategy

Havant Borough Council sets out its strategic aims and objectives in its Corporate Strategy, which articulates its mission 'to ensure that the communities of Havant will be increasingly prosperous, vibrant and active' (Corporate Strategy 2015-20). The strategy is composed of five interlinked themes: economic growth, public service excellence, financial sustainability, environmental sustainability, and creativity and innovation.

During 2019-20 the Council has developed a revised Corporate Strategy to cover the period from 2020 to 2024. This reiterates the Council's mission to enhance the lives of our residents, businesses and visitors and is structured by the following five themes:

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- Environmentally aware and cleaner district
- A safe environment, healthier and more active residents
- A thriving local economy
- A revitalised district with infrastructure that meets our ambitions
- A sustainable Council

The delivery of this new Corporate Strategy will be supported by a Corporate Action Plan which will be produced on an annual basis and will detail the objectives and commitments made for the forthcoming financial year.

The Corporate Strategy is supported by a policy and strategy framework which includes the Local Plan and provides additional operational context to our overarching strategic objectives.

The Council has achieved many of the performance targets it set for 2019/20 as well as delivering many projects and initiatives.

Environmentally aware and cleaner district

The Council's environmental services continue to be provided by the joint venture partnership Norse SE. The quality of service remained high throughout 2019-20 with the proportion of missed bins below 1% of all bins, and recycling continues to be encouraged with flyers being sent out to remind residents what can and can't be recycled.

The Council has begun working with Portsmouth Water to establish a memorial woodland at the proposed Havant Thicket Reservoir site. More than 3,000 trees will be planted by summer 2020, creating a peaceful space for local residents to enjoy as well as providing valuable new wildlife habitat. The intention is for a reservoir to be built on the site to increase the resilience of water supplies for years to come and this will also create a green recreation space for residents. The ongoing issue of nutrient neutrality in the borough has affected the production of the 2036 Local Plan, however, the Planning Policy team have responded by preparing a substantial mitigation plan to ensure that future development in the borough is sustainable and the Council is considering how its assets might be deployed to assist with this. Unfortunately, the onset of Covid-19 during the last quarter of 2019-20 poses another significant challenge to the Local Plan timeline, with Council meetings, examination hearings and referenda being put on hold due to the public health risk. The Council remains committed to facilitating sustainable development and will continue its Local Plan work, where possible, to enable economic recovery to proceed once the immediate crisis has passed.

The borough's extensive coastline requires specialist management which is co-ordinated by the Eastern Solent Coastal Partnership, an alliance between Fareham Borough Council, Gosport Borough Council, Portsmouth City Council and Havant Borough Council. Progress has been made against all the Coastal team's major projects in 2019-20, including the Hayling Island Funding and Implementation Strategy, which was successfully recommended for approval from the Environment Agency in December 2019. In spring 2020, a programme of timber groyne replacement and beach recycling (redistributing sand and shingle along the beach to counteract the effects of erosion) was carried out along Eastoke beach in order to protect local properties and infrastructure from coastal flooding. Other coastal management works carried out by the Coastal Partnership in 2019-20 included health and safety works at Ferry Road and West Beach and improvements to the HBC beach compound. Ongoing coastal erosion is a threat to the communities and recreational assets of Hayling Island and the Coastal team are committed to managing this risk in a sustainable and appropriate manner. Working in partnership with the neighbouring local authorities means this work can be carried out in a synergistic way resulting in substantial savings for all the councils involved

A safe environment, healthier and more active residents

The Council's efforts to enhance residents' lives by encouraging active, healthy and safe lifestyles continued throughout 2019-20. We know that four of our wards are among the 10% most deprived wards in the country (according to the Index of Multiple Deprivation) and have therefore facilitated a programme of community activities aiming to improve the lives of people living in these wards as well as in the rest of the borough.

The Get Up and Go programme has continued to promote an active lifestyle for the over 55s. The Council's Insight team have been working with the Communities team to facilitate focus groups and activity diaries so that we can better understand how participants engage with the programme and what factors affect its success – an essential step towards designing programmes to be resilient and sustainable for the future.

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In October 2019 the Hampshire Sports Conference was hosted by the Council, with 80 participants attending from across the county. The event focused on thinking and delivering coaching differently and involved engagement workshops, networking opportunities and an address from guest speaker Olympic medallist Gail Emms MBE.

The annual Junior Citizen event in November 2019 saw hundreds of Year 6 pupils from across the borough given advice on being a good citizen, keeping safe in the home, respecting wildlife, ensuring beach safety and other key messages promoting safety and responsibility. Run in collaboration with the Safer Havant Partnership, a multi-agency partnership seeking to reduce anti-social behaviour and crime in the borough, this event is part of a programme that aims to involve young people in issues of community safety.

In May, the Council granted more than £12,000 of CIL funding to Leigh Park Community Centre for refurbishment. The centre hosts play sessions, art and craft activities, film evenings and many other events, as well as a food bank supporting the local area. In August, Age Concern Hayling Island were granted £24,000 worth of developers' contributions to refurbish their kitchen, enabling them to continue to provide lunch clubs for local elderly residents.

Having signed up to the Dementia Friends initiative, the Council has hosted monthly dementia awareness sessions throughout the year to help educate our communities about the challenges dementia can bring. In addition, a review of the Plaza campus and car park was conducted by Dementia Friendly Hampshire. Our facilities scored highly, based on factors such as availability of blue badge parking, clear signage, accessibility of toilets and natural lighting.

The expansion of the Havant Community Lottery has continued in the past year, having raised £66,000 to support 80 local charitable organisations as of February 2020.

Volunteers from across the borough were celebrated at the Havant Volunteer Awards in June 2019, an event that showcased the fantastic work being carried out in our communities.

The Council continues its financial support of Citizens Advice Havant, which delivers free impartial information and advice to residents experiencing issues such as housing, debt or welfare benefits. In November, the Council took part in Purple Tuesday, a campaign to improve the customer experience for people with disabilities, pledging to deliver disability awareness training to all staff so they know how best to accommodate residents with disabilities. This was accompanied by an accessibility review of our website.

Housing affordability and homelessness continue to be a concern in Havant borough and we recognise that these are complex issues. In 2019-20 the Housing team worked with 910 households facing housing difficulties and were able to provide sufficient intervention to keep the vast majority of these cases from homelessness, with only 9 cases accepted as homelessness. 90 affordable homes were delivered throughout the year. Poor market conditions and ongoing issues with nutrient neutrality affecting development in the borough have affected the housing supply, but our teams are working hard to mitigate this and hope to make substantial progress towards the provision of more affordable housing in the coming years. The Hampshire Home Choice Allocations Policy was reviewed in Q1 to ensure that it reflects best use of stock and local issues. Going forwards, local policies will be reviewed quarterly to ensure that issues can be addressed and an appropriate level of 'churn' maintained. Our new Homelessness and Rough Sleepers Strategy (2019-2024) was approved at full Council in January 2020. Accompanied by an Action Plan which builds on the work already accomplished by the Housing team since the introduction of the Homelessness Reduction Act, the strategy focuses on early intervention and sustainable housing solutions.

In 2019, a joint bid with East Hampshire District Council was successful in securing funding to help reduce rough sleeping in the borough. New outreach officer posts, fully funded by the Rough Sleeper Initiative, will help to signpost vulnerable residents to services and co-ordinate the services available. It is hoped that this, along with other early intervention initiatives, will reduce homelessness in the borough and ensure we can continue to supply appropriate support to those in need.

A thriving local economy

Supporting the Council's long term regeneration ambitions, the Havant Business Partnership was established in March 2019 to provide a definitive business networking forum for the borough. Provided in collaboration with Havant and South Downs College and the Solent LEP, it aims to bring together the borough's key employers to discuss the challenges facing them and the opportunities for improving skills and aspirations in the area. It is hoped that this will be of mutual benefit to the local workforce as well as these businesses and will encourage a thriving local economy. Regular networking events are expected to continue throughout the next year and the partnership will evolve over time to fulfil the needs of the borough's enterprises.

Over the last year, 20 residents have been supported through a specialist back-to-work scheme teaching practical construction skills. The Employment Learning and Skills Service is funded by Havant Borough Council using developer's contributions and is open to anyone currently out of work or looking to retrain. Of the 20 residents who

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completed the scheme, 15 went straight into employment – a brilliant result. We hope to build on Havant's rich history of industry and manufacturing by facilitating such programmes in the future.

A revitalised district with infrastructure that meets our ambitions

In December 2019 the Council completed its purchase of the Meridian shopping centre, a key strategic site for the regeneration of Havant town centre. Providing rental income for the Council as well as the opportunity to make the best use of the shopping centre's prime retail and office space,

this investment marks an important stage in the progress of the Council's ambitious regeneration plans. The subsequent launch of the Have with Havant campaign in February 2020 was the culmination of many months of effort from the Regeneration and Communications teams. Building on the long-term strategic vision for the regeneration of the borough set out in the Council's Regeneration Strategy published in 2018, the new website and promotional video provide a hub for residents, investors and businesses to learn about the aspirations that the Council has for its key redevelopment projects.

The Public Service Plaza in Havant town centre has continued to act as a hub for several important public and private sector partners as well as the Council, allowing staff to realise the benefits of integrated working. The Plaza, with its impressive atrium, quality conference suite and office space for hire, is a key asset for the Council and we have ambitious plans for maximising the benefits of the site. Following the agreement of a £3.4million funding deal with Homes England in 2018-19 to build more than 100 homes on the site of the car parks adjoining the Plaza, several bidders have expressed interest in taking forward the project. The revised tenders for the development, which will benefit from excellent rail links, nearby leisure facilities and proximity to the town centre, will be submitted later in 2020.

A sustainable Council

With central government funding in the form of the New Homes Bonus projected to decrease to zero over the next five years, Havant Borough Council has continued to demonstrate its commitment to public service excellence in the face of financial pressures by taking advantage of commercial opportunities and responsible investment.

The expansion of its joint venture partnership Norse SE, which began providing environmental services for East Hampshire District Council on 1st October 2019, is representative of the Council's continued efforts to achieve mutual benefits through partnership working. The mobilisation of this contract was successfully carried out with no adverse impacts on the waste collection, grounds maintenance, street cleaning and public convenience cleansing services provided in Havant borough, and provided an opportunity to secure a revised service agreement specifying high standards for the quality of the services to both Councils.

Having secured the relevant commercial licences, the Coastal team at the Council have now begun conducting land-based survey commissions using unmanned aerial vehicles. This provides an income stream for the Council as well as providing other local authorities with a high quality specialist service.

Work continues to encourage digital channel shift in communicating with residents. Our social media following has continued to increase throughout the year, as has the number of visits to our website. The Council reached thousands of residents in November by taking part in #OurDay, a 24 hour social media showcase of people working in local public services. Following an audit of our website accessibility, a number of changes have been made including improved mobile functionality and increased colour contrasts to assist those with visual impairments.

The Council is committed to providing high quality service which is accessible online. Our Digital Strategy, which has been developed throughout 2019-20, focuses on redesigning the way we communicate with and provide services to residents and businesses. With customers increasingly expecting services to be available at a time and place that is convenient to them, our digital-by-default approach will be an integral part of making Council services modern, accessible, efficient and sustainable. As the Council moves towards becoming a digital organisation, our Customer Access Strategy will be key to ensuring that our resources can be targeted to help those who cannot access digital channels.

Our staff are a key asset of our Council and ongoing personal and professional development is integral to the sustainability of the organisation. All staff completed information governance e-learning courses in early 2020 to ensure that data security standards remain high. The Organisational Development team has conducted a thorough review of the HR provisions at the Council and procurement has taken place for a learning and development provider (including e-learning) which will be rolled out in 2020-21. Alongside this work, quarterly leadership conferences

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(Lessons in Leadership), our achievement recognition scheme You're a Star, and the use of the Staff and Leadership Competency Frameworks have continued.

The Council acknowledges that it operates within an environment that is both challenging and changing. It is committed to continuous improvement as well as a programme of transformation and redesign to ensure that it can still offer services that enhance the lives of residents, businesses and visitors. It is more important than ever before that we manage our resources wisely and conduct our business in a sustainable manner

Key Business Indicators

The table below contains some of our key corporate performance indicators in 2019-20, with comparison figures from 2018-19 and the average for local authorities in England.

| Key Performance Indicator | 2018-19 | 2019-20 | National average (source: LG Inform, 2018-19) |
|---|----------------|----------------|--|
| Business Rates collection rate | 99.2% | 99.2% * | 98.3% |
| Council Tax collection rate | 96.8% | 96.9% * | 97.2% |
| Major planning applications decided within 13 weeks or agreed extension | 95% | 100% | 89% |

*Collection rates were impacted by the emergence of the Covid-19 pandemic in March 2020 which resulted in direct debits being cancelled and enforcement action stalled.

4. Governance

Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved. For example, the Corporate Governance Board meets on a quarterly basis to discuss internal audit, risk management, health and safety, emergency planning, information governance, and any complaints received from the Local Government Ombudsman.

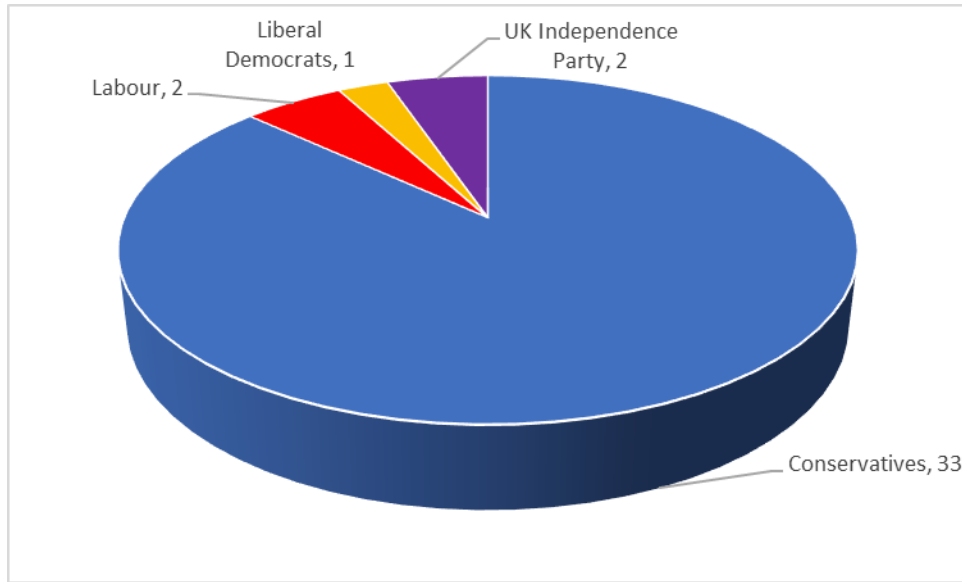
The Council

Havant Borough Council is made up of 38 councillors elected for four years. Councillors are democratically accountable to the residents of their ward.

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

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

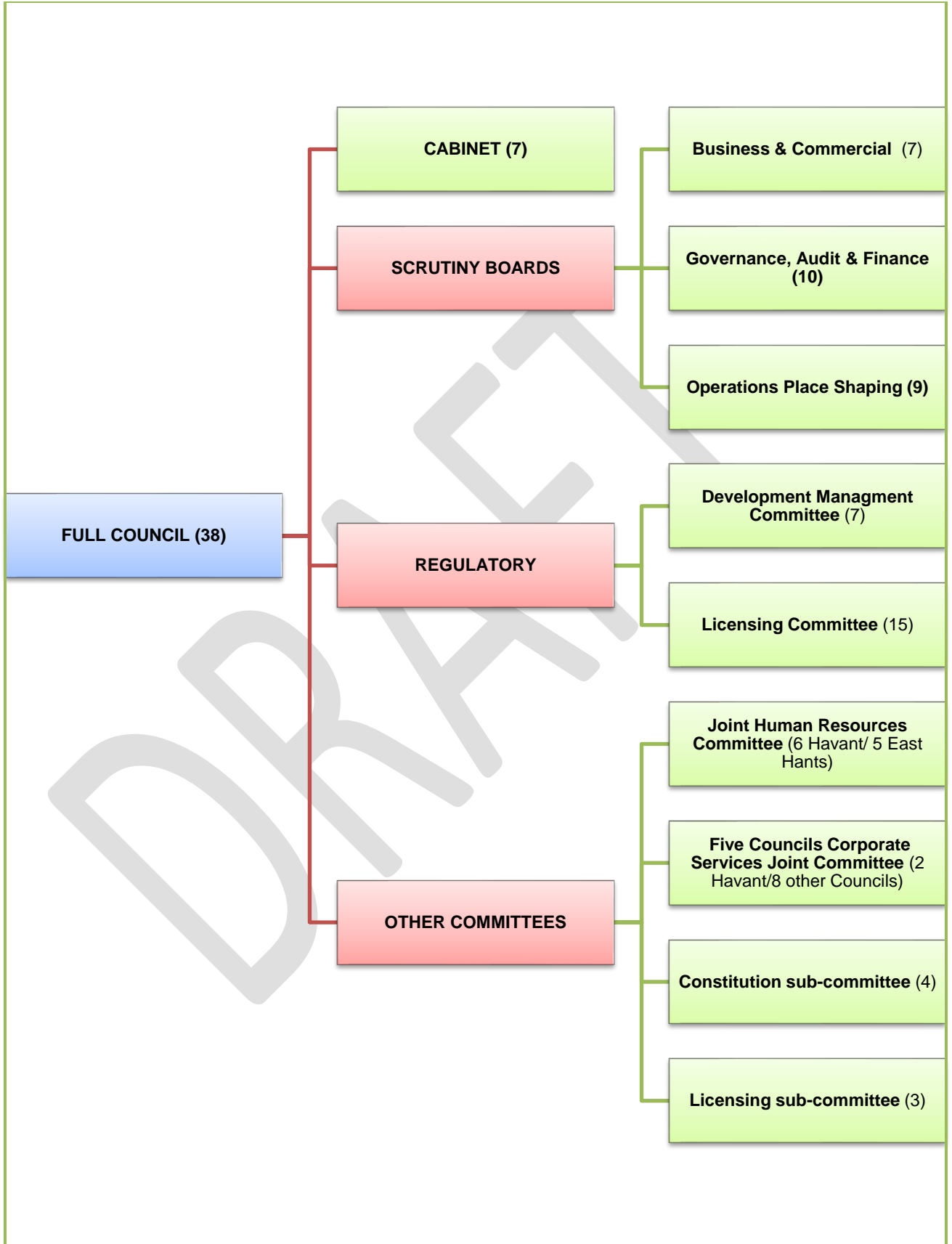
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The political make up of the members is shown in the table above.

All the Councillors meet together as Full Council and set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies Havant Borough Council that were in place during 2019/20.

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Cabinet

Havant Borough Council runs on a 'Leader and Cabinet' model. This works in the same way as the Prime Minister and Cabinet but on a local scale. The political party which has had the most councillors elected by the public forms the cabinet, and elects one of its members as the Leader (currently Councillor Wilson).

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

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

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

Business and Commercial Board

The Board is made up of 7 Councillors and met 6 times during the year.

The Board has the remit to;

- Review and scrutinise the decisions made relating to the Business & Commercial services including in-house commissioned and partnership services.

Governance, Audit & Finance Board

The Board is made up of 10 Councillors and met 7 times during the year.

The Board had the remit to;

- provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Operations and Place Shaping Board

The Board is made up of 7 Councillors and met 6 times during the year.

The Board has the remit to;

- Review and scrutinise the decisions made relating to the Business & Commercial services including in-house commissioned and partnership services.

Development Management Committee

The Committee is made up of 7 Councillors and normally meets monthly.

The majority of planning applications are dealt with by council officers under delegated powers from the Development Management Committee as they are relatively straight forward. Approximately 20% are referred to councillors to make a decision.

The Development Management Committee's function is:

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

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- Changes of use, for example a building changing from a newsagent to a fish and chip shop, are also deemed to be developments requiring planning consent.

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

Licensing Committee

The Committee is made up of 15 Councillors and meets as required. The Licensing Committee is responsible for licensing and registration functions.

The full list of matters includes:

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

Five Councils Corporate Services Joint Committee

Havant Borough Council has been party to procuring a range of Corporate Services in partnership with Hart District Council, Mendip District Council and South & Vale District Councils. The award to the supplier as agreed by Cabinet in February 2016.

The governance arrangements require the appointment of a Joint Corporate Services Committee. The purpose of this Committee is to oversee the strategic, financial and operational success of the procurement. There are 2 Councillors from HBC on the Committee with the remaining Committee made up of Councillors from the other authorities.

Joint HR Committee

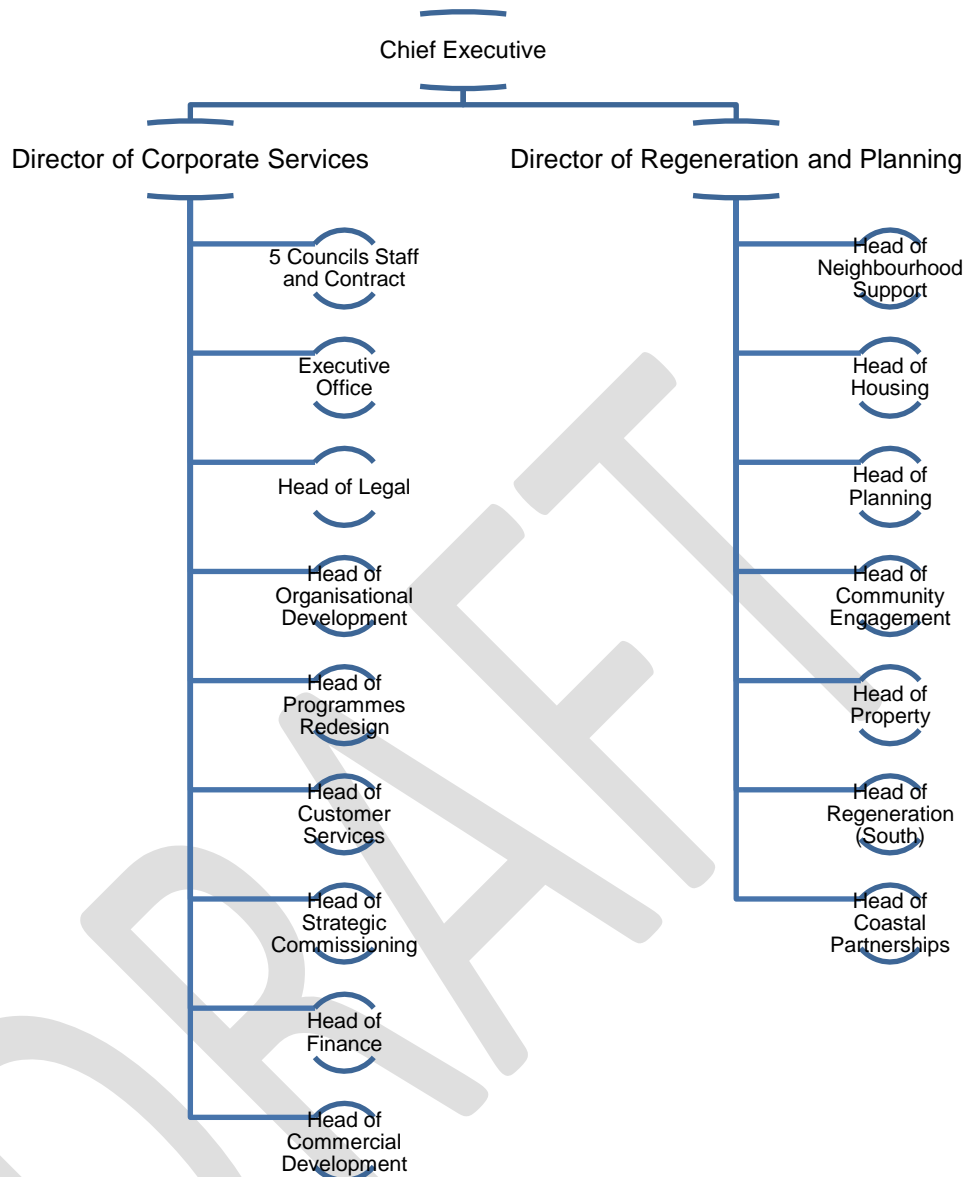
The Committee is made up of 5 Councillors from EHDC and 6 Councillors from HBC. The Committee met twice during 2019-20.

Management Structure

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

During the year a revised management structure was implemented. These changes have been reflected in the financial management reports of 2019/20 and the previous year has been restated for comparison purposes.

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Staffing

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

| Employees | 2018/19 | 2019/20 |
|--|------------|------------|
| Total number of current permanent full and part time employees | 238 | 248 |
| Total number of current temporary / fixed term employees | n/a | n/a* |
| Total number of employees | 238 | 248 |
| Total number of employees expressed as full time equivalents | 209 | 219 |

*- Not available

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| Posts | 2018/19 | 2019/20 |
|--|------------|------------|
| Total number of permanent full and part time posts | 248 | 266 |
| Total number of temporary / fixed term posts | n/a | n/a* |
| Total number of posts | 248 | 266 |
| Total number of posts expressed as full time equivalents | 219 | 235 |

Sickness and accident statistics are shown in the table below:

| | 2018/19 | 2019/20 |
|------------------------------------|---------|---------|
| Short term sickness (days per FTE) | 4.5 | 3.7 |
| Long term sickness (days per FTE) | 1.2 | 2.8 |
| Overall sickness (days per FTE) | 5.7 | 6.5 |

5. A Summary of the 2019/20 Financial Performance of the Council

General Fund

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year.

| | Final Budget | Outturn | Variation | Variation |
|--|--------------|---------|-----------|-----------|
| | £'000 | £'000 | £'000 | % |
| Director of Corporate Services | | | | |
| 5 Councils Staff and Contract | 326 | 216 | (110) | -33.7% |
| Executive Office | 345 | 338 | (7) | -2.0% |
| Head of Legal | 342 | 370 | 28 | 8.3% |
| Head of Organisational Development | 1,122 | 1,351 | 229 | 20.4% |
| Head of Programmes Redesign | 2,828 | 2,932 | 104 | 3.7% |
| Head of Customer Services | 3,157 | 3,342 | 185 | 5.9% |
| Head of Strategic Commissioning | 3,735 | 2,904 | (831) | -22.2% |
| Head of Finance | 885 | 857 | (28) | -3.1% |
| Head of Commercial Development | 32 | 144 | 112 | 353.4% |
| Director of Regeneration and Planning | | | | |
| Head of Coastal Partnerships | 183 | 187 | 4 | 2.2% |
| Head of Neighbourhood Support | (238) | 219 | 457 | -191.9% |
| Head of Housing | 938 | 164 | (774) | -82.5% |
| Head of Planning | 935 | 465 | (470) | -50.3% |
| Head of Community Engagement | 843 | 754 | (89) | -10.5% |
| Head of Property | (1,401) | (1,410) | (9) | 0.7% |
| Head of Regeneration (South) | 106 | 358 | 252 | 238.4% |

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| | | | | |
|--|-----------------|-----------------|----------------|----------------|
| Other Operating I&E (Corporate Pension Costs) | 853 | 941 | 88 | 10.3% |
| Total Cost of Services | 14,989 | 14,132 | (857) | -5.7% |
| Interest from Investments | 0 | (101) | (101) | |
| MRP | 0 | 156 | 156 | |
| Capital Expenditure Charged to Revenue | 121 | 176 | 55 | 45.5% |
| Net Cost of Services | 15,110 | 14,363 | (747) | -4.9% |
| Funded by: | | | | |
| Business Rates Retention | (5,023) | (5,262) | (239) | 4.8% |
| Council Tax Demand on the Collection Fund (inc precepts) | (8,326) | (8,339) | (13) | 0.2% |
| New Homes Bonus Grant | (1,587) | (1,586) | 1 | -0.1% |
| Other non specific grants | 0 | (46) | (46) | |
| Contributions to/(from) Earmarked Reserves | 623 | 5,570 | 4,947 | 794.1% |
| Contributions for carry forwards | (797) | (797) | 0 | 0.0% |
| Contributions to/(from) General Fund Balance | 0 | (3,903) | (3,903) | |
| | | | 0 | |
| Total Funding | (15,110) | (14,363) | 747 | -4.9% |
| Net Cost of Services | 15,110 | 14,363 | (747) | |
| Total Funding (less reserves) | (14,936) | (15,233) | (297) | |
| Net (Surplus) / Deficit | 174 | (870) | (1,044) | -599.6% |

The General Fund Revenue Budget outturn is a surplus of £0.870 million. When the budget was originally set in February 2019 the Council estimated it would need to make a contribution of £0.174 million from Earmarked Reserves in order to balance the budget. This therefore represents a £1.044 million variance. The main variances are detailed below:-

5 Councils Staff and Contract (£110,000) surplus

- (£110,000) savings on client team costs

Head of Organisational Development £228,000

- Extra costs from prior years following reconciliation of partner costs

NARRATIVE REPORT

Head of Programmes Redesign £104,000

- Increased costs of IT in preparation for Brexit but utilised for Covid 19

Head of Customer Services £185,000

- (£223,000) Savings due to vacancies across the service on posts that were not recruited to.
- £407,000 increase in bad debt provision

Head of Strategic Commissioning (£831,000) extra income

- One-off exception payment made of £950K re: Horizon Leisure

Head of Commercial Development £112,000 shortfall

- Shortfall due to reduced income in Building Control

Head of Neighbourhood Support £457,000 shortfall

- Reduction in car park income which was given a challenging income target which it failed to meet (£370K).

Head of Housing (£774,000) saving

- Council received additional flexible homelessness grant of £306K that will be used in future years to support prevention of homelessness. Remaining surplus in previous year's grant which was carried forward from 2018-19 but will now be placed in appropriate reserve for use going forward

Head of Planning (£470,000) surplus

- £145,000 slippage on the Local Plan costs
- The rest of the savings are due to adjustment to prior year CIL income

Head of Regeneration South £252,000 shortfall

- Correction of grant incorrectly coded to the budget

Other variations

- (£0.239m) net retained income from business rates due to reduced Levy

NARRATIVE REPORT

General Fund: Capital Programme

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

| | 2019/20 Original Budget Feb 19 £ (000) | 2019/20 Provisional Outturn £ (000) | 2019/20 Variance £ (000) |
|--|--|--|--------------------------------|
| Housing | | | |
| Disabled Facilities Grants | 1,628 | 714 | (914) |
| Operational Land and Buildings | | | |
| CIL Funded non-HBC assets | 0 | 445 | 445 |
| Refurbishment of HBC Play Equipped Areas | 0 | 67 | 67 |
| Front Lawn | 0 | 27 | 27 |
| Bartons Green Pavillion | 0 | 200 | 200 |
| FCERM Scheme | 0 | 16 | 16 |
| Investment Property | 0 | 4,392 | 4,392 |
| HaylingIslandBMA | 0 | 741 | 741 |
| BroadmarshFeasibilityStudy | 0 | 48 | 48 |
| LangstoneFCERM | 0 | 173 | 173 |
| WaterloovillePavilionFeasibity | 0 | 4 | 4 |
| HaylingSportsCentreExtension | 0 | 2 | 2 |
| AcornCentreExtension | 0 | 5 | 5 |
| LeighParkCommCtrRefurbishment | 0 | 7 | 7 |
| FeasibilityStudyreMUGAHook | 0 | 2 | 2 |
| Disposal Business Centre | 0 | 353 | 353 |
| Stride Centre | 0 | 251 | 251 |
| IT Equipment | 204 | 0 | (204) |
| Processing and Management System | 10 | 20 | 10 |
| Building Control - Software | 0 | 87 | 87 |
| Parking Machines | | | |
| Total Capital Programme | 1,842 | 7,554 | 5,712 |

| | 2019/20 Original Budget Feb 19 £ (000) | 2019/20 Provisional Outturn £ (000) | 2019/20 Variance £ (000) |
|--|--|--|--------------------------------|
| Funded By: | | | |
| REFCUS (Revenue funded as Capital under Statute) | 1,628 | 714 | (914) |
| External Grants & Contributions | 0 | 1,919 | 1,919 |
| Use of Specific Reserves | 214 | 176 | (38) |
| Use of Capital Receipts | 0 | 353 | 353 |
| Borrowing Requirement | 0 | 4,392 | 4,392 |
| Total Funding | 1,842 | 7,554 | 5,712 |

NARRATIVE REPORT

The outturn on the General Fund Capital Programme is an overall overspend of £5.461 million. The reasons for the significant variances are as follows:

Operational Land and Buildings

- £4million purchase of the Meridien shopping centre funding by borrowing.

Other Capital Spend

- This spend represents a variety of spend on Council And non-Council assets funded from external grants CIL and s106

6. Strategic Risks

The Council maintains a risk register which details the major corporate risks facing its functionality and the delivery of its corporate objectives. Services maintain their own risk registers and can escalate a risk to the corporate register if necessary.

A significant risk facing the Council during 2019-20 was the possibility of a no-deal Brexit. To help manage this risk, a Brexit response team was set up within the Council to monitor the evolving situation and a dedicated risk register was maintained with appropriate mitigations identified, including IT provision in case staff were required to work from home due to transport issues. The Brexit team were stood down in January after the Ministry of Housing, Communities and Local Government (MHCLG) deemed the risk of no-deal to have dissipated.

The coronavirus (Covid-19) pandemic which emerged towards the end of the financial year represents an unparalleled challenge to local authorities across the nation. In accordance with our business continuity plans, Havant Borough Council has acted quickly to ensure that critical services continue to function. We have identified the key risks and developed separate workstreams to assist vulnerable people in the district, support local businesses, safeguard our staff, ensure effective communication during the pandemic (both internal and external) and enable the recovery of our residents and businesses once the immediate crisis passes.

We will continue to act in accordance with the latest guidance from MHCLG and the Local Resilience Forum as the situation evolves in the coming months. There are likely to be adverse effects of this pandemic on our major corporate projects, but we do not underestimate the effects Covid-19 will have on our district's residents and businesses and we will prioritise the most vulnerable people in our response.

7. Liability for Pensions Costs

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

The Council's net Pension Liability valued on an IAS 19 basis decreased from £46.970 million at 31st March 2019 to £44.990 million at 31st March 2020. It is detailed in Note 8 to the accounts. Gross liabilities have decreased by £16.082 million mainly due to changes in the discount rate, and the fair value of assets has decreased by £14.102 million.

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

8. Future Plans

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

NARRATIVE REPORT

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

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

The Medium Term Financial Strategy

The budget for 2020/21 was set against further reductions in Government grant. The Council's Medium Term Financial Strategy has been updated and takes into account inflation (both pay and contract), superannuation and national insurance changes.

The medium term financial strategy for the period 2020/21 to 2024/25 is set out in the table below

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NARRATIVE REPORT

| | 2020/21 Estimate (30% income reduction) £ (000) | 2021/22 Estimate £ (000) | 2022/23 Estimate £ (000) | 2023/24 Estimate £ (000) | 2024/25 Estimate £ (000) |
|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Director of Corporate Services | | | | | |
| 5 Councils Staff and Contract | 629 | 483 | 483 | 483 | 483 |
| Head of Legal | 392 | 392 | 392 | 392 | 392 |
| Head of Organisational Development | 1,300 | 1,299 | 1,304 | 1,310 | 1,316 |
| Head of Programmes Redesign | 2,957 | 3,014 | 3,038 | 3,063 | 3,088 |
| Head of Customer Services | 3,286 | 3,359 | 3,431 | 3,504 | 3,578 |
| Head of Strategic Commissioning | 4,869 | 4,530 | 4,638 | 4,748 | 4,861 |
| Head of Finance | 1,066 | 879 | 892 | 905 | 918 |
| Head of Commercial Development | 46 | 16 | 13 | 10 | 7 |
| Director of Regeneration and Planning | | | | | |
| Head of Coastal Partnerships | 145 | 135 | 135 | 135 | 135 |
| Head of Neighbourhood Support | 440 | (351) | (401) | (450) | (501) |
| Head of Housing | 410 | 352 | 352 | 352 | 352 |
| Head of Planning | 1,047 | 1,077 | 1,077 | 1,077 | 1,077 |
| Head of Community Engagement | 840 | 847 | 847 | 847 | 847 |
| Head of Property | (832) | (1,439) | (1,439) | (1,439) | (1,439) |
| Head of Regeneration (South) | 441 | 455 | 455 | 455 | 455 |
| Other Operating I&E | 853 | 853 | 853 | 853 | 853 |
| Depreciation | (1,104) | (1,104) | (1,104) | (1,104) | (1,104) |
| Total Cost of Services | 16,785 | 14,797 | 14,966 | 15,141 | 15,318 |
| Savings to be identified | | (2,054) | (3,037) | (3,391) | (3,664) |
| Regeneration Investments (Meridian - net) | (128) | (486) | (483) | (479) | (477) |
| Salary inflation | | 356 | 727 | 1,112 | 1,513 |
| Capital Expenditure Charged to Revenue | 127 | | | | |
| Net Cost of Services | 16,784 | 12,613 | 12,173 | 12,383 | 12,690 |
| Business Rates Retention | | | | | |
| Business Rates | (4,667) | (3,415) | (3,483) | (3,553) | (3,624) |
| Business Rates Grants | (1,914) | (488) | | | |
| Levy Payment on Account | 976 | | | | |
| Council Tax Demand on the Collection Fund | (8,642) | (8,859) | (9,082) | (9,310) | (9,543) |
| Collection Fund (Surplus)/Deficit | 77 | | | | |
| General Grants | | | | | |
| New Homes Bonus Grant | (902) | (337) | (91) | 0 | 0 |
| Covid-19 grant | (1,321) | | | | |
| Other Financing | | | | | |
| Contributions to/(from) Earmarked Reserves | 481 | 486 | 483 | 479 | 477 |
| Contributions to/(from) General Fund | | | | | |
| Balance | (872) | | | | |
| Total Deficit/(Surplus) | (0) | (0) | 0 | (0) | (0) |

NARRATIVE REPORT

The medium term plan has been updated in light of the Covid-19 pandemic.

Capital Strategy 2020/21

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

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

The Council's Capital Strategy for 2020/21 was approved by Full Council on 26th February 2020 and is available on the Council's website.

Within the capital strategy is the Capital Programme for 2020/21 to 2024/25 was prepared to mirror the 5 year timeframe of the MTFS.

| | 5 YEAR CAPITAL PROGRAMME | | | | |
|--|--------------------------|------------------|------------------|------------------|------------------|
| Havant Borough Council Capital Programme Summary Project | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Housing | | | | | |
| Disabled Facilities Grants | 1,628 | 1,628 | 1,628 | 1,628 | 1,628 |
| IT Equipment | | | | | |
| Replacement of Noise Monitoring Equipment | 0 | 0 | 0 | 0 | 0 |
| Processing and Management System | 0 | 0 | 0 | 0 | 0 |
| Asset Maintenance Management System | 35 | 0 | 0 | 0 | 0 |
| Building Control - Software | 22 | 0 | 0 | 0 | 0 |
| Southern Coastal | 20 | 0 | 0 | 0 | 0 |
| Vehicles and Equipment | | | | | |
| Pest Control Vehicles | 0 | 0 | 0 | 0 | 0 |
| Refurbishment of HBC equipped play areas | 70 | | | | |
| New Allotments | 135 | 0 | 0 | 0 | 0 |
| Land and Buildings | | | | | |
| HBC Plaza Development Phase 1 | 3,600 | 0 | 0 | 0 | 0 |
| Barton Green Pavilion - Grant & s106 | 0 | 0 | 0 | 0 | 0 |
| Redevelopment Front Lawn - Grant & s106 | 0 | 0 | 0 | 0 | 0 |
| Developer contributions | 1,200 | | | | |
| Grand Totals | 6,710 | 1,628 | 1,628 | 1,628 | 1,628 |
| Projected Capital Financing | | | | | |
| REFCUS (Revenue funded as Capital under Statute) | 1,628 | 1,628 | 1,628 | 1,628 | 1,628 |
| External Grants & Contributions | 4,820 | 0 | 0 | 0 | 0 |
| Use of Specific Reserves | 127 | 0 | 0 | 0 | 0 |
| Use of Capital Receipts | 135 | 0 | 0 | 0 | 0 |
| Borrowing Requirement | 0 | 0 | 0 | 0 | 0 |
| Total Projected Funding | 6,710 | 1,628 | 1,628 | 1,628 | 1,628 |

NARRATIVE REPORT

9. Material assets/liabilities

The Council purchased the following significant assets during the year as part of its economic development and regeneration strategy:

| | |
|-----------------|----------------|
| Meridian Centre | £4.392 million |
|-----------------|----------------|

This significant new material asset has been financed by internal borrowing.

10. Explanation of the Financial Statements

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

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

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

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

Statement of Accounts

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

11. Acknowledgements

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

Lydia Morrison

Chief Finance Officer

(Director of Corporate Services)

ANNUAL GOVERNANCE STATEMENT

Introduction

The Leader of the Council (Councillor Michael Wilson) and Chief Executive (Gill Kneller) both recognise the importance of having good systems in place to manage and deliver services to the residents of Havant Borough. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. This AGS is in respect of 2019-20.

The Council also publishes an Annual Statement of Accounts which provides further information on the opportunities and challenges faced by the Council.

The purpose of the governance framework

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

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

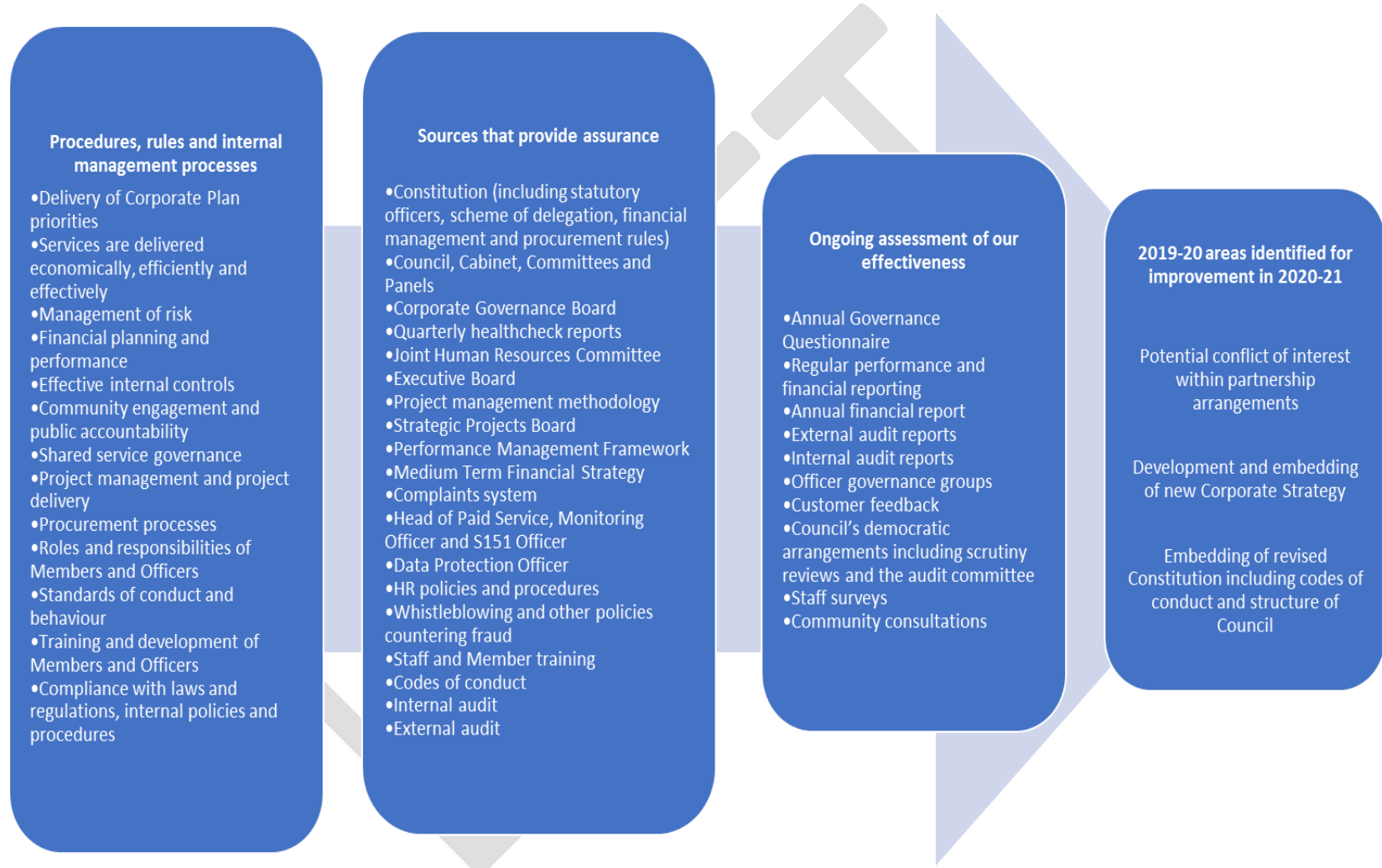
The governance framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities.

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

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How do we know it is working?

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



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

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

| A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW | |
|--|--|
| How the Council meets these principles | Where you can see Governance in action |
| <p>There are codes of conduct in place for all Councillors and Officers which can be found in Part 4 of the Constitution. The Council has appointed independent persons to investigate any allegations of misconduct, and the Governance, Audit and Finance Board receives regular reports from the Monitoring Officer on any complaints regarding Councillors.</p> <p>The Council's Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing.</p> <p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. Mandatory performance objectives are set for all staff which ensure compliance with data protection law, Health and Safety regulations, and the Council's Safeguarding Policy.</p> <p>There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period. Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality, and an annual register of declarations. Any declarations of interest made during meetings are recorded in the minutes.</p> <p>The Council has in place a complaints procedure including weekly reminders to relevant managers responsible.</p> <p>The Council has a shared Monitoring Officer with East Hampshire District Council and as a member of the Executive Board they are kept apprised on the Council's projects and actions and are ultimately responsible for legal compliance.</p> <p>Statutory officer roles are the Head of Paid Service who is the Chief Executive, the Chief Financial (S151) Officer, who carries overall responsibility for the Council's financial administration, and the Monitoring Officer, who ensures the Council acts lawfully. The Data Protection Officer is also a statutory role under the new GDPR legislation. All of these roles are shared with East Hampshire District Council.</p> | <p>Councillor Code of Conduct Staff Code of Conduct Governance, Audit and Finance Board</p> <p>Constitution Anti Fraud & Corruption Policy including Fraud Response Plan Whistleblowing Policy</p> <p>Declarations of interest</p> <p>Complaints procedure</p> <p>Management structure</p> |

| B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT | |
|--|---|
| How the Council meets these principles | Where you can see Governance in action |
| | |

ANNUAL GOVERNANCE STATEMENT

| | |
|--|--|
| <p>The Council has laid out its purpose, direction, vision and objectives in its Corporate Strategy which can be obtained either on the Council's website or from the Council's offices. The Council Corporate Strategy is comprehensively reviewed on a regular basis.</p> <p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the Government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500.</p> <p>The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually.</p> <p>The Council carries out the Residents' Survey every two years, the results of which are shared with Heads of Service to inform their decision making. The next Residents' Survey is due to take place in summer 2020.</p> <p>In addition to the publication of the residents' magazine, called 'Serving You', which is translated into accessible formats, the Council has a Facebook page and Twitter feed which is actively promoted and used. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, Twitter, LinkedIn and Instagram to get updates from and interact with the Council.</p> <p>The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax and Waste and Recycling, can be accessed quickly and easily from the homepage. Accessibility improvements have been made to the website in 2019-20 including changing the colour saturation to assist the visually impaired.</p> <p>The Statement of Accounts provides a clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p> <p>The Council has a joint venture partnership (Norse South East) for waste collection which is governed by the Norse South East Board. There are members from Norse Commercial Services and the Council on the Board. Norse South East is responsible for the procurement and efficient management of waste and recycling collections, street cleaning, public convenience cleansing, grounds maintenance and associated service facilities for the treatment and disposal of residual waste.</p> | <p>Corporate Strategy</p> <p>Freedom of Information</p> <p>Committees and Papers</p> <p>Residents' Survey</p> <p>Serving You magazine HBC Facebook Twitter Instagram http://www.havant.gov.uk/</p> <p>http://www.havant.gov.uk/accounts</p> <p>http://norsesoutheast.co.uk/</p> |
|--|--|

| C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS | |
|--|---|
| How the Council meets these principles | Where you can see Governance in action |
| The five themes in the Council's Corporate Strategy (Financial Sustainability, Economic Growth, Environmental Sustainability, Public Service Excellence and Creativity & Innovation) are used to guide its corporate planning and decision making. | Corporate Strategy |

ANNUAL GOVERNANCE STATEMENT

| | |
|---|---------------------------------------|
| <p>A refreshed Corporate Strategy has been developed in 2019 and this will be published in 2020.</p> <p>The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Medium Term Financial Strategy is reviewed annually and forms the basis of the annual budgeting process.</p> <p>A Corporate Action Plan is prepared each year to support the delivery of the vision laid out in the Corporate Strategy, and progress against the objectives in the Corporate Action Plan is reported quarterly. Each service's Key Performance Indicators are monitored corporately and reported to the Executive Board on a quarterly basis to ensure that the objectives in the Corporate Action Plan are on target. Monthly financial forecasts are submitted to the Executive Board and quarterly to Councillors alongside the Healthcheck report.</p> <p>The Council's budget report contains a summary of the budget and business plans that has been set for Havant Borough Council for 2019-20, as approved by the Council on the 27th February 2019. It shows on what service areas money is spent, and how this expenditure is funded. Also within this document is information showing the forecast financial position over the next five years, taking into account changes in government funding, other income and spending.</p> <p>The Council uses evidence based insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the community.</p> | <p>Council Budget</p> |
|---|---------------------------------------|

| D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES | |
|---|--|
| How the Council meets these principles | Where you can see Governance in action |
| <p>The Council has a Medium Term Financial Strategy (available on the Council's website as part of the budget for the forthcoming year) which is used to align resources to key priorities.</p> <p>The Council has report templates to ensure authors cover all the requirements to enable a decision to be made; they include options appraisal (if required), cost and risk analysis in addition to key signatories such as legal and finance and must include the portfolio holder.</p> <p>All decision-making meetings are held in public and decisions made by Cabinet members and Officers are published in line with the statutory legal requirements, although some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings.</p> <p>The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p> <p>The Council has an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. Audit recommendations are</p> | <p>Medium Term Financial Strategy</p> <p>Council Decisions</p> <p>Complaints procedure</p> <p>Internal audit</p> |

ANNUAL GOVERNANCE STATEMENT

| | |
|--|--|
| <p>monitored to ensure that they are completed by the service within a reasonable timeframe, and any actions which are not completed are reported to Executive Board.</p> <p>The scrutiny function as specified by section 9F of the Local Government Act 2000 is carried out by three boards: Governance, Audit and Finance Board, Business and Commercial Services Board, and Operations and Place Shaping Board. Meetings of these boards are generally held in public though some items are considered exempt. Members of these boards must not also be members of the Cabinet. Decisions made by Cabinet may be 'called in' for scrutiny both before and after being put into effect.</p> | <p>Governance, Audit and Finance Board</p> <p>Business and Commercial Services Board</p> <p>Operations and Place Shaping Board</p> |
|--|--|

| E. DEVELOPING THE COUNCIL'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT | |
|---|--|
| How the Council meets these principles | Where you can see Governance in action |
| <p>The Council has a joint management team with East Hampshire District Council. This management team is made up of the Chief Executive, Chief Finance Officer (S151 Officer), two Executive Directors and the Heads of Service, most of which are shared with East Hampshire District Council. The costs of all shared management posts are shared between the Councils.</p> <p>A number of the Council's corporate services are delivered through the 5 Councils Partnership with Capita which is monitored via a shared Client Team.</p> <p>The Council has a performance management framework which includes a comprehensive induction programme for new starters. Performance appraisal processes for all employees include regular 1:1 meetings with line managers and assessment against the Staff Competency Framework. In 2019-20, e-learning courses on data protection and cybersecurity were undertaken by staff, alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services.</p> <p>Following the Borough Council elections, all Councillors are required to undertake a comprehensive training programme which ensures that they have an understanding of the procedures and protocols of the Council. This may include training on planning and licensing matters and Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken.</p> <p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme and accompanying Competency Framework, during the course of a Councillor's four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.</p> | <p>Management structure</p> <p>Councillor Competency Framework</p> |

| F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT | |
|--|---|
| How the Council meets these principles | Where you can see Governance in action |
| <p>The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear</p> | <p>Council structure</p> |

ANNUAL GOVERNANCE STATEMENT

| | |
|---|---|
| <p>accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.</p> <p>There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council Constitution.</p> <p>The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan and Key Decision notice is published on the Council website. Decisions made by Cabinet can be called in for review by the Governance, Audit and Finance Board. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p> <p>Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly Healthcheck report). The Council has a wide range of performance indicators, which are used to measure progress against the Council's priorities. Performance indicators are reported quarterly to the Executive Board and informally to Cabinet. Performance indicators clearly link individual services to the corporate objectives and include details of national and local performance indicators and risk. Performance indicators are reviewed annually as part of the business planning process to ensure they continue to be relevant and stretching.</p> <p>A Corporate Governance Board has been established with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This will be underpinned by the Local Code of Corporate Governance. In addition, the Corporate Governance Board is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks.</p> <p>The Council has in place a number of policies and procedures to ensure decisions made are robust. These include the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers.</p> | <p>Committee structure</p> <p>Forward Plan</p> <p>Corporate Governance Policy</p> <p>Local Code of Corporate Governance</p> <p>Policy Hub</p> |
|---|---|

| G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY | |
|---|---|
| How the Council meets these principles | Where you can see Governance in action |
| <p>The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.</p> <p>The Council has a Governance, Audit and Finance Board to provide assurance to the Council on the effectiveness of internal audit and the robustness of the Council's Annual Accounts. Risk management is controlled through the Corporate Governance Board and reported to Executive Board through the quarterly Healthcheck report.</p> | <p>Statement of Accounts</p> <p>GAF Board</p> |

ANNUAL GOVERNANCE STATEMENT

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| <p>Risks rated as above the risk threshold are reported as part of the quarterly Healthcheck to Councillors.</p> <p>Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. Governance, Audit and Finance Board approves the Statement of Accounts.</p> <p>The Council is subject to independent external audit currently by Ernst & Young. The external audit plan outlines the work undertaken and the timing of external audit reports.</p> <p>The Council supplements this work with an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust. The Chief Internal Auditor is required to provide a written status report to the Executive Board, summarising the assurance opinions arising from the internal audit reviews carried out during the year.</p> <p>The Governance, Audit and Finance Board undertake the core functions of an audit committee.</p> <p>The Council has appointed the Chief Finance Officer as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs.</p> | <p>Full Council</p> <p>Internal audit</p> |
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ANNUAL GOVERNANCE STATEMENT

Review of effectiveness

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

| Area | Review of effectiveness |
|------------------------------------|---|
| Political leadership | <ul style="list-style-type: none"> • The Council's Governance, Audit and Finance Board is responsible for monitoring, scrutinising and holding the decision makers to account. It meets five times per year as the Council's official audit committee. The committee ensures that the internal and external audit reports it receives are robust. The Board's role has been reviewed by the Monitoring Officer as part of the Constitution review. • Another role of the Governance, Audit and Finance Board is to monitor standards of conduct of Members and advise the Council on probity issues. The Member/Officer relations protocol is being developed further with additional training for Councillors to be rolled out in 2020. • Following the expiration of the previous Corporate Strategy in 2019, a revised Strategy covering the period from 2020 to 2024 has been developed and will be subject to consultation with residents and other stakeholders during 2020 to ensure that it best reflects the Council's ambitions for the borough in the coming years. The Corporate Strategy is a key strategic document that articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use. |
| Officer leadership | <ul style="list-style-type: none"> • The Council's Constitution underwent a comprehensive review in 2019-20 to ensure that it remains an effective and up-to-date document. • The Council's Monitoring Officer has a legal responsibility to report on matters of unlawfulness within the Council. In 2019-20 the Monitoring Officer continued his review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support and will be reporting on this to Full Council. • The Corporate Governance Board report to the Executive Board on a quarterly basis on governance matters covering risk, health and safety, business continuity, emergency planning, information governance and financial risk. Updates are provided to Members through the quarterly Healthcheck report. |
| Internal assessment and monitoring | <ul style="list-style-type: none"> • There are regular reporting arrangements in place regarding the financial affairs of the Council. The budget for 2019-20 was agreed by Full Council on 27th February 2019 and financial performance is reported on a quarterly basis to Members. • Effective operation of the Performance Management Framework throughout the year. Monitoring information on key areas of performance has been provided by the Governance Hub for review and action. • As part of the process of identifying any areas where governance needs to be strengthened across the organisation, the Annual Governance Questionnaire was extended to all staff in 2019-20. Staff were asked to complete an online questionnaire indicating whether their services comply with each of the criteria in the Code of Corporate Governance. The questionnaire highlighted the following: <ul style="list-style-type: none"> ○ 90% of responses said there was evidence of meeting the criteria ○ Areas of strength: <ul style="list-style-type: none"> ▪ Implementation of audit recommendations ▪ Performance appraisals and other people management policies ▪ Compliance with FOI procedure ○ Areas for improvement: <ul style="list-style-type: none"> ▪ Awareness of structure and operation of Committees ▪ Awareness of staff Code of Conduct ▪ Using evidence-based insight in decision making <p>Areas that scored poorly in the questionnaire will be targeted with a programme of improvements throughout 2020-21.</p> |

ANNUAL GOVERNANCE STATEMENT

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| <p>Responsibilities of Chief Finance Officer (s151)</p> | <ul style="list-style-type: none"> • The Chief Finance Officer is the Responsible Financial Officer and is a member of the Executive Board, reporting directly to the Chief Executive. They are responsible for delivering and overseeing the financial management arrangements of the Council. Havant Borough Council shares a Chief Finance Officer with East Hampshire District Council. • They are also responsible for ensuring alignment with the Code of Practice on Local Authority Accounting for 2019-20. Havant Borough Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016). |
| <p>Internal audit</p> | <ul style="list-style-type: none"> • The Council's internal audit programme is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually. • Progress against the audit plan is reported quarterly to the Governance, Audit & Finance Board. Any outstanding high risk actions are addressed as a matter of priority. • Internal audit attend Corporate Governance Board every quarter to provide an update on progress of management actions. Any outstanding actions are reported to Executive Board to ensure that these are escalated where necessary and completed within a reasonable timescale. • The Southern Internal Audit Partnership delivered 25 review areas over the course of the year ending 31 March 2020 including all carry forward reviews. The Chief Internal Auditor's opinion of Havant Borough Council's framework of governance, risk management and management control is 'adequate' and audit testing has demonstrated controls to be working in practice. |
| <p>External audit</p> | <ul style="list-style-type: none"> • The Council's external audit requirement is provided by Ernst & Young LLP. • The role of external audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims. • In July 2020 the Council's external auditor provided the Council with an unqualified opinion on the Council's accounts within their Audit Results Report. • Ernst & Young LLP also provided an unqualified opinion of the Council's arrangements to secure Value for Money. |

ANNUAL GOVERNANCE STATEMENT

Last year's key improvement areas

In the 2018-19 Annual Governance Statement, three key issues were identified for improvement. Below are the issues and actions taken during 2019-20.

| Improvement area | Issue of concern | Action taken |
|---|--|---|
| <p>Management of major contracts:</p> <ul style="list-style-type: none"> 5-Councils Contract/6-Councils Partnership Norse South East | <p>5-Councils Contract/6-Councils Partnership Continued issues with the service provider's business model have required significant resource to ensure that the contract performs to required standards. It was therefore decided to bring Finance and HR services back inhouse and this was completed during 2019-20. Payroll in particular was a high risk transfer so this was prioritised and was successfully brought back with no issues.</p> <p>Norse South East The Council has a joint venture with Norse Commercial Services (Norse South East) for waste collection and environmental services (including street cleansing and grounds maintenance). Following the agreement to supply services to East Hampshire District Council, there was an opportunity to renegotiate the contract to ensure that it continued to represent value for money as well as ensuring that the service level for Havant Borough Council was not compromised by the mobilisation of services for EHDC.</p> | <p>5-Councils Contract/6-Councils Partnership</p> <ul style="list-style-type: none"> Finance and HR services were brought back inhouse with a staged process to minimise risks (HR advisory returned during September 2019 and Finance and HR admin and payroll returned from 1st April 2020). Transition was managed by a dedicated project team and there was minimal disruption to the services provided during the return of these functions. Management of the services still provided through the contract continues through regular review of performance via Client Team. <p>Norse South East</p> <ul style="list-style-type: none"> Regular reporting was made to the Strategic Project Board throughout the mobilisation of the new contract. Transition to the provision of East Hampshire's services was smooth with no impact on the services provided in Havant borough. The new contract is being monitored through KPIs measuring financial savings and quality of service. Health and Safety statistics from Norse South East are also being reported to both Councils. The mobilisation of the new contract received a 'substantial' assurance rating from internal audit in 2019-20. |
| <p>Review of the functioning of the scrutiny committee</p> | <p>Amend the current committee structure to articulate clear separation of Executive and Non-Executive functions.</p> | <p>During the review of the Constitution and committee structure by the Monitoring Officer, it was decided that the current scrutiny function was adequate and that the Constitution review subcommittee would instead conduct a review of the committee structure as a whole in 2020-21 as part of the continued overhaul of the Constitution.</p> |
| <p>Services need to ensure that they have clearly communicated and embedded effective governance arrangements, policy management and performance management</p> | <p>Continued improvement of governance and communication of policies and associated guidance, including embedding new ways of working. This includes strong messages around compliance and accountability and a planned</p> | <p>Service risk registers were reintroduced during 2019-20 to ensure that services were following effective risk management practices. Risks can be escalated to the corporate risk register if necessary.</p> |

ANNUAL GOVERNANCE STATEMENT

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| | <p>programme of work to identify and tackle areas of non-compliance.</p> <p>Review of the Performance Management Framework covering both corporate performance and personal performance.</p> | <p>The Annual Governance Questionnaire was expanded to include all staff to emphasise that good governance is everyone's responsibility. Results indicated that the general understanding of governance framework is good, but there are still areas for improvement. These will be addressed in 2020-21.</p> <p>Mandatory information governance e-learning courses were introduced for all staff in 2019-20.</p> <p>The Performance Management Framework will be comprehensively reviewed in 2020-21 to tie in with the planned overhaul of the corporate training and professional development offer.</p> |
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ANNUAL GOVERNANCE STATEMENT

Identified key improvement areas

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2020-21.

| Issue of concern | Key improvement | Lead officer | Action required |
|---|--|--------------|---|
| Potential conflict of interest within partnership arrangements | <p>Havant Borough Council and East Hampshire District Council have had a shared Chief Executive and management team for several years which has allowed both Councils to benefit from salary savings and the sharing of skills and experience. During 2019-20 a number of opportunities to renegotiate contracts have highlighted the importance of acknowledging potential conflict of interest when working across two Councils. The current conflict of interest arrangements cover conflict between corporate and personal interests, but there is no formal policy in place for managing potential conflict of interest for the shared management of the two organisations. As the partnership arrangement with East Hampshire District Council continues to develop and change in the coming years, it is imperative that the individual priorities and needs of both Councils are considered as part of decision making processes, especially in contract negotiations.</p> | Gill Kneller | <p>Develop conflict of interest policy relating to shared management of the two Councils, particularly regarding contract negotiations.</p> <p>Review all shared service, shared workforce and shared values options for future direction of the partnership with this in mind.</p> <p>Ensure that shared staff understand the importance of considering potential conflict of interests between the two organisations.</p> |
| Development and embedding of new Corporate Strategy | <p>Following the expiration of the previous Corporate Strategy in 2019, a revised Strategy covering the period from 2020 to 2024 has been developed and will be subject to consultation with residents and other stakeholders during 2020 to ensure that it best reflects the Council's ambitions for the borough in the coming years.</p> <p>As one of the key strategic documents for the Council, the Corporate Strategy articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use.</p> | David Brown | <p>In consultation with residents and other stakeholders, finalise and publish the Corporate Strategy.</p> <p>Ensure that the new Corporate Strategy is embedded and that there are strong links between the strategy and the daily work of officers and councillors, particularly within the Performance Management Framework.</p> |
| Embedding of revised Constitution including codes of conduct and structure of Council | <p>The Constitution review subcommittee will continue their work to ensure that the Constitution is modernised and streamlined in 2020-21. This will be followed by work to ensure that the revised Constitution is understood by all councillors and staff. This will be key to</p> | David Brown | <p>Finish review of Constitution and produce revised version which is fit for purpose and able to be understood and used to</p> |

ANNUAL GOVERNANCE STATEMENT

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| | ensuring that the proper procedures are followed and that the framework of corporate governance remains strong. | | guide decision making by all. Embed an improved understanding of the Constitution and its role in the Council's functioning, taking the opportunity to improve awareness of the governance framework. |
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ANNUAL GOVERNANCE STATEMENT

Opinion

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

Signed

CEO

Leader

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STATEMENT OF RESPONSIBILITIES

The Council's Responsibility

The Council is required:

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

The Director of Corporate Services (as the Chief Financial Officer) Responsibility

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

In preparing this statement of accounts, the Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Director of Corporate Services has also:

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

Chief Financial Officer Certificate

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 35 to 89 give a true and fair view of the financial position of the Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Lydia Morrison

Director of Corporate Services

Approval of Accounts

The accounts were presented to the Governance, Audit & Finance Board on the [insert date] and were authorised by the Chairman of the Board Councillor Anthony Briggs.

Councillor A Briggs

Chairman of Governance, Audit & Finance Board

[insert date]

INDEPENDENT AUDITOR'S REPORT

[to be completed post audit]

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MOVEMENT IN RESERVES

| | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|-------------------------|-----------------------|-----------------------------|-----------------------------|--------------------------|-------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2018/19 | | | | | | | |
| Balance at 1 April 2018 | (7,303) | (2,426) | (1,437) | (8,687) | (19,853) | (23,948) | (43,801) |
| Movement in Reserves in 2018/19: | | | | | | | |
| Surplus (deficit) on the provision of services (accounting basis) | (4,558) | 0 | 0 | 0 | (4,558) | 0 | (4,558) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | (9,417) | (9,417) |
| Total Comprehensive Income and Expenditure | (4,558) | 0 | 0 | 0 | (4,558) | (9,417) | (13,975) |
| Adjustments between accounting and funding basis under regulation - note 6 | 4,592 | 0 | 53 | (4,196) | 449 | (448) | 0 |
| Net increase/decrease before transfers to Earmarked reserves | 34 | 0 | 53 | (4,196) | (4,109) | (9,865) | (13,976) |
| Transfers to/from Earmarked reserves - note 11 | (134) | 134 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | (100) | 134 | 53 | (4,196) | (4,109) | (9,865) | (13,977) |
| Balance at 31 March 2019 | (7,403) | (2,292) | (1,384) | (12,883) | (23,962) | (33,813) | (57,775) |

MOVEMENT IN RESERVES

| | General Fund Balance | Ear-marked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|-------------------------|------------------------|-----------------------------|-----------------------------|--------------------------|-------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2019/20 | | | | | | | |
| Balance at 1 April 2019 | (7,403) | (2,292) | (1,384) | (12,883) | (23,963) | (33,813) | 0 (57,775) |
| Movement in Reserves in 2019/20: | | | | | | | |
| Surplus (deficit) on the provision of services (accounting basis) | 1,744 | 0 | 0 | 0 | 1,744 | 0 | 1,744 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | (8,701) | (8,701) |
| Total Comprehensive Income and Expenditure | 1,744 | 0 | 0 | 0 | 1,744 | (8,701) | (6,957) |
| Adjustments between accounting and funding basis under regulation - <i>note 6</i> | (2,614) | 0 | (86) | (729) | (3,429) | 3,429 | 0 |
| Net increase/decrease before transfers to Earmarked reserves | (870) | 0 | (86) | (729) | (1,685) | (5,272) | (6,957) |
| Transfers to/from Earmarked reserves - <i>note 11</i> | 4,773 | (4,773) | 0 | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in Year | 3,903 | (4,773) | (86) | (729) | (1,685) | (5,272) | (6,957) |
| Balance at 31 March 2019 | (3,500) | (7,065) | (1,470) | (13,612) | (25,648) | (39,085) | (64,732) |

BALANCE SHEET

| 31 March 2019 | | | 31 March 2020 |
|-----------------|------------------------------------|------------------|-----------------|
| £'000 | | | £'000 |
| 64,717 | Property, Plant and Equipment | <i>Note 14</i> | 68,199 |
| 26,055 | Investment Properties | <i>Note 15</i> | 30,679 |
| 4 | Intangible Assets | <i>Note 16</i> | 42 |
| 0 | Long Term Investments | <i>Note 21</i> | 0 |
| 82 | Investment in Associate | | 0 |
| 351 | Long Term Debtors | <i>Note 17</i> | 124 |
| 91,209 | LONG TERM ASSETS | | 99,044 |
| 0 | Assets Held for Sale | | 0 |
| 11,502 | Short Term Debtors | <i>Note 17</i> | 10,625 |
| 0 | Inventories | | 0 |
| 0 | Short Term Investments | <i>Note 21</i> | 0 |
| 21,922 | Cash and Cash Equivalents | <i>Cash Flow</i> | 23,968 |
| 33,424 | CURRENT ASSETS | | 34,593 |
| (12,182) | Short Term Creditors | <i>Note 18</i> | (13,477) |
| (106) | Bank Overdraft | | 0 |
| (63) | Provisions | <i>Note 19</i> | (653) |
| (93) | Short Term Borrowing | <i>Note 19</i> | (102) |
| 0 | Capital grants receipts in advance | <i>Note 19</i> | (280) |
| (12,444) | CURRENT LIABILITIES | | (14,512) |
| (3,175) | Capital grants receipts in advance | <i>Note 19</i> | (4,249) |
| 0 | Long Term Creditors | | 0 |
| (516) | Provisions | | (1,939) |
| (248) | Finance Lease | | 0 |
| (3,350) | Long Term Borrowing | <i>Note 21</i> | (3,253) |
| (47,040) | Net Defined Pension liability | <i>Note 8</i> | (44,990) |
| (54,329) | LONG TERM LIABILITIES | | (54,431) |
| 57,860 | NET ASSETS | | 64,694 |
| (7,403) | General Fund | | (3,500) |
| (2,292) | Earmarked Reserves | <i>Note 11</i> | (7,065) |
| (1,385) | Capital Receipts Reserve | | (1,471) |
| (12,883) | Capital grants and contributions | | (13,612) |
| (23,963) | USABLE RESERVES | | (25,648) |
| (37,582) | Revaluation Reserve | | (41,465) |
| (43,362) | Capital Adjustment Account | | (43,849) |
| 0 | Deferred capital receipts | | 0 |
| 46,930 | Pensions Reserve | | 44,990 |
| 119 | Collection Fund Adjustment Account | | 1,148 |
| 80 | Accumulated Absences Account | | 130 |
| (82) | Share of Associate | | 0 |
| (33,897) | UNUSABLE RESERVES | <i>Note 12</i> | (39,046) |
| (57,860) | TOTAL RESERVES | | (64,694) |

CASH FLOW STATEMENT

| 2018-19 | | 2019-20 |
|-----------------|--|-----------------|
| £'000 | | £'000 |
| (11,639) | Taxation | (22,208) |
| (38,347) | Grants and Contributions | (32,762) |
| (4,447) | Sales of goods and rendering of services | (20,371) |
| (115) | Interest received | (100) |
| 0 | Other receipts from operating activities | (10) |
| (54,548) | Cash inflows generated from operating activities | (75,451) |
| 7,021 | Cash paid to and on behalf of employees | 9,623 |
| 29,709 | Housing benefit payments | 25,104 |
| 0 | NNDR Tariff payments | 9,564 |
| 13,474 | Cash paid to suppliers of goods and services | 22,432 |
| 150 | Interest paid | 132 |
| 1,802 | Other operating cash payments | 4,966 |
| 52,156 | Cash outflows generated from operating activities | 71,821 |
| (2,392) | Net cashflows from operating activities | (3,630) |
| 502 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (440) |
| 0 | Purchase of property, plant and equipment, investment property and intangible assets | 6,378 |
| (2,517) | Other receipts from investing activities | (5,502) |
| (2,015) | Net cashflows from investing activities | 436 |
| 93 | Cash Receipts - long/short term borrowing | 0 |
| 0 | Repayments of long/short term borrowing | 447 |
| 0 | Changes in Council Tax balances held for preceptors | 315 |
| 0 | Changes in National Non-Domestic Rates balances held for preceptors | 386 |
| 93 | Net cashflows from financing activities | 1,148 |
| (4,314) | Net (Increase) / decrease in cash and cash equivalents | (2,046) |
| 17,608 | Cash and cash equivalents 1 April | 21,922 |
| 4,314 | Net increase / (decrease) in cash and cash equivalents | 2,046 |
| 21,922 | Cash and cash equivalents 31 March | 23,968 |
| 5,148 | Call accounts and short term deposits | 5,000 |
| 16,774 | Bank balances | 18,968 |
| 21,922 | Cash and cash equivalents 31 March | 23,968 |

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. ACCOUNTING POLICIES

Going Concern

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

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

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. However for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- The new revenue recognition standard in IFRS 15 introduces a single model for income with prescribed steps to identify when control of goods or services passes to the customer together with associated revenue in the contract between the parties. An assessment was made of the income streams and the effect of IFRS 15 on the accounts which was found to be immaterial.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet. Inventories below £10,000 are considered immaterial and are expensed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

NOTES TO THE ACCOUNTING STATEMENTS

3. Accounting for Council Tax and Non Domestic Rates

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, overpayment creditors and receipts in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is held as part of the Short Term Creditors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than ninety days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

6. Charges to Revenue for Non-Current Assets

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

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

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

7. Employee Benefits

Benefits Payable during Employment

NOTES TO THE ACCOUNTING STATEMENTS

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

Termination Benefits

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

Post Employment Benefits

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

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

- The liabilities of the Hampshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of other Operating Expenses
 - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - remeasurements comprising:

NOTES TO THE ACCOUNTING STATEMENTS

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

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

Discretionary Benefits

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

8. Events after the Reporting Period

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

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

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

9. Fair Values

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

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

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

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

10. Financial Instruments

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

Financial Liabilities

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

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made,

NOTES TO THE ACCOUNTING STATEMENTS

this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

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

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

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

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

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

Movements in amortised cost are charged to the Surplus or Deficit on the Provision of Services

Cumulative gains/losses on fair value are transferred to the Surplus or Deficit on the Provision of Services on derecognition.

11. Government Grants and Contributions

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

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

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

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

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

12. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal.

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

13. Intangible Assets

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

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

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

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

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

14. Interest in Companies and Other Entities

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

NOTES TO THE ACCOUNTING STATEMENTS

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

Consideration has been given to the relationship with all potential entities. The Council's relationship with Norse South East will be assessed. Fuller disclosures have been made in the interests in other entities note in the Core Financial Statements.

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

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

15. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are

NOTES TO THE ACCOUNTING STATEMENTS

therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

16. Overheads and Support Services

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

17. Property, Plant and Equipment

NOTES TO THE ACCOUNTING STATEMENTS

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

Recognition

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

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

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

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

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.
- Community assets and assets under construction - historic cost.
- Land and buildings - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or fair value at the year-end. All investment properties are subject to a full valuation every year including surplus assets. In addition the top 10 assets in value and the top 20% across the portfolio are subject to a valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

NOTES TO THE ACCOUNTING STATEMENTS

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 50 years depending on the asset.
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 3 and 20 years.
- Infrastructure - straight-line allocation over 10 to 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

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

Componentisation of Property Assets

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has assessed that there are no assets where the components have a significant cost and need to be depreciated as components.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

NOTES TO THE ACCOUNTING STATEMENTS

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

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

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

Contingent Liabilities

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

Contingent Assets

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

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

19. Reserves

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

Usable reserves comprise the following:

- **Capital Receipts Reserve:** proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- **Capital Grants Unapplied:** the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- **Earmarked Reserves:** the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- **General Fund:** this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

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

- **Revaluation Reserve:** this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
 - revalued downwards or impaired and the gains are lost

NOTES TO THE ACCOUNTING STATEMENTS

- used in the provision of services and the gains are consumed through depreciation, or
 - disposed of and the gains are realised.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- Financial Instrument Revaluation Reserve: this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
 - revalued downwards or impaired and the gains are lost.
 - disposed of and the gains are realised.

20. Revenue Expenditure Funded from Capital under Statute

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

21. VAT

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

NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

NOTES TO THE ACCOUNTING STATEMENTS

This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2020 for 2019/20). Disclosure requirements are expected to be included in a subsequent edition of the Code.

Changes in the 2020/21 Code of practice that will be introduced in future versions of the accounts include –

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015–2017 Cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to line item specifications for the net assets statement.

The changes introduced by the 2019/20 Code that will be relevant to the financial statements of the Council are as follows.

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

The Council does not expect these changes to have a material impact upon the financial statements.

NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Business rates -The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from the experience with the 2010 lists as well as appeals determinations so far made against the 2017 list. This year the Council have used a third party, Analyse Local, to provide estimates for the provision for appeals.

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

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

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

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

NOTE 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The main items in the Council's Balance Sheet at 31 March 2020 on which such assumptions have been made are as follows:

Pensions Liability

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

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

Property, Plant and Equipment

The Council's external valuers provide a full valuation of all properties every 5 years. On an annual basis they provided desktop valuations as at 31 March 2020 for all of the Council's investment portfolio and for the top 20% in value of its' operational portfolio and where there has been material movement since the last full valuation. The remaining balance of operational properties was also reviewed to ensure values reflect current values. Valuations of property depend on various assumptions. In particular, valuers have to determine:

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

Allowance for impairments of doubtful debts

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

Allowance for impact of rating appeals

Following the 2017 revaluation, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain. The Council has made a provision for the likely impact on the its yield of expected future successful appeals for the period to the end of March 2020.

There are a number of appeals against rating values outstanding, many going back to 1 April 2010, and this Council is liable for its share (40%) of the losses resulting from successful appeals.

The Council has made a provision for the likely impact on the its yield of expected future successful appeals based on both the 2010 and 2017 lists for the period to the end of March 2020 based on work down by Analyse Local.

NOTES TO THE ACCOUNTING STATEMENTS

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NOTES TO THE ACCOUNTING STATEMENTS

NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

| 2018-19 | | | 2019-20 | | |
|--|--|---|--|--|---|
| Net Expenditure Chargeable to General Fund | Re-stated Adjustments between Funding and Accounting basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Net Expenditure Chargeable to General Fund | Adjustments between Funding and Accounting basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Director of Corporate Services | | | | | |
| 529 | 61 | 590 | 216 | 81 | 297 |
| 0 | 0 | 0 | 338 | 0 | 338 |
| 278 | 54 | 332 | 370 | 34 | 404 |
| 1,152 | 83 | 1,235 | 1,351 | 72 | 1,423 |
| 2,727 | 210 | 2,937 | 2,932 | 256 | 3,188 |
| 3,677 | 206 | 3,883 | 3,342 | 139 | 3,481 |
| 4,486 | 672 | 5,158 | 2,904 | 1,318 | 4,222 |
| 481 | 47 | 528 | 857 | (76) | 781 |
| (116) | 39 | (77) | 144 | 53 | 197 |
| Director of Regeneration and Planning | | | | | |
| 99 | 13 | 112 | 187 | 498 | 685 |
| (154) | (1,522) | (1,676) | 219 | 231 | 450 |
| 11 | 70 | 81 | 164 | 86 | 250 |
| (1,040) | 214 | (826) | 465 | 702 | 1,167 |
| 556 | 301 | 857 | 754 | 321 | 1,075 |
| 164 | 365 | 529 | (1,410) | 2,330 | 920 |
| (10) | 25 | 15 | 358 | 81 | 439 |
| 1,446 | (570) | 876 | 941 | (1,000) | (59) |
| 14,286 | 268 | 14,554 | 14,132 | 5,126 | 19,258 |
| (14,252) | (4,860) | (19,112) | (15,002) | (2,512) | (17,514) |
| 34 | (4,592) | (4,558) | (870) | 2,614 | 1,744 |

NOTES TO THE ACCOUNTING STATEMENTS

| Earmarked Reserves | General Fund | Total | | Earmarked Reserves | General Fund | Total |
|--------------------|----------------|----------------|---|--------------------|----------------|-----------------|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| (2,426) | (7,303) | (9,729) | Opening balances | (2,292) | (7,403) | (9,695) |
| 0 | 34 | 34 | (Surplus) or Deficit on Provision of Services | 0 | (870) | (870) |
| 134 | (134) | 0 | Transfers between General Fund and earmarked reserves | (4,773) | 4,773 | 0 |
| (2,292) | (7,403) | (9,695) | Closing General Fund balance | (7,065) | (3,500) | (10,565) |

Financing and Accounting Adjustments

| | Capital and Assets | Pensions | Tax Collection | Other | Total |
|--|--------------------|--------------|----------------|--------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2018-19 | | | | | |
| Director of Corporate Services | | | | | |
| 5 Councils Staff and Contract | 0 | 61 | 0 | | 61 |
| Head of Legal | 0 | 54 | 0 | | 54 |
| Head of Organisational Development | 2 | 81 | 0 | | 83 |
| Head of Programmes Redesign | 0 | 210 | 0 | | 210 |
| Head of Customer Services | 0 | 206 | 0 | | 206 |
| Head of Strategic Commissioning | 667 | 5 | 0 | | 672 |
| Head of Finance | 33 | 14 | 0 | | 47 |
| Head of Commercial Development | 0 | 39 | 0 | | 39 |
| Director of Regeneration and Planning | | | | | |
| Head of Coastal Partnerships | 13 | 0 | 0 | | 13 |
| Head of Neighbourhood Support | (1,737) | 215 | 0 | | (1,522) |
| Head of Housing | 0 | 70 | 0 | | 70 |
| Head of Planning | (15) | 229 | 0 | | 214 |
| Head of Community Engagement | 254 | 47 | 0 | | 301 |
| Head of Property | 342 | 23 | 0 | | 365 |
| Head of Regeneration (South) | 4 | 21 | 0 | | 25 |
| Other Operating I&E | 0 | | 0 | (159) | (159) |
| Cost of Services | (437) | 1,275 | 0 | (159) | 679 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (5,969) | 1,446 | (734) | (14) | (5,271) |
| Total for 2018-19 | (6,406) | 2,721 | (734) | (173) | (4,592) |

NOTES TO THE ACCOUNTING STATEMENTS

Financing and Accounting Adjustments

| | Capital and Assets | Pensions | Tax Collection | Other | Total |
|---|--------------------------|--------------|-------------------|-----------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2019-20 | | | | | |
| Director of Corporate Services | | | | | |
| 5 Councils Staff and Contract | 0 | 81 | 0 | 0 | 81 |
| Executive Directors | 0 | 0 | 0 | 0 | 0 |
| Head of Legal | 0 | 34 | 0 | 0 | 34 |
| Head of Organisational Development | 1 | 72 | 0 | 0 | 73 |
| Head of Programmes Redesign | 58 | 198 | 0 | 0 | 256 |
| Head of Customer Services | 0 | 139 | 0 | 0 | 139 |
| Head of Strategic Commissioning | 1,316 | 2 | 0 | 0 | 1,318 |
| Head of Finance | 0 | 13 | 0 | (88) | (75) |
| Head of Commercial Development | 0 | 52 | 0 | 0 | 52 |
| Director of Regeneration and Planning | | | | | |
| Head of Coastal Partnerships | 80 | 418 | 0 | 0 | 498 |
| Head of Neighbourhood Support | 18 | 213 | 0 | 0 | 231 |
| Head of Housing | 0 | 86 | 0 | 0 | 86 |
| Head of Planning | 454 | 248 | 0 | 0 | 702 |
| Head of Community Engagement | 239 | 82 | 0 | 0 | 321 |
| Head of Property | 833 | 16 | 0 | 1,478 | 2,327 |
| Head of Regeneration (South) | 45 | 37 | 0 | 0 | 82 |
| Other Operating I&E | 0 | 0 | 0 | (1,000) | (1,000) |
| Cost of Services | 3,044 | 1,691 | 0 | 390 | 5,125 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (3,011) | 143 | 1,029 | (341) | (2,180) |
| Total for 2019-20 | 33 | 1,834 | 1,029 | 49 | 2,945 |

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

| | General Fund Balance | Capital Receipts reserve | Capital grants unapplied | Unusable Reserves | Total |
|--|----------------------------|--------------------------------|--------------------------------|----------------------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2018-19 | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement | | | | | |
| Amortise Intangible Assets | (36) | 0 | 0 | 36 | 0 |
| Depreciation and impairment of non-current assets | (1,365) | 0 | 0 | 1,365 | 0 |
| Movements in value of Investment Properties | 3,579 | 0 | 0 | (3,579) | 0 |
| Disposal of non-current assets | (186) | 0 | 0 | 186 | 0 |
| Capital receipts to Usable Capital Receipts Reserve | 13 | (13) | 0 | 0 | 0 |
| Capital grants and contributions to Capital Grants Unapplied Reserve | 4,196 | 0 | (4,196) | 0 | 0 |
| Difference between accounting and statutory employment benefit | 0 | 0 | 0 | 0 | 0 |
| Difference between accounting and statutory credit for Council Tax | 734 | 0 | 0 | (734) | 0 |
| Difference between accounting and statutory credit for Non-Domestic Rates | 0 | 0 | 0 | 0 | 0 |
| Revenue Expenditure Financed from Capital under Statute | (974) | 0 | 0 | 974 | 0 |
| Difference between accounting and statutory credit for pension costs | (2,721) | 0 | 0 | 2,721 | 0 |
| Statutory Charge MRP | 159 | | | (159) | 0 |
| Revaluation losses on PPE | (218) | | | 218 | 0 |
| Capital Grants and Contributions applied | 1,411 | | | (1,411) | 0 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | 0 |
| Capital expenditure financed from revenue | 0 | 0 | 0 | | 0 |
| Other adjustments | | | | | |
| Capital expenditure financed from Capital Receipts | 0 | | 0 | 0 | 0 |
| Capital expenditure financed from Capital grants and contributions | 0 | 66 | 0 | (66) | 0 |
| Total for 2018-19 | 4,592 | 53 | (4,196) | (449) | 0 |

NOTES TO THE ACCOUNTING STATEMENTS

| | General Fund Balance | Capital Receipts reserve | Capital grants unapplied | Unusable Reserves | Total |
|---|----------------------------|--------------------------------|--------------------------------|----------------------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2019-20 | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement | | | | | |
| Amortise Intangible Assets | (1) | | | 1 | 0 |
| Depreciation and impairment of non-current assets | (2,598) | | | 2,598 | 0 |
| Movements in value of Investment Properties | 86 | | | (86) | 0 |
| Disposal of non-current assets | (374) | | | 374 | 0 |
| Capital receipts to Usable Capital Receipts Reserve | 439 | (439) | | | 0 |
| Capital grants and contributions to Capital Grants Unapplied Reserve | 2,860 | | (2,860) | | 0 |
| Difference between accounting and statutory employment benefit | (50) | | | 50 | 0 |
| Difference between accounting and statutory credit for Council Tax | 49 | | | (49) | 0 |
| Difference between accounting and statutory credit for Non-Domestic Rates | (1,078) | | | 1,078 | 0 |
| Revenue Expenditure Financed from Capital under Statute | (1,159) | | | 1,159 | 0 |
| Difference between accounting and statutory credit for pension costs | (1,834) | | | 1,834 | 0 |
| REFCUS income | 714 | | | (714) | 0 |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i> | | | | | |
| Capital expenditure financed from revenue | 176 | | | (176) | 0 |
| Statutory Charge MRP | 156 | | | (156) | 0 |
| Other adjustments | | | | | |
| Capital expenditure financed from Capital Receipts | | 353 | | (353) | 0 |
| Capital expenditure financed from Capital grants and contributions | | | 2,131 | (2,131) | 0 |
| Total for 2019-20 | (2,614) | (86) | (729) | 3,429 | 0 |

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

| 2018-19 Surplus / Deficit on the Provision of Services | | 2019-20 Surplus / Deficit on the Provision of Services |
|--|---|--|
| £'000 | | £'000 |
| 10,048 | Employee benefits expenses | 13,047 |
| 51,416 | Other service expenses | 57,478 |
| 1,420 | Interest payments | 138 |
| 1,620 | Depreciation, amortisation, impairment etc | 2,599 |
| 0 | Precepts and levies | 0 |
| 173 | Gains on the disposal of assets | 0 |
| <u>64,677</u> | Total Expenditure | <u>73,262</u> |
| (41,374) | Fees, charges and other service income | (16,850) |
| (3,579) | Investment Properties changes in fair value | (86) |
| (71) | Interest income | (101) |
| (1,248) | Investment income | 0 |
| (11,501) | Council Tax and Non-Domestic Rate income | (20,579) |
| (11,464) | Grants and Contributions | (33,836) |
| 0 | Gains on the disposal of assets | (66) |
| <u>(69,237)</u> | Total income | <u>(71,518)</u> |
| <u>(4,560)</u> | Net | <u>1,744</u> |

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION SCHEME

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
| | Comprehensive Income and Expenditure Statement | |
| 2,080 | Current Service Cost | 2,835 |
| 1,270 | Curtailments | 73 |
| 3,350 | Cost of Services | 2,908 |
| 1,270 | Net interest expense | 1,102 |
| 1,270 | Financing and Investment Income and Expenditure | 1,102 |
| 4,620 | Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services | 4,010 |
| (7,120) | Return on plan assets, less included in interest expense | 14,583 |
| | Actuarial gains & losses: | 0 |
| (6,230) | Changes in demographic assumptions | (3,995) |
| 7,290 | Changes in financial assumptions | (3,473) |
| 280 | Other | (10,929) |
| (5,780) | Remeasurement of the net defined benefit liability | (3,814) |
| (1,160) | Total Comprehensive Income and Expenditure Statement | 196 |
| | Movement in Reserves Statement | |
| 4,620 | Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement | 4,010 |
| (1,860) | Employer's pension contributions and direct payments to pensioners payable in the year | (2,176) |
| 2,760 | Total taken to Note 5 | 1,834 |

NOTES TO THE ACCOUNTING STATEMENTS

| 2018-19 | | 2019-20 |
|-----------|---|-----------|
| £'000 | Reconciliation of Fair Value of Employer Assets (scheme Assets): | £'000 |
| 101,470 | Value of Assets at 1 April | 108,250 |
| 2,600 | Interest income on plan assets | 2,573 |
| 480 | Contributions by Members | 532 |
| 1,860 | Contributions by the Employer | 2,176 |
| 7,120 | Return on assets excluding amounts recognised in Other Comprehensive Income | (14,583) |
| (5,280) | Benefits Paid | (4,800) |
| 108,250 | | 94,148 |
| 2018-19 | | 2019-20 |
| £'000 | Reconciliation of Defined Benefit Obligation (scheme Liabilities): | £'000 |
| (151,460) | Value of Liabilities at 1 April | (155,220) |
| (2,080) | Current Service Cost | (2,835) |
| (3,870) | Interest Cost | (3,675) |
| (480) | Contribution by Members | (532) |
| | Actuarial Gains and (Losses): | |
| 6,230 | Change in demographic assumptions | 3,995 |
| (7,290) | Change in financial assumptions | 3,473 |
| (280) | Other experience gains and (losses) | 10,929 |
| (1,270) | Losses on Curtailments | (73) |
| 5,280 | Benefits Paid | 4,800 |
| (155,220) | | (139,138) |
| (46,970) | Net Liability at 31st March | (44,990) |
| 2018-19 | | 2019-20 |
| | Mortality assumptions: | |
| | Longevity at 65 for current pensioners: | |
| 23.3 | Men | 23.0 |
| 26.1 | Women | 25.5 |
| | Longevity at 45 for future pensioners: | |
| 24.9 | Men | 24.7 |
| 27.8 | Women | 27.2 |
| 2018-19 | | 2019-20 |
| 2.2% | Rate of inflation (CPI) | 2.0% |
| 3.7% | Rate of increase in salaries | 3.0% |
| 2.2% | Rate of increase in pensions | 2.2% |
| 2.4% | Rate for discounting scheme liabilities | 2.3% |

NOTES TO THE ACCOUNTING STATEMENTS

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NOTES TO THE ACCOUNTING STATEMENTS

Fair value of employer assets

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

| 31 March 2019 | | | Asset Category | 31 March 2020 | | |
|--|--|----------------|------------------|--|---|----------------|
| Quoted Prices in Active Markets | Prices not quoted in Active markets | Total | | Quoted Prices in Active Markets | Prices not quoted in Active markets | Total |
| % | % | % | | % | % | % |
| 54.00% | 6.40% | 60.40% | Equities | 44.10% | 8.60% | 52.70% |
| 0.70% | 6.90% | 7.60% | Property | 0.80% | 6.50% | 7.30% |
| 22.60% | 0.10% | 22.70% | Government Bonds | 21.80% | 0.00% | 21.80% |
| 1.10% | 4.10% | 5.20% | Corporate Bonds | 0.00% | 0.00% | 0.00% |
| 2.30% | 0.00% | 2.30% | Cash | 2.00% | 0.00% | 2.00% |
| 0.10% | 1.70% | 1.80% | Other | 14.10% | 2.10% | 16.20% |
| 80.80% | 19.20% | 100.00% | Totals | 82.80% | 17.20% | 100.00% |

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Aon, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 11. EARMARKED RESERVES

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

| | Balance at 31 March 2018 | Transfers out 2018/19 | Transfers in 2018/19 | Balance at 31 March 2019 | Transfers out 2019/20 | Transfers in 2019/20 | Balance at 31 March 2020 |
|--|--------------------------------|-----------------------------|----------------------------|--------------------------------|-----------------------------|----------------------------|--------------------------------|
| | £'000 | £'000 | | £'000 | £'000 | | £'000 |
| General Fund - earmarked | (235) | 0 | (973) | (1,208) | 1,185 | 0 | (23) |
| Legal Reserve | (385) | 385 | 0 | 0 | 0 | 0 | 0 |
| Insurance Reserve | (653) | 0 | 0 | (653) | 0 | 0 | (653) |
| Capital Reserve | (348) | 335 | 0 | (13) | 13 | 0 | 0 |
| Restructuring Reserve | (597) | 179 | 0 | (418) | 0 | 0 | (418) |
| Financial Management Reserve | (208) | 208 | 0 | 0 | 0 | (3,867) | (3,867) |
| Externally funded Reserve | 0 | 0 | 0 | 0 | 0 | (609) | (609) |
| Service Support Reserve | 0 | 0 | 0 | 0 | 0 | (114) | (114) |
| Regeneration Reserve | 0 | 0 | 0 | 0 | 0 | (431) | (431) |
| Regeneration Investment Framework Reserve | 0 | 0 | 0 | 0 | 0 | (950) | (950) |
| Total | (2,426) | 1,107 | (973) | (2,292) | 1,198 | (5,971) | (7,065) |

The purposes of these reserves are set out below:

| | |
|--------------------------------|--|
| General Fund Earmarked Reserve | To fund specific projects |
| Legal Reserve | Earmarked to fund any legal costs that arise. |
| Insurance Reserve | To fund any insurance claims below the excess during the year. |
| Capital Reserve | To fund specific capital projects. |
| Restructuring Reserve | To fund costs associated with the restructure of the Council. |
| Financial Management reserve | To meet any potential future financial liabilities that may arise (for example insurance claims) |
| Externally Funded Reserve | These are all external contributions which are committed to specific projects. |

NOTES TO THE ACCOUNTING STATEMENTS

| | |
|---|--|
| Service Support Reserve | To cover specific service projects which may arise in the future (e.g. economic development work or Local Plan work) |
| Regeneration Reserve | To ring fence income from Meridien for future economic development |
| Regeneration Investment Framework Reserve | To provide funding for future regeneration of the Borough |

NOTE 12. UNUSABLE RESERVES

| | Balance 1 April 2018 | Comp- rehensive I&E | Accounting - Financing Adjust. | Balance 31 March 2019 |
|------------------------------------|----------------------------|---------------------------|--------------------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Revaluation Reserve | (35,148) | (3,636) | 1,202 | (37,582) |
| Capital Adjustment Account | (39,722) | 0 | (3,639) | (43,361) |
| Pensions Reserve | 49,989 | (5,780) | 2,721 | 46,930 |
| Collection Fund Adjustment Account | 853 | 0 | (734) | 119 |
| Accumulated Absences Account | 80 | 0 | 0 | 80 |
| Total for 2018-19 | (23,948) | (9,416) | (450) | (33,814) |

| | Balance 1 April 2019 | Comp- rehensive I&E | Accounting - Financing Adjust. | Balance 31 March 2020 |
|------------------------------------|----------------------------|---------------------------|--------------------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Revaluation Reserve | (37,582) | (4,887) | 1,004 | (41,465) |
| Capital Adjustment Account | (43,361) | 0 | (488) | (43,849) |
| Pensions Reserve | 46,930 | (3,814) | 1,834 | 44,950 |
| Collection Fund Adjustment Account | 119 | 0 | 1,029 | 1,148 |
| Accumulated Absences Account | 80 | 0 | 50 | 130 |
| Total for 2019-20 | (33,814) | (8,701) | 3,429 | (39,086) |

Revaluation Reserve

| 2018-19 | | 2019-20 |
|-----------------|--|-----------------|
| £000 | | £000 |
| (35,148) | Balance 1 April | (37,582) |
| (3,636) | Comprehensive Income & Expenditure: Gain on revaluation of assets | (4,887) |
| 1,202 | Accounting / Financing Adjustments: Depreciation charged to Revaluation Reserve | 1,004 |
| (37,582) | Balance 31 March | (41,465) |

NOTES TO THE ACCOUNTING STATEMENTS

Capital Adjustment Account

| 2018-19 | | 2019-20 |
|------------------------|--|------------------------|
| £000 | | £000 |
| (39,722) | Balance 1 April | (43,361) |
| | Accounting / Financing Adjustments: | |
| 36 | Write down Intangible Assets | 1 |
| 1,366 | Depreciation and impairment of non-current assets | 2,598 |
| (3,579) | Movements in value of Investment Properties | (86) |
| 186 | Gain or (loss) on sale of non-current assets | 374 |
| 974 | Revenue Expenditure Financed from Capital under Statute | 445 |
| 218 | Capital expenditure financed from revenue | (176) |
| (66) | Capital expenditure financed from Capital Receipts | (353) |
| (1,411) | Capital expenditure financed from Capital grants and contributions | (2,131) |
| (159) | MRP | (156) |
| (1,204) | Depreciation charged to Revaluation Reserve | (1,004) |
| <u>(43,361)</u> | Balance 31 March | <u>(43,849)</u> |

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NOTES TO THE ACCOUNTING STATEMENTS

Pensions Reserve

| 2018-19 | | 2019-20 |
|---------------|--|---------------|
| £000 | | £000 |
| 49,989 | Balance 1 April | 46,930 |
| | Comprehensive Income & Expenditure: | |
| (5,780) | Remeasurement of the net defined benefit liability | (3,814) |
| | Prior year adjustment | 40 |
| | Accounting / Financing Adjustments: | |
| 2,721 | Difference between accounting and statutory credit for pension costs | 1,834 |
| 46,930 | Balance 31 March | 44,990 |

Collection Fund Adjustment Account

| 2018-19 | | 2019-20 |
|------------|---|--------------|
| £000 | | £000 |
| 853 | Balance 1 April | 119 |
| | Accounting / Financing Adjustments: | |
| | Difference between accounting and statutory credit for Council Tax | (49) |
| (762) | Difference between accounting and statutory credit for Non-Domestic Rates | 1,078 |
| 119 | Balance 31 March | 1,148 |

NOTES TO THE ACCOUNTING STATEMENTS

Accumulated Absences Account

| 2018-19 £000 | | 2018-19 £000 |
|-----------------|--|-----------------|
| 80 | Balance 1 April | 80 |
| | Accounting / Financing Adjustments: | |
| | Difference between accounting and statutory employment | |
| 0 | benefit | 50 |
| 80 | Balance 31 March | 130 |

NOTE 13. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure charged 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The Capital Financing Requirement (CFR) is made up of the following balance sheet items.

| 2018-19 Re-stated £'000 | | 2019-20 £'000 |
|----------------------------|--|------------------|
| 9,781 | Opening Capital Financing Requirement 1 April | 9,833 |
| | <i>Capital Investment</i> | |
| 714 | Property, Plant and Equipment | 1,981 |
| 0 | Investment properties | 4,392 |
| 0 | Intangible assets | 22 |
| 974 | Revenue Expenditure Funded from Capital under Statute (REFCUS) | 1,159 |
| | <i>Sources of finance</i> | |
| (510) | Capital receipts | (353) |
| (967) | Government grants and other contributions | (2,380) |
| (159) | Sums set aside from revenue and reserves | (176) |
| | Grants and contributions towards REFCUS | (714) |
| | MRP | (156) |
| 9,833 | Closing Capital Financing Requirement 31 March | 13,608 |

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Assets are revalued on a 5-year programme. The useful economic life of operational land and buildings is also assessed. An annual desktop assessment is also carried out at the end of each financial year, and the values are updated where necessary. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

| | Land & Buildings | Vehicles Plant etc | Infra-structure | Commun. Assets | Total |
|-------------------------------------|------------------|--------------------|-----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost: | | | | | |
| Opening value 1 April 2018 | 56,583 | 7,332 | 1,982 | 4,753 | 70,650 |
| Additions | 145 | 34 | 17 | 306 | 502 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Impairment losses | (222) | 0 | 0 | 0 | (222) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 3,268 | 0 | 0 | 0 | 3,268 |
| Value 31 March 2019 | 59,774 | 7,366 | 1,999 | 5,059 | 74,198 |
| Cumulative Depreciation: | | | | | |
| Opening value 1 April 2018 | 80 | (6,878) | (412) | (1,280) | (8,490) |
| Charge for the year | (1,199) | (106) | (33) | (26) | (1,364) |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 372 | 0 | 0 | 0 | 372 |
| Balance 31 March 2019 | (747) | (6,984) | (445) | (1,306) | (9,482) |
| Net book value 31 March 2019 | 59,027 | 382 | 1,554 | 3,753 | 64,717 |

NOTES TO THE ACCOUNTING STATEMENTS

| | Land & Buildings | Vehicles Plant etc | Infra- structure | Commun. Assets | Total |
|-------------------------------------|---------------------|--------------------------|---------------------|-------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost: | | | | | |
| Opening value 1 April 2019 | 59,774 | 7,366 | 1,999 | 5,059 | 74,198 |
| Additions | 847 | 156 | 978 | 0 | 1,981 |
| Disposals | (708) | (1,742) | 0 | (163) | (2,613) |
| Impairment losses | (865) | 0 | 0 | 0 | (865) |
| Reclassifications | 1,746 | 0 | (17) | (1,893) | (164) |
| Revaluations | 3,026 | 0 | 0 | 0 | 3,026 |
| Value 31 March 2020 | 63,820 | 5,780 | 2,960 | 3,003 | 75,563 |
| Cumulative Depreciation: | | | | | |
| Opening value 1 April 2019 | (747) | (6,984) | (445) | (1,306) | (9,482) |
| Charge for the year | (1,605) | (75) | (31) | (23) | (1,734) |
| Disposals | 86 | 1,742 | 0 | 163 | 1,991 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 1,861 | 0 | 0 | 0 | 1,861 |
| Balance 31 March 2020 | (405) | (5,317) | (476) | (1,166) | (7,364) |
| Net book value 31 March 2019 | 63,415 | 463 | 2,484 | 1,837 | 68,199 |

Capital Commitments

At 31 March 2020, there were no material capital commitments outstanding

At 31 March 2020 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 15. INVESTMENT PROPERTIES

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

| 2018-19 | | 2019-20 |
|----------------|--|----------------|
| | £'000 | £'000 |
| (1,245) | Rental income from investment property | (1,406) |
| 50 | Direct operating expenses arising from investment property | 42 |
| (3,579) | Net gains from fair value adjustments | 86 |
| (4,774) | Total | (1,277) |

Balance Sheet movements in Investment Properties during the year:

| 2018-19 | | 2019-20 |
|----------------|---|----------------|
| | £'000 | £'000 |
| 22,476 | Balance at start of the year | 26,055 |
| 0 | Additions | 4,391 |
| 3,579 | Net gains from fair value adjustments | 86 |
| 0 | Assets reclassified to Property Plant & Equipment | 147 |
| 26,055 | Balance at end of the year | 30,679 |

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 16. INTANGIBLE ASSETS

| 2018-19 | | 2019-20 |
|---------|--|---------|
| £'000 | | £'000 |
| | Gross Carrying Amount 1 April | 605 |
| | Accumulated Amortisation 1 April | (602) |
| 226 | Net Net Carrying Amount at start of year | 3 |
| 0 | Additions | 22 |
| 0 | Disposals - cost | (159) |
| 0 | Disposals - depreciation | 159 |
| (187) | Impairment | |
| 0 | Reclassified | 17 |
| (36) | Amortisation | (1) |
| 605 | Gross Carrying Amount 31 March | 485 |
| (602) | Accumulated Amortisation 31 March | (444) |
| 3 | Total | 41 |

NOTE 17. DEBTORS

| 31 March 2019 | | 31 March 2020 |
|------------------|---|------------------|
| £'000 | | £'000 |
| | Amounts falling due within one year: | |
| 0 | Central government bodies | 648 |
| 2,454 | Other Local Authorities & Public Bodies | 5,531 |
| 0 | NHS | 6 |
| 9,049 | All other bodies | 4,440 |
| 11,503 | Total short term debtors | 10,625 |
| 351 | Amounts falling due after one year (all other bodies) | 124 |
| 11,854 | Total Debtors | 10,749 |

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 18. CREDITORS

| 31 March 2018 | | 31 March 2020 |
|------------------|---|------------------|
| £'000 | | £'000 |
| | Amounts falling due within one year: | |
| (3,004) | Central government bodies | (4,088) |
| (248) | Other Local Authorities & Public Bodies | (888) |
| 0 | Public Corporations | (4) |
| (8,930) | All other bodies | (8,497) |
| <u>(12,182)</u> | Total short term creditors | <u>(13,477)</u> |
| 248 | Amounts falling due after one year (all other bodies) | 0 |
| <u>(11,934)</u> | Total Creditors | <u>(13,477)</u> |

NOTE 19. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

The Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision increased from £1.928m from £0.485m during 2019/20.

The Council has a liability for its share of the milestone payments that were due to Capita at certain stages of the contract. At the 31 March 2020 Havant's share of the liability amounted to £1.135m.

Contingent Liabilities

There are no contingent liabilities as at 31 March 2020

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 20. CAPITAL GRANTS RECEIPTS IN ADVANCE

| 31 March 2019 | £'000 | | 31 March 2020 | £'000 |
|------------------|---------|---|------------------|---------|
| | | Amounts falling due within one year: | | |
| | 0 | S106 | | 0 |
| | 0 | Other | | (280) |
| | <hr/> | | | <hr/> |
| | 0 | Total short term capital grants received in advance | | (280) |
| | | Amounts falling due after one year (all other bodies) | | |
| | (1,473) | S106 | | (2,611) |
| | (1,702) | Other | | (1,638) |
| | <hr/> | | | <hr/> |
| | (3,175) | Total long term capital grants received in advance | | (4,249) |
| | <hr/> | | | <hr/> |

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NOTES TO THE ACCOUNTING STATEMENTS

NOTE 21. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

| 31 March 2019 | | | 31 March 2020 | |
|---------------------|---------------------|--|---------------------|---------------------|
| Book Value £,000 | Fair Value £,000 | | Book Value £,000 | Fair Value £,000 |
| 10 | 10 | Loans and Receivables | - | - |
| 0 | 0 | Available for sale financial assets | - | - |
| 0 | 0 | Financial assets at fair value through profit and loss | - | - |
| 341 | 341 | Financial assets at amortised Cost | 124 | 124 |
| <u>351</u> | <u>351</u> | Long term Assets | <u>124</u> | <u>124</u> |
| 0 | 0 | Loans and Receivables | - | - |
| 0 | 0 | Available for sale financial assets | - | - |
| 0 | 0 | Financial assets at amortised Cost | - | - |
| <u>0</u> | <u>0</u> | Short term Investments | <u>0</u> | <u>0</u> |
| 1672 | 1672 | Short Term Debtors | 445 | 445 |
| 3651 | 3651 | Trade accounts receivable | 2,226 | 2,226 |
| 0 | 0 | Bank deposits less than 3 months | 0 | 0 |
| 21,922 | 21,922 | Cash and bank accounts | 23,968 | 23,968 |
| <u>27,245</u> | <u>27,245</u> | Other financial assets at amortised cost | <u>26,639</u> | <u>26,639</u> |
| <u>27,596</u> | <u>27,596</u> | Total Financial Assets | <u>26,763</u> | <u>26,763</u> |

The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 17 and 18 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

NOTES TO THE ACCOUNTING STATEMENTS

| 31 March 2019 re-stated | | | 31 March 2019 | |
|-------------------------|---------------------|---|------------------------|---------------------|
| Book Value £,000 | Fair Value £,000 | | Book Value £,000 | Fair Value £,000 |
| (93) | (93) | Public Works Loan Board | (102) | (122) |
| (8,421) | (8,421) | Short Term Creditors | (6,162) | (6,162) |
| <hr/> | | | <hr/> | |
| (8,514) | (8,514) | Short Term Financial liabilities at amortised cost | (6,264) | (6,284) |
| <hr/> | | | <hr/> | |
| (3,350) | (3,350) | Public Works Loan Board | (3,253) | (3,885) |
| <hr/> | | | <hr/> | |
| (3,350) | (3,350) | Long Term Liabilities at amortised cost | (3,253) | (3,885) |
| <hr/> | | | <hr/> | |
| (11,864) | (11,864) | Total Financial Liabilities | (9,517) | (10,169) |

NOTES TO THE ACCOUNTING STATEMENTS

Valuation Techniques for Fair Values

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

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 2.9 above. The Fair value through the profit and loss assets are assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices).

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

Nature and Extent of Risks arising from Financial instruments

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

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

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the Annual Treasury Management Strategy Statement and Annual Investment Strategy, which govern the maximum type of investment risk to which the Council can be exposed.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria using the Link Asset Services creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies (Fitch, Moody's and Standard and Poor's) overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score. The minimum score will depend on the type and length of investment as detailed in the Council's Treasury Management Strategy Statement and Annual Investment Strategy. Credit limits are set for each institution where deposits are placed.

The credit criteria in respect of the financial assets held by the Council at 31 March 2020 are summarised below.

- i. All investments will be with approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.
- ii. The total principal funds invested for up to 6 months is 50%
- iii. The total principal funds invested for up to 3 months is 50%
- iv. The total principal funds invested for up to 1 year is 30%
- v. The total principal funds invested for more than 1 year is £10million

NOTES TO THE ACCOUNTING STATEMENTS

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

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2019/20 of past experience:

The council does not generally allow credit for customers such that £1.006m is past due for payment. The past due not impaired is analysed as follows'

| 31 March 2019 | | 31 March 2020 |
|------------------|---------------|------------------|
| £'000 | | £'000 |
| 2,028 | 0-30 days | 1,220 |
| 372 | 31-90 days | 458 |
| 413 | 91-180 days | 75 |
| 838 | Over 180 days | 473 |
| <u>3,651</u> | Total | <u>2,226</u> |

Debtors include trade receivables of £2.226m as at 31 March 2020 (£3.651m as at 31 March 2019). The Council has provided £3.087m (31 March 2019 £2.572m) as a general impairment allowance for non-collection of this debt.

Liquidity Risk

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

| 31 March 2018 | PWLB | 31 March 2019 |
|---------------|---------------------------------|---------------|
| £'000 | | £'000 |
| 93 | Less than one year | 97 |
| 97 | Between one and two years | 101 |
| 315 | Between two and five years | 328 |
| 617 | Maturing in five to ten years | 642 |
| <u>2,321</u> | Maturing in more than ten years | <u>2,182</u> |
| <u>3,443</u> | Total | <u>3,350</u> |

Market Risk

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

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

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 22. AGENCY SERVICES

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

NOTE 23. LEASES

Authority as Lessee

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

Lease Classifications

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

Authority as Lessee: Finance Leases

| 31 March 2019 | | 31 March 2020 |
|---------------------|---------------------------------------|---------------------|
| £'000 | | £'000 |
| 0 | Not later than one year | 0 |
| 248 | Later than one year | 0 |
| 2,692 | Finance Costs payable in future years | 0 |
| <u>2,940</u> | Total Minimum Lease payments | <u>0</u> |

The assets acquired under these leases are carried as Investment Properties and Plant & Equipment in the Balance Sheet at the following net amounts:

| 31 March 2019 | | 31 March 2020 |
|---------------------|-------------------------------|---------------------|
| £'000 | | £'000 |
| 0 | Investment Property | 0 |
| 289 | Vehicles, Plant and Equipment | 0 |
| <u>289</u> | | <u>0</u> |

NOTES TO THE ACCOUNTING STATEMENTS

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 2019 | | 31 March 2020 |
|------------------------------|---------------------------------------|------------------------------|
| £'000 | | £'000 |
| 0 | Not later than one year | 0 |
| 248 | Later than one year | 0 |
| 2,692 | Finance Costs payable in future years | 0 |
| <u>2,940</u> | Total Minimum Lease payments | <u>0</u> |

The minimum lease payments will be payable over the following periods. The minimum lease payments do not include rents that are contingent on events taking place over time (such as periodic rent reviews).

| 31 March 2019 | | 31 March 2020 |
|------------------------------|---|------------------------------|
| £'000 | | £'000 |
| 34 | Not later than one year | 0 |
| 136 | Later than one year and not later than five years | 0 |
| 2,522 | Over 5 years | 0 |
| <u>2,692</u> | Minimum Lease payments | <u>0</u> |

Authority as Lessor: Finance Leases

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

Authority as Lessor: Operating Leases

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

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

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

| 31 March 2019 restated | | 31 March 2020 |
|---|---|------------------------------|
| £'000 | | £'000 |
| 1,959 | Not later than one year | 2,465 |
| 7,295 | Later than one year and not later than five years | 8,654 |

NOTES TO THE ACCOUNTING STATEMENTS

| | | |
|---------------|--------------|---------------|
| 74,646 | Over 5 years | 64,854 |
| <u>83,900</u> | | <u>75,973</u> |

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NOTES TO THE ACCOUNTING STATEMENTS

NOTE 24. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|----------------------------------|------------------|
| 223 | Members Allowances | 223 |
| 89 | Special Responsibility Allowance | 85 |
| 8 | Expenses | 5 |
| <u>320</u> | | <u>313</u> |

NOTE 25. OFFICERS' REMUNERATION AND EXIT PACKAGES

Senior Officer Remuneration

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

| Post holder information (Post title) | Salary (Inc. Fees & Allow- ances) £ | Pension Contributions £ | Net cost to Havant | Net cost to East Hants | Total Remuneration £ |
|---|---|-------------------------------|--------------------------|---------------------------------|----------------------------|
| Financial Year: 2018-19 | | | | | |
| Chief Executive (until December 2018) | 101,030 | 16,170 | 58,600 | 58,600 | 117,200 |
| Chief Executive (from January 2018) | 31,586 | 4,770 | 18,178 | 18,178 | 36,356 |
| Executive Director - Operations (until November 2018) | 84,150 | 12,642 | 48,396 | 48,396 | 96,792 |
| Executive Director - Place (until December 2018) | 78,878 | 11,910 | 45,394 | 45,394 | 90,788 |
| Chief Finance Officer (s151) | 88,005 | 13,289 | 50,647 | 50,647 | 101,294 |
| Service Director - Operations (from January 2019) | 17,763 | 2,483 | 10,123 | 10,123 | 20,246 |
| Service Director - Place (from January 2019) | 22,740 | 3,398 | 13,069 | 13,069 | 26,138 |
| TOTAL COST | 424,152 | 64,662 | 244,407 | 244,407 | 488,814 |

NOTES TO THE ACCOUNTING STATEMENTS

| Post holder information (Post title) | Salary (Inc. fees & Allow- ances) | Pension Con- tributions** | Net cost to Havant | Net cost to East Hants | Total Remun- eration |
|---|--|---------------------------------|--------------------------|---------------------------------|-------------------------|
| | £ | £ | | | £ |
| Financial Year: 2019-20 | | | | | |
| Chief Executive | 134,959 | 21,715 | 78,337 | 78,337 | 156,674 |
| Director for Regeneration & Place | 100,481 | 15,976 | 58,228 | 58,228 | 116,457 |
| Director for Corporate Services & Chief Finance Officer | 102,000 | 16,422 | 59,211 | 59,211 | 118,422 |
| Director for Operations & Neighbourhood Support (Until August 2019) | 28,900 | 4,654 | 16,777 | 16,777 | 33,554 |
| TOTAL COST | 366,339 | 58,767 | 212,553 | 212,553 | 425,106 |

Salaries over £50,000

| 2018-19 | | 2019-20 | |
|-----------|---------------------|-----------|--|
| 4 | £50,000 - £54,999 | 8 | |
| 3 | £55,000 - £59,999 | 5 | |
| 1 | £60,000 - £64,999 | 0 | |
| 0 | £65,000 - £69,999 | 2 | |
| 4 | £70,000 - £74,999 | 1 | |
| 1 | £75,000 - £79,999 | 4 | |
| 0 | £80,000 - £84,999 | 0 | |
| 0 | £85,000 - £89,999 | 1 | |
| 0 | £90,000 - £94,999 | 0 | |
| 0 | £95,000 - £99,999 | 0 | |
| 1 | £100,000 - £104,999 | 0 | |
| <u>14</u> | | <u>21</u> | |

NOTES TO THE ACCOUNTING STATEMENTS

Exit Packages

| 2018-19 | | | | Banding | | 2019-20 | | | |
|-------------------------|------------------|---------------------|----------------|-------------------------|------------------|---------------------|----------|---------------|--|
| Number of exit packages | | | Cost | Number of exit packages | | | Cost | | |
| Compuls. Redund. | Other departures | Total exit packages | Total | Compuls. Redund. | Other departures | Total exit packages | Total | | |
| | | | £ | | | | £'000 | | |
| 2 | 0 | 2 | 7,477 | £0 - £20,000 | 1 | 0 | 1 | 885 | |
| 1 | 0 | 1 | 22,502 | £20,001 - £40,000 | 1 | 0 | 1 | 28,092 | |
| 0 | 0 | 0 | 0 | £40,001 - £60,000 | 0 | 0 | 0 | 0 | |
| 0 | 0 | 0 | 0 | £60,001 - £80,000 | 0 | 0 | 0 | 0 | |
| 1 | 0 | 1 | 87,120 | £80,001 - £100,000 | 0 | 0 | 0 | 0 | |
| 0 | 0 | 0 | 0 | £100,001 - £150,000 | 0 | 0 | 0 | 0 | |
| | | | | | | | 0 | | |
| 4 | 0 | 4 | 117,099 | | 2 | 0 | 2 | 28,977 | |

NOTE 26. EXTERNAL AUDIT COSTS

Fees were payable to EY as the Council's external auditors as follows:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|-------------------------|------------------|
| 48 | External audit services | 37 |
| 10 | Other services | 9 |
| 58 | | 46 |

NOTE 27. RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are detailed in Note 9.

NOTES TO THE ACCOUNTING STATEMENTS

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 24. During 2019/20, no works or services were commissioned from companies in which Members had an interest. No grants were awarded to organisations in which Members were on the governing body. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members Interests are available for public inspection.

Officers

There was no known material related party transaction with officers for 2018/19 or for 2019/20.

A Joint Management structure is established with East Hampshire District Council. Details of the transactions with East Hampshire District Council can be found in Note 25 Officers' remuneration.

NOTE 28. INTERESTS IN OTHER ENTITIES

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

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

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

Norse South East

- NORSE SOUTH EAST LTD is a joint venture between Havant Borough Council and NORSE COMMERCIAL SERVICES LTD (Part of NORSE GROUP – wholly owned by NORFOLK COUNCIL)
- NORSE COMMERCIAL SERVICES LTD own 100% of the A shares – 8 shares of £1 each
- Havant Borough Council own 100% of the B shares – 2 shares of £1 each
- The Shareholders Agreement provides detail on how the directors and board shall operate, and how profit before tax is to be shared (50:50). Havant get their 50% share as a “discount/rebate”. The profit after paying this discount back to Havant is subject to Corporation tax and profits net of tax belong totally to Norfolk Council.
- It is considered by all parties that it is a teckal company for both Havant and Norfolk.

NOTE 29. EVENTS AFTER THE BALANCE SHEET

Covid-19

The current coronavirus outbreak has presented a significant challenge internationally ever since the new strain was first identified in Wuhan City, China in December 2019. On 30 January 2020, the World Health Organisation (WHO) declared the outbreak of coronavirus a 'Public Health Emergency of International

NOTES TO THE ACCOUNTING STATEMENTS

Concern. On 31 January 2020 the first confirmed case of Covid-19 was recorded in the UK. Following a series of measures enacted by the UK Government in early 2020 to tackle the virus, on 23rd March 2020, the Prime Minister announced a wider lockdown of society to limit the spread of Covid-19. Individuals were asked to stay at home and where possible work from home and only make essential journeys. The result was that a significant portion of UK businesses became unable to carry on operating and many employees were “furloughed” on 80% of their existing salary paid by central Government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy.

As the condition did not exist at the 31 March 2020 this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2020. We note that the future financial impact for 2020/21 and subsequent financial years may be greater and that there will be further implications and considerations for our Balance Sheet in relation to asset impairments and pension fund liability valuations, as at their respective balance sheet dates. Whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement – Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council tax payer.

Going concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The current restrictions in place within the United Kingdom in response to Covid-19 have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just £1.3 million in this regard.

In respect of 2020/21

Analysis of impact on 2020/21 is still being monitored as the situation develops including the possibility of further outbreaks and likely recession later in the financial year. Using actual data and assumptions for the remaining year the following has been factored in:

- Reductions in revenue relate to a 30% reduction in income fees across a range of services for the entire year including Building Control, Planning, Licensing, Off-Street and On-Street Parking, Property and income from Norse South East covering Beach Huts, Bulky waste and garden waste. Therefore, we expect our income to be £2.5M below that which we planned for within our 2020/21 budget.
- Additional costs relating to Covid-19 assumed at £138,500 based on spend to date and the assumption that further spending will be controlled within existing budgets.

We therefore expect the total financial impact of Covid-19 to be £0.138M plus £2.5M for 2020/21. We recognise that there remains uncertainty over how long lockdown arrangements will remain and the impact that will have on our assumptions. The assumption for a 30% is based on impact of the first quarter of 2020-21 being affected by lockdown and that a recession will likely follow from Q2 onwards and there could be possible further lockdowns if a second wave hits later in the year over winter. We have not assumed any additional central government grants within in our assumptions. We have received government grant funding of £1.32M and have also identified in year budget savings as a result of delayed projects and reduced expenditure of £0.46M giving a total of £1.76M. Therefore we have

NOTES TO THE ACCOUNTING STATEMENTS

expect our 2020/21 outturn to show a revised deficit approximately £0.391M. This would be funded from the General Fund balance – which would then have a predicted balance £2.628M at 31 March 2021.

We then expect that the Government's Local Government Fair Funding Review for 2021/22 be delayed, so we are assuming a flat rate of Government settlement for 2021/22. However, to be prudent we have left our assumption for 2021/22 in line with our previous MTFS planning, which would show a deficit in 2020/21 on the provision of services of £0.872M. We were planning to draw on reserves to the extent of £0.872M. As a result, our General Fund balance at 31 March 2022 is expected to be, on a worst-case scenario, of £2.628M.

Summary of expected General Fund Balance in future years:

| General Fund Balance | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 30% income reduction | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
| | £ (000) | £ (000) | £ (000) | £ (000) | £ (000) |
| Opening Balance | 3,500 | 2,628 | 2,628 | 2,628 | 2,628 |
| Movement in Year | (872) | 0 | 0 | 0 | 0 |
| Closing Balance | 2,628 | 2,628 | 2,628 | 2,628 | 2,628 |

The MTFS is built on assumptions of achieving in-year savings going forward of £2M in 2021/22 and £3M in 2022/23 and work has already started to identify those savings
The General Fund balance will remain above the 'minimum level of GF balances' set by our s151, which is £2m, across this timeline.

We have also modelled a further scenario of 50% income reduction as a further down-side scenario, with all other variables remaining constant. This scenario would increase the 2020/21 impact to £2.070m, compared to the £0.872m above. However, the minimum level of General Fund balance would be maintained, using funds transferred from other earmarked reserves

The above information does not take into account the Government announcement on 2 July 2020 regarding reimbursement of lost planned income. Further guidance has not been provided to enable this to be modelled, but it is likely to improve the above projections

COLLECTION FUND STATEMENT AND NOTES

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---|------------------|
| | <u>Council Tax</u> | |
| | INCOME | |
| (67,097) | Income from Council Taxpayers | (70,464) |
| 0 | s13A relief | (2) |
| (67,097) | | (70,466) |
| | EXPENDITURE | |
| | Precepts and demands on Collection Fund | |
| 48,883 | Hampshire County Council | 50,351 |
| 7,223 | Hampshire Police & Crime Commissioner | 8,201 |
| 2,676 | Hampshire Fire & Rescue Authority | 2,756 |
| 8,081 | Havant Borough Council | 8,324 |
| | Apportionments of previous year surplus | |
| 38 | Hampshire County Council | 93 |
| 6 | Hampshire Police & Crime Commissioner | 14 |
| 2 | Hampshire Fire & Rescue Authority | 5 |
| 6 | Havant Borough Council | 15 |
| | Bad & Doubtful Debts | |
| | Write offs of uncollectable income | 250 |
| 418 | Provision for uncollectable income-addition / (reduction) | 22 |
| 67,333 | | 70,031 |
| 236 | Movement on Fund Balance - (surplus)/deficit | (435) |
| | FUND BALANCE FOR COUNCIL TAX | |
| (509) | Balance brought forward | (273) |
| 236 | Surplus for year | (435) |
| (273) | Balance - (surplus)/deficit carried forward | (708) |

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
|------------------|--|------------------|

Non-Domestic Rates

| | | |
|----------|---|----------|
| | INCOME | |
| (35,608) | Income from Ratepayers | (35,471) |
| | Apportionments of previous year deficit | |
| (1,036) | Central Government | (257) |
| (186) | Hampshire County Council | (46) |

COLLECTION FUND STATEMENT AND NOTES

| | | |
|-----------------|-----------------------------------|-----------------|
| | Hampshire Fire & Rescue Authority | (5) |
| | Havant Borough Council | (206) |
| (37,679) | Total | (35,985) |

EXPENDITURE

| | | |
|---|---|---------------|
| Precepts and demands on Collection Fund | | |
| | Central Government | 17,146 |
| | Hampshire County Council | 3,086 |
| | Hampshire Fire & Rescue Authority | 343 |
| | Havant Borough Council | 13,717 |
| | Apportionments of previous year surplus | |
| | Central Government | 0 |
| | Hampshire County Council | 0 |
| | Hampshire Fire & Rescue Authority | 0 |
| | Havant Borough Council | 0 |
| | Transitional Relief | 868,576 |
| Bad & Doubtful Debts | | |
| | Write offs of uncollectable income | 0,19 |
| | Provision for uncollectable income | 102,50 |
| Impairments resulting from appeals | | |
| | Write offs of uncollectable income | 0,448 |
| | Provision for uncollectable income | (267),3,160 |
| | Transfer to General Fund - Cost of Collection Allowance | 138,135 |
| 35,774 | | 38,680 |
| (1,905) | Movement on Fund Balance - (surplus) / deficit | 2,695 |

FUND BALANCE FOR NON-DOMESTIC RATES

| | | |
|------------|---|---------------|
| | Balance brought forward | 2,286,381 |
| | (Surplus) / deficit for year | (1,905),2,695 |
| 381 | Balance - (surplus) / deficit carried forward | 3,076 |

COLLECTION FUND BALANCE

| | | |
|------------|-------------------------------------|---------------|
| | Balances brought forward | 1,778,108 |
| | (Surplus) / deficit for year | (1,668),2,260 |
| 110 | Balance - (surplus) carried forward | 2,368 |

COLLECTION FUND STATEMENT AND NOTES

NOTE 1. GENERAL

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

NOTE 2. COUNCIL TAX

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

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

| Band & Value | Number of Chargeable Dwellings Total | Relationship to Band D | Band D Equivalent £ |
|---------------------------------------|---|-------------------------------|--------------------------------|
| Band A - up to £40,000 (disabled) | 8 | 5/9 | 4.34 |
| Band A - up to £40,000 | 4,584 | 6/9 | 3013.46 |
| Band B - over £40,000 up to £52,000 | 10,712 | 7/9 | 8215.59 |
| Band C - over £52,000 up to £68,000 | 10,966 | 8/9 | 9611.47 |
| Band D - over £68,000 up to £88,000 | 8,851 | - | 8727.69 |
| Band E - over £88,000 up to £120,000 | 5,224 | 11/9 | 6296.28 |
| Band F - over £120,000 up to £160,000 | 2,335 | 13/9 | 3326.11 |
| Band G - over £160,000 up to £320,000 | 891 | 15/9 | 1464.06 |
| Band H - over £320,000 | 25 | 18/9 | 49.30 |
| | <u>43,596</u> | | <u>40,708.30</u> |

NOTE 3. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The national multipliers for 2019/20 were:

- 49.1p for qualifying Small Businesses (48.0p in 2018/19)
- 50.4p for other businesses (49.3p in 2018/19) – the standard multiplier

The rateable value as at the 31st March 2020 was £85,364,098.

GLOSSARY

ACCRUALS

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

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

AMORTISATION

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

BUDGET

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

CAPITAL EXPENDITURE

Expenditure on the provision and improvements of lasting assets such as land, buildings, vehicles and equipment. The Council may also incur capital expenditure on assets that it does not actually own (see Revenue Expenditure Financed from Capital under Statute, below).

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets.

CASH EQUIVALENTS

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

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

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

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that have restrictions on their disposal. Examples include parks and open spaces.

CONTINGENCY

A condition which exists at the Balance Sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CREDITORS

Amounts owed by the Council but not paid at the date of the balance sheet.

DEBTORS

Amounts owed to the Council but unpaid at the date of the balance sheet.

DEFINED BENEFIT SCHEME

A pension scheme under which benefits are payable under regulations, in which the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

DEPRECIATION

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

GLOSSARY

EARMARKED RESERVES

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

EXCEPTIONAL ITEMS

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

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCIAL INSTRUMENTS

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

GENERAL FUND

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

GOVERNMENT GRANTS

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

INFRASTRUCTURE ASSETS

Long-Term Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

INTANGIBLE ASSETS

Identifiable non-monetary assets such as software licences.

INVESTMENT PROPERTIES

Property held solely to earn rentals or for capital appreciation or both

LEASE

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

PAST SERVICE COST

Discretionary pension benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

PRECEPT

The amount of money the County Council, Sussex Police & Crime Commissioner and the Fire Authority have instructed the Council to collect and pay out of council tax receipts held in the Collection Fund. The Council also pays from its General Fund precepts issued by parish and town councils within the district.

PROPERTY, PLANT & EQUIPMENT (PPE)

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

PROVISIONS

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

GLOSSARY

PUBLIC WORKS LOAN BOARD (PWLB)

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

REVENUE EXPENDITURE

Day to day expenditure on the running of services. It includes staff costs, utility charges, rent and business rates, IT and communications and office expenses.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example Disabled Facility Grants.

REVENUE SUPPORT GRANT

A Government grant distributed to local authorities to augment income raised by the council tax. It is centrally determined on a needs basis.

SURPLUS ASSETS

Items of Property Plant and Equipment that are no longer held for council purposes, but are not being actively marketed.

UNUSABLE RESERVES

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

USABLE RESERVES

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