

# Contents

	<u>Page(s)</u>
Head of Resources - Foreword to the Accounts	2 - 5
Statement of Accounting Policies	6 -14
Statement of Responsibilities for the Statement of Accounts	15
Income and Expenditure Account	16
Statement of Movement on the General Fund Balance	16
Statement of Total Recognised Gains and Losses	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Core Financial Statements	20 - 51
Collection Fund Account	52 - 54
Glossary of Terms	55 - 56
Annual Governance Statement	57 - 64
Audit Opinion	65 - 67

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

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

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

# Foreword to the accounts for the year ended 31 March, 2010 by the Head of Resources

## Introduction

There has been a significant change in the way Local Authorities are required to account for local taxes (i.e. Non-Domestic Rates (NNDR) and Council Tax) from 2009/2010. The change is due to the view that the billing authority acts as an agent for the major preceptors (Hampshire County Council, Hampshire Police Authority, Hampshire Fire and Rescue Service and Havant Borough Council) for the collection of Council Tax and the Government for collection of NNDR. The 2009 SORP includes new accounting arrangements for Council Tax and NNDR. There is a requirement to include appropriate shares of Council Tax debtors in the billing authorities' and major preceptors' Balance Sheets and a requirement that billing authorities shall not recognise NNDR debtors in their Balance Sheets but instead recognise a creditor or debtor for cash collected from NNDR debtors as agent of the Government but not paid to the Government, or overpaid to the Government, at the Balance Sheet date. To aid comparison prior year figures have been restated. These changes do not affect the financial position of the Council.

The Statement of Accounts comprises:

- An explanatory foreword
- A statement of accounting policies
- Statement of responsibilities for the Statement of Accounts
- The core financial statements
  - Income and Expenditure Account which shows the Council's actual performance for the year, measured in terms of resources consumed and generated over the last twelve months.
  - Statement of the Movement on the General Fund Balance which compares the Council's spending against the Council tax that it raised in the year.
  - Statement of Total Recognised Gains and Losses which brings together the Council's recognised gains and losses in the year.
  - Balance Sheet summarises the Council's year end financial position (including the Collection Fund).
  - Cash Flow Statement which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- Notes to the Core Financial Statements (including pensions disclosures)
- Collection Fund Account and Notes which is separate from the rest of the Council's accounts and which covers Council Tax, Non-Domestic Rates and residual Community Charge transactions
- Glossary of Terms
- Annual Governance Statement

## Foreword to the accounts for the year ended 31 March, 2010 by the Head of Resources (cont'd)

There has been no significant change in statutory functions.

On 31 January 1994, the Council transferred its housing stock to a newly formed housing association, the Hermitage Housing Association. The balance of the Housing Revenue Account at 31 March 1995 transferred to the General Fund on 1 April 1995.

### Revenue Spending in 2009/2010

The main services provided by the Council and sources of income to pay for services are set out in the following table:

	2009/2010		Net
	Expenditure £000's	Income £000's	Expenditure £000's
Central Services to the Public (Excluding Council Tax Benefits Paid)	2,078	1,721	357
Cultural, Environmental, Regulatory and Planning Services	16,705	3,194	13,511
Highways and Transport Services	3,430	2,001	1,429
Housing Services (Excluding Housing Benefits Paid)	3,665	1,779	1,886
Benefit Payments to individuals (Council Tax and Housing)	36,122	36,359	(237)
Social Services	122	92	30
Corporate and Democratic Core	2,247	2	2,245
Unapportionable Central Overheads	101	-	101
Exceptional Item	-	(645)	(645)
<b>Net Cost of Services</b>	<b>64,470</b>	<b>44,503</b>	<b>18,677</b>
<u>less</u> : Interest and Investment Income			(59)
<u>add</u> : Use of Reserves and Corporate Income			(144)
<b>Net Council Revenue Spending</b>			<b>18,474</b>
Net Spending Financed From :			
General Government Grants			2,249
Council Tax Payers			8,241
Contribution from Non-Domestic Rate Pool			7,984
<b>Total Sources of Funding for Net Revenue Spending</b>			<b>18,474</b>

In accordance with Council policy a sum of £1,062,000 was transferred to the Capital Reserve being the excess of income over expenditure whilst maintaining a general fund balance in accordance with the Council's medium term financial strategy. This is explained in more detail in the outturn report which is available on the Council's web site.

The exceptional item shown above relates to a successful VAT backdated claim. This has been earmarked via the Capital Reserve to help fund the Council's capital programme.

## Foreword to the accounts for the year ended 31 March, 2010 by the Head of Resources (cont'd)

### Balance Sheet

Total usable reserves available to the Council were:-

	2008/2009	2009/2010
	£000's	£000's
General Fund Balance	1,260	1,260
Earmarked Reserves	4,697	5,946
Usable Capital Receipts	595	659
Unapplied Capital Grant	-	139
<b>Total Usable Reserves</b>	<b>6,552</b>	<b>8,004</b>

The balance sheet includes a Pensions Reserve, which represents the Council's share of the net liability of the Hampshire County Council Pension Fund. At 31 March 2010 the reserve showed a liability of £53,940,000 (£38,660,000 at 31 March 2009). The liability represents the difference between the value of the authority's pension fund assets and the estimated present value of payments which it is committed to make. Statutory arrangements for funding the liability mean that the financial position of the Council remains healthy. The liability on the Hampshire County Council Pension Fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary and other changes to the pension scheme. Any significant changes in global equity markets after 1 April 2010 would also have an impact on the capital value of the pension fund assets.

A summary of the capital spending of the Council in the year of £2,286,000 (£3,814,000 during 2008/2009) together with sources of finance can be found in note 13b to the Core Financial Statements.

### Collection Fund

This account records all transactions relating to Council Tax and National Non-Domestic Rates (NNDR). Council Tax receipts are allocated between the Council and the other major precepting authorities (Hampshire County Council, Hampshire Fire and Rescue Authority and Hampshire Police Authority). Approximately 13.6% of Council Tax receipts are retained by the Borough Council. NNDR is self balancing within the account.

The Collection Fund Surplus at 31 March, 2010 was £109,000 of which £15,000 is attributable to Havant Borough Council. In accordance with government regulations this is taken into account in the calculation of the 2010/2011 and 2011/2012 Council Taxes.

---

## Foreword to the accounts for the year ended 31 March, 2010 by the Head of Resources (cont'd)

---

Arrears of Community Charge, National Non-Domestic Rates and Council Tax (including court costs) were:

Gross arrears outstanding	Arrears	Provision for Doubtful Debts	Arrears for which no provision had been made
	31/03/2010 £ 000's	31/03/2010 £ 000's	31/03/2010 £ 000's
Council Tax	3,499	1,808	1,691
Non Domestic Rates	537	237	300
<b>Total</b>	<b>4,036</b>	<b>2,045</b>	<b>1,991</b>

Gross arrears have increased from £3,874,000 at 31 March 2009 to £4,036,000 at 31 March, 2010.

### Further Information

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

### Outlook

The accounts for 2009/2010 in this report show that the Council's finances are in a satisfactory state and that the General Fund Reserve is maintained at a satisfactory level. High priorities in respect of the Council's finances are currently:

- ❖ Achieving savings and increased income as required by the Council's Medium Term Financial Strategy.
- ❖ Achieving value for money through partnerships and better procurement.
- ❖ Collection of income and reducing arrears.



Nigel Smith, BSc (Econ), C.P.F.A.  
Head of Resources  
15 June 2010

# Statement of Accounting Policies

## 1. General Principles

The statement of accounts summarises the Council's transactions for the 2009/2010 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A statement of recommended practice 2009 (the SORP). These statements are also produced in accordance with the Accounts and Audit Regulation 2003, as amended in 2006. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 2. Accounting Standards

Following the recommendations of the Chartered Institute of Public Finance and Accountancy and the government, the principles contained in the Statements of Standard Accounting Practice numbers 4, 5, 9, 13, 15, 19, 20, 21, 24 and 25 and Financial Reporting Standards (FRS) numbers 1 to 19, 25, 26 and 29 where applicable have been complied with in the compilation of accounts except for local minor variations set out.

## 3. Accounting for Council Tax and National Non-Domestic Rates on an Agency Basis

From 1 April 2009, there is a requirement to account for Council Tax and National Non-Domestic Rates (NNDR) on an agency basis. This is to reflect the view that billing authorities in England act as agents collecting Council Tax on behalf of major preceptors and itself, and collecting NNDR on behalf of the Government.

The impact on the core financial statements and comparative figures for 2008/09 are explained in note 2 of the notes to the core financial statements.

## 4. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (eg software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 5. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:-

## Statement of Accounting Policies (cont'd)

investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value

- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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: A review of a fixed asset whether carried at historical cost or valuation is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Also the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- (a) a significant decline in a fixed asset's market value during the period
- (b) evidence of obsolescence or physical damage to the fixed asset
- (c) a significant adverse change in the statutory or other regulatory environment in which the Council operates
- (d) a commitment by the Council to undertake a significant reorganisation

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: When an asset is disposed of or decommissioned, the value of the asset in

## Statement of Accounting Policies (cont'd)

the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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).

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to mortgage repayments on sold Council houses (75%), net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation and Amortisation: Assets are depreciated in accordance with FRS 15 and amortised in accordance with FRS 10. These require depreciation and amortisation to be applied to all assets with a finite useful life. Fixed assets have been depreciated/amortised on a straight line basis; with charges being calculated in accordance with their remaining asset lives. 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.

Grants and contributions: Where grants and contributions (including non-monetary contributions) are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to the appropriate service via the income and expenditure account to offset depreciation charges made for the related assets, in line with the depreciation policy applied to them.

### 6. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- a. depreciation attributable to the assets used by the relevant service.
- b. impairment losses attributable to the clear consumption of economic benefits on fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- c. amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, there is a duty on the Council to make a statutory prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (currently calculated as equal amounts over the estimated life of

## Statement of Accounting Policies (cont'd)

the asset financed by borrowing). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### **7. Revenue Expenditure Funded from Capital Under Statute**

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

### **8. 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.

Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services. Accrual has been made for government grants known to be receivable for the period to 31 March, 2010. Interest receivable and payable have been accounted for on an income and expenditure basis. The Housing Benefit Subsidy income has been estimated on the basis of an unaudited draft final claim.

The cost of supplies and services is accrued and accounted for in the year they were consumed or received. Creditors are included on the basis of the estimated cost of goods and services rendered to the Council by 31 March for which invoices have not been paid. Exceptions apply in the case of (a) electricity, gas and other similar quarterly charges which are charged at the date of meter reading and (b) Housing Benefit payments and subsidy where the benefits year does not end on the 31 March. These exceptions are applied consistently and therefore do not have a material effect on the year's accounts.

### **9. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

## Statement of Accounting Policies (cont'd)

### 10. Nature of Substantial Reserves and Provisions

Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits, but where the timings of the transfer is uncertain. Provisions are charged to the appropriate revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet.

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Details of reserves and provisions held under the Local Government and Housing Act 1989 are shown in the Balance Sheet. The substantial reserves and provisions at 31 March, 2010 were:

- (a) General Fund Balance - Maintained to ensure that the Council has an adequate working balance and is capable of funding unforeseen or additional expenditure.
- (b) General Fund Earmarked Reserve – reserve to meet budgeted revenue expenditure carried forward from the previous financial year, corporate projects and external funding for future schemes where the external funding has been accounted for in a previous year.
- (c) Insurance Fund Reserve - an earmarked reserve that will be used to meet future claims.
- (d) Planning Reserve – set up from unused planning delivery grant and will be used to fund planning/forward planning costs.
- (e) Capital Reserve - used to meet part of future capital programmes and to transfer sums back to the Revenue account to meet agreed redundancy costs.
- (f) Asset Acquisition Reserve - used for the purpose of acquiring assets within the Borough to assist in securing the economic, environmental and social well being of the Borough, and related consultancy costs and to meet part of future capital programmes.
- (g) Local Authority Business Growth Incentives (LABGI) Reserve – unused amount of LABGI grant received since 2009/2010. Will be applied towards expenditure on specific projects agreed by the Council.
- (h) Usable Capital Receipts - usable receipts from the disposal of assets are held in a usable capital receipts account until they are used to finance capital expenditure.
- (i) Deferred Grants – the balance of grants and contributions applied to the financing of fixed assets, awaiting amortisation to the income and expenditure account to match depreciation of the relevant assets.
- (j) Capital Contributions Deferred – non monetary S106 contributions from developers and a contribution from Hampshire County Council towards capital expenditure. Contribution initially credited to this account and then released to the income and expenditure account to offset the depreciation that may be charged on the assets.
- (k) Unapplied Capital Grants – grants and contributions that have to be used to fund

## Statement of Accounting Policies (cont'd)

capital expenditure but where no matching asset exists.

- (l) Insurance Provision – monies set aside to meet estimated cost of settling known claims.

*Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council – these reserves are below.*

- (m) Pensions Reserve - This reserve arises because the cost of providing pensions for employees is funded in accordance with statutory requirements governing the Hampshire County Council Pension Fund and the accounting for employees' pensions is in accordance with generally accepted accounting practice FRS17. The reserve balance represents the Council's share of the net asset/(liability) of the Hampshire County Council Pension Fund.
- (n) Revaluation Reserve - Represents the store of gains on revaluation of fixed assets from 1 April 2007 not yet realised through sales.
- (o) Capital Adjustment Account – reflects the capital resources set aside to meet past capital expenditure.

### 11. Financial Assets

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market and are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a small number of loans to voluntary organisations at less than market rates and offers employees an interest free loan to purchase a car (soft loans). The SORP requires that when soft loans are made, a loss is recorded in the Income and Expenditure Account 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 at the higher effective rate of interest than the rate receivable from the voluntary organisations and employees, 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 Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from a Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. These soft loans are not material to the Council's accounts and consequently the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

### 12. Extent to Which Central Administrative Expenses are Allocated

All salaries and associated expenses together with the net expenditure on public offices are initially allocated to business units on an appropriate basis and are then

## Statement of Accounting Policies (cont'd)

recharged, mainly on the basis of individual staff annual timesheets. The Council has complied with Best Value Accounting Code of Practice requirements on accounting for support service costs.

### 13. Work in Progress, Stocks and Stores

- (a) Work in progress - Any work in progress that is rechargeable has been shown in the balance sheet at the accumulated cost as at the 31 March, 2010.
- (b) Stocks and stores - Stocks and stores held in the Council's depot and Tourist Information Centre stock at the year end are included in the balance sheet at the latest purchase price and not in accordance with Statement of Standard Accounting Practice (SSAP.) number 9 (see 2 above). Losses on stocks and stores sold are accounted for when realised. The stocks include consumables and fuel for the Council's vehicle and plant fleet. There is no other significant stock holding for which provision is made.

### 14. Leasing

The Council has acquired the use of a variety of vehicles by means of operating leases. These vehicles do not appear in the balance sheet, as the Council does not own them. The revenue accounts are charged with the annual rentals when they become due.

### 15. Pensions

Employees of the Council are entitled to be members of the Local Government Pension Scheme administered by Hampshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees of Havant Borough Council.

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

The liabilities of the Hampshire County Council pension scheme attributable to Havant Borough 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 earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond [AA corporate bonds]).

The assets of the Hampshire County Council pension fund attributable to Havant Borough 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

## Statement of Accounting Policies (cont'd)

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions, the effect of which relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by Havant Borough Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### 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.

## Statement of Accounting Policies (cont'd)

### 16. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid was recoverable from them.

### 17. Group Accounts

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. The financial statements will include:

- group income and expenditure account
- group balance sheet
- group cash flow statement
- group statement of total movements on reserves

In order to assess whether the Council has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations and other public bodies to determine whether:

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

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

- interests in other entities as shown in Note 10 to the Core Financial Statements

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

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

---

## **Statement Of Responsibilities For The Statement Of Accounts**

---

### **The Council's Responsibilities:**

The Council is required to:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is Chief Financial Officer the Head of Resources.
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

### **Responsibilities of the Head of Resources:**

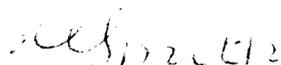
The Head of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Sorp').

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

The Head of Resources also:

- ◆ has kept proper accounting records which were up to date.
- ◆ has taken reasonable steps for the prevention and detection of fraud and other irregularities.
- ◆ certifies that the Statement of Accounts presents a true and fair view the financial position of the Council at the 31 March 2010 and its income and expenditure for the year then ended.

**Signed:**



Head of Resources

**Date:**

22 September 2010

## Income and Expenditure Account 2009/2010

The account records expenditure and income for all the Council's functions. This page summarises the net expenditure for the year with comparative figures for the previous year.

2008/2009 £000's		Expenditure £000's	Income £000's	2009/2010 £000's
989	Central Services to the Public Cultural, Environmental, Regulatory and	11,074	10,816	258
12,948	Planning Services	16,705	3,194	13,511
1,620	Highways and Transport Services	3,430	2,001	1,429
1,657	Housing Services	30,791	29,043	1,748
31	Social Services	122	92	30
2,037	Corporate and Democratic Core	2,247	2	2,245
77	Unapportionable Central Overheads	101	-	101
-	Exceptional Item	-	645	(645)
<b>19,359</b>	<b>NET COST OF SERVICES</b>	<b>64,470</b>	<b>45,793</b>	<b>18,677</b>
(68)	Loss / (Surplus) on the Sale of Fixed Assets			(277)
72	Langstone Harbour Board Precept			75
2	Contribution of Housing Capital Receipts to Government Pool			7
13	Interest Payable			7
(641)	Interest and Investment Income			(66)
1,690	Pensions Interest Cost and Expected return on Pensions Assets (note 23)			3,040
<b>20,427</b>	<b>NET OPERATING EXPENDITURE</b>			<b>21,463</b>
	SOURCES OF FINANCE			
(7,880)	Council Tax Payers			(8,241)
(1,745)	General Government Grants			(2,249)
(8,583)	Contribution from Non-Domestic Rate Pool			(7,984)
<b>2,219</b>	<b>DEFICIT FOR THE YEAR</b>			<b>2,989</b>

### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

<b>2,219</b>	Deficit on the Income and Expenditure Account	<b>2,989</b>
	Net additional amount required by statute and non-statutory proper practices to be (debited) / credited to the General Fund Balance for the year (note 12)	
(2,121)		(2,989)
98	General Fund Decrease / (Increase) for the year	0
(1,358)	Balance on General Fund brought forward	(1,260)
<b>(1,260)</b>	<b>Balance on General Fund carried forward</b>	<b>(1,260)</b>

## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2008/2009 £000's (restated)	2009/2010 £000's
(Surplus) / deficit on the income and expenditure account	2,219	2,989
(Surplus) / deficit arising on revaluation of fixed assets	(1,314)	(470)
Actuarial (gains) and losses on pension fund assets and liabilities	14,090	12,690
Reconciling adjustment	1	(3)
<b>Total Recognised (Gains) and Losses for the year</b>	<b>14,996</b>	<b>15,206</b>

The 2008/2009 comparative has been restated to reflect the change in accounting treatment of Local Taxation (Council Tax and National Non Domestic Rates).

## Balance Sheet as at 31 March, 2010

This balance sheet shows the financial position of Havant Borough Council as a whole and summarises its assets and liabilities.

31st March 2009 £000's (restated)		31st March 2010 £000's
234	<b>Fixed Assets:-</b>	note 13a
	Intangible Fixed Assets	183
	Tangible Fixed Assets	
34,821	Land and buildings	34,298
3,800	Vehicles plant and equipment	3,341
6,415	Infrastructure assets	7,280
1,877	Community assets	1,829
	Non operational assets	
10,229	Investment Properties	10,229
215	Assets under construction	147
57,591	<b>Total Fixed Assets</b>	57,307
-	Long term investments	-
194	Long term debtors	note 15 190
<b>57,785</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>57,497</b>
	<b>Current assets:-</b>	
70	Stocks and stores	72
3,678	Debtors (Net of bad debt provisions)	note 16 3,421
3,515	Investments	note 14 3,006
926	Cash	726
8,189	<b>Current Assets</b>	7,225
<b>65,974</b>	<b>TOTAL ASSETS</b>	<b>64,722</b>
	Current liabilities:-	
(6,587)	Creditors	note 17 (4,813)
(648)	Cash overdrawn	(154)
58,739	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	59,755
(147)	<u>Less</u> Provisions	note 18 (130)
(5,308)	Deferred grants	note 19 (6,193)
(2,498)	Capital contributions deferred	note 19 (2,433)
-	Unapplied capital grants	(139)
(38,660)	Liability relating to defined benefit pension scheme	note 23 (53,940)
<b>12,126</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>(3,080)</b>
	<b>Financed by:</b>	
4,111	Revaluation Reserve	note 20a 4,441
40,109	Capital Adjustment Account	note 20b 38,532
595	Usable Capital Receipts Reserve	note 20c 659
15	Deferred capital receipts	note 22 7
(2)	Collection Fund Adjustment Account	14
1	Collection Fund (Residual Community Charge)	1
(38,660)	Pensions Reserve	note 23 (53,940)
4,697	Earmarked Reserves	note 20d 5,946
1,260	General Fund Balance	note 20 1,260
<b>12,126</b>	<b>TOTAL CAPITAL AND REVENUE RESERVES</b>	<b>(3,080)</b>

## Cash Flow Statement 2009/2010

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2008/2009 restated £ 000's		Note Number	2009/2010 £ 000's
<b>156</b>	<b>NET REVENUE CASH INFLOW/(OUTFLOW)</b>	27a	<b>1,488</b>
	SERVICING OF FINANCE		
(1)	Interest paid		-
660	Interest received		75
	CAPITAL ACTIVITIES		
	Cash (Outflows) / Inflows		
(3,871)	Purchase of fixed assets		(1,880)
96	Sale of fixed assets		266
825	Capital grants		1,115
69	Other capital cash inflows		28
<b>(2,066)</b>	<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>1,092</b>
	MANAGEMENT OF LIQUID RESOURCES	27b	
1,500	Net (increase)/reduction in short term deposits		500
(492)	Net increase/(reduction) in National Non-Domestic Rates cash		(1,407)
561	Net increase/(reduction) in preceptors share of Council Tax cash		109
	FINANCING		
-	New loans raised/(repaid)		-
<b>(497)</b>	<b>NET CASH INFLOW/(OUTFLOW)</b>	27c	<b>294</b>

## Notes to the Core Financial Statements

### 1. Service breakdown of net cost of services

<b>2009/2010 Analysis of Expenditure</b>	Expenditure £000's	Income £000's	Net £000's
<b><u>Central Services to the Public</u></b>			
Local tax collection	10,025	9,562	463
Elections	204	3	201
Emergency planning	109	-	109
Local land charges	126	215	(89)
General grants, bequests and donations	347	-	347
Other central services to the public	263	1,036	(773)
	11,074	10,816	258
<b><u>Cultural, Environmental, Regulatory and Planning Services</u></b>			
Culture and heritage	335	51	284
Recreation and sport	1,654	336	1,318
Community parks and open spaces	2,254	218	2,036
Tourism	151	10	141
Cemetery and cremation services	367	292	75
Coast protection	746	269	477
Environmental health	1,964	321	1,643
Community safety	604	27	577
Waste collection	2,865	617	2,248
Street cleansing	1,093	20	1,073
Building control	488	252	236
Development control	1,616	280	1,336
Planning policy	1,121	75	1,046
Economic development	429	274	155
Other cultural, environmental and planning services	1,018	152	866
	16,705	3,194	13,511
<b><u>Highways and Transport Services</u></b>			
Transport planning policy and strategy	117	-	117
Highways/roads (routine)	689	261	428
Parking services	1,089	1,324	(235)
Public transport	1,535	416	1,119
	3,430	2,001	1,429
<b><u>Housing Services</u></b>			
Private sector housing renewal	1,093	491	602
Homelessness	426	190	236
Housing benefits payments	27,126	27,264	(138)
Housing benefits administration	1,763	1,098	665
Other housing services	383	-	383
	30,791	29,043	1,748
<b><u>Social Services</u></b>			
Meals	122	92	30
	122	92	30
<b><u>Corporate and Democratic Core</u></b>			
Corporate management	830	2	828
Democratic representation and management	1,417	-	1,417
	2,247	2	2,245
<b><u>Unapportionable Central Overheads</u></b>			
	101	-	101
<b><u>Exceptional Item</u></b>			
	-	645	(645)
<b><u>GRAND TOTAL</u></b>	<b>64,470</b>	<b>45,793</b>	<b>18,677</b>

### 2. Prior period and exceptional/extraordinary items

**Prior period items** In the 2009/2010 Statement of Accounts, the Council is required to adopt new accounting policies surrounding the accounting for Council Tax and National Non- Domestic Rates where the Council is now required to account for as an agent for these transactions.

The impact on the Core Financial Statements are:

- Income included in the Income and Expenditure Account is now the accrued income for the year rather than the amounts required under regulation to be transferred from the Collection Fund to the General Fund. The difference between the two amounts is taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.
- The cash collected by the Council from Council Tax debtors belongs proportionately to the Council and the major preceptors. There is therefore a debtor/creditor position between the Council and the major preceptors recognised in the Balance Sheet, as the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.
- The Cash Flow Statement now shows only the Council's share of Council Tax net cash collected.
- NNDR debtor and creditor balances with taxpayers at year end are no longer assets or liabilities of the Council but the Government and are therefore shown within the debtor/creditor balances within Government Departments.

## Notes to the Core Financial Statements (cont'd)

These changes have had the following impact on the comparative figures for 2008/2009 compared to those published in the 2008/2009 Statement of Accounts (only figures that have changed are included in the table):

	2008/2009 Statement of Accounts					2008/2009 Comparatives Restated
	£000's	Note 1 £000's	Note 2 £000's	Note 3 £000's	Note 4 £000's	£000's
<b>Income and Expenditure Account</b>						
Deficit for Year	2,274	(55)	-	-	-	2,219
<b>Statement of Movement on the General Fund Balance</b>						
Net additional amount required by statute and non- statutory proper practices to be (debited) / credited to the General Fund Balance for the year	(2,176)	55	-	-	-	(2,121)
<b>Note 1</b> Difference between Council Tax income credited to the I&E account and the precept on the Collection Fund and the amount payable/receivable in the current year to recover deficits or distribute surpluses arising in prior years						
<b>Balance Sheet</b>						
Debtors (net of bad debts)	4,672	-	(756)	(238)	-	3,678
Creditors	(7,591)	-	766	238	-	(6,587)
Collection Fund	(11)	-	10	-	-	(1)
<b>Note 2</b> Derecognition of the balances attributable to the major precepting authorities (Council Tax arrears, overpayments, provision for bad debts) and balanced by a debtor equal to the notional share of the collection fund cash balance.						
<b>Note 3</b> Derecognition of NNDR payers' debtor, creditor balances and provision for NNDR bad debts and as double entry for these changes recognition as a creditor to the Government.						
<b>Cash Flow</b>						
Net Revenue Cash Inflow / (Outflow)	156	-	-	-	69	225
Management of liquid resources - National Non- Domestic Rate cash	-	-	-	-	492	492
Management of liquid resources - Council Tax cash	-	-	-	-	(561)	(561)
<b>Note 4</b> extract cash collected and precepts paid on behalf of / to the major precepting authorities, Government for NNDR and posting it instead as a net increase / decrease in the Management of Liquid resources						

**Exceptional item** : the £645,000 included within the accounts relates to a successful VAT claim to HM Revenue and Customs following an EU VAT case lost by Customs. The claim mainly surrounded output tax for sporting services for the period 1 April 1990 to 31 March 1994.

## Notes to the Core Financial Statements (cont'd)

### 3. Agencies

The Council is responsible for aspects of highway maintenance within the borough on behalf of Hampshire County Council. The Council spent £473,400 in respect of highway revenue works (£471,600 in 2008/2009). The County Council reimburses the Council for this work together with a contribution towards revenue administrative costs. Agency works expenditure is not included in the Income and Expenditure Account but administration costs and the associated County Council reimbursement are included.

The Council has entered into an agency agreement with Hampshire County Council for the enforcement of parking control. The net cost of this service was £219,100 during 2009/2010 (£184,600 in 2008/2009); all net costs are included within the Income and Expenditure Account. The County Council does not re-imburse the Borough for these net costs; however, any cumulative net costs can be re-imbursed from any future surplus of income arising from parking enforcement.

### 4. General Government Grants

General Government Grants include the following:-

	2008/2009 £000's	2009/2010 £000's
Revenue Support Grant	1,195	1,843
Local Authority Business Growth Incentives Scheme Grant	501	78
Area Based Grant	49	71
LPSA2 (Revenue) Grant	-	139
Housing and Planning Delivery Grant **	N/A	118
<b>Total General Government Grants</b>	<u>1,745</u>	<u>2,249</u>

\*\*In 2008/2009 this grant was credited to the Development Control service within the the net cost of services (£129,460).

### 5. Councillors Allowances

Councillors Allowances during 2009/2010 (including travelling and subsistence allowances) were £348,540 (£345,380 in 2008/2009).

### 6. Leases

#### (a) Operating Leases

Vehicles - The Council uses vehicles and plant financed under terms of an operating lease. The amount paid under these agreements in 2009/2010 was £57,017 (£87,815 during 2008/2009).

## Notes to the Core Financial Statements (cont'd)

Land and Buildings – The Council leases various land and buildings within the Borough for a variety of purposes. Rentals paid in 2009/2010 were £15,672 (£15,672 during 2008/2009).

The authority was committed at 31 March 2010 to making payments of £15,672 under operating leases in 2010/2011, comprising the following elements:-

	Other Land and Buildings £000's	Vehicles, Plant and Equipment £000's
Leases expiring in 2010/2011	2	-
Leases expiring between 2011/2012 and 2015/2016	2	-
Leases expiring after 2015/2016	12	-

### (b) Council as Lessor

The Council has granted a number of leases to third parties to use its land and buildings (e.g. community centres, leisure centres, investment properties). The amount of rental receivable excluding service charges in 2009/2010 was £1,425,912 (£1,216,941 during 2008/2009).

With regard to the Council's activity as a lessor, the gross value of land and buildings held for use in operating leases (Community Centres, Leisure Centres and investment properties but excluding the Civic Offices where part of the building is leased to tenants) was £29,789,080 (net book value at 31 March 2010 £28,540,539 after a cumulative depreciation charge of £1,248,541).

### (c) Assets Held Under Finance Leases

No asset was held under a finance lease at 31 March 2010.

## Notes to the Core Financial Statements (cont'd)

### 7. Employees Remuneration

#### (a) Employees receiving remuneration in excess of £50,000

Remuneration (including expenses and benefits)	Number of employees 2008/2009	Left during 2008/2009	Number of employees 2009/2010	Left during 2009/2010
Between £115,000 and £119,999 (Chief Executive – from 12/10/09 post is shared with East Hampshire District Council, see following page)	-	-	1	-
Between £110,000 and £114,999	-	-	-	-
Between £105,000 and £109,999	-	-	-	-
Between £100,000 and £104,999	1	-	-	-
Between £95,000 and £99,999	-	-	-	-
Between £90,000 and £94,999	-	-	-	-
Between £85,000 and £89,999	1	-	1	-
Between £80,000 and £84,999	-	-	1	-
Between £75,000 and £79,999	-	-	-	-
Between £70,000 and £74,999	1	-	2	-
Between £65,000 and £69,999	4	-	3	-
Between £60,000 and £64,999	1	-	-	-
Between £55,000 and £59,999	-	-	1	-
Between £50,000 and £54,999	5	-	9	-

Remuneration includes compensation for loss of office.

#### (b) Remuneration Disclosure for Senior Officers\* whose Salary is £150,000 per annum or more

There was no senior officer whose salary was £150,000 per annum or more.

\*An officer whose salary is £150,000 per annum or more is automatically assumed to be a senior officer.

#### (c) Remuneration Disclosure for Senior Officers# whose Salary is less than £150,000 but equal to or more than £50,000 per annum

See tables on the following pages.

# Officers whose salary is less than £150,000 are considered to be senior officers if the officer is:

- (a) the designated head of the paid service;
- (b) a statutory chief officer;
- (c) any person having responsibility for the management of the council, to the extent that the officer has power to direct or control the major activities of the council, in particular activities involving the expenditure of money, whether solely or collectively with other officers.

## Notes to the Core Financial Statements (cont'd)

### Remuneration Disclosure for Senior Officers whose Salary is less than £150,000 but equal to or more than £50,000 per annum 2009/2010

Post holder information	Notes	Salary (including fees & allowances) £	Expenses Allowances £	Benefits in Kind £	Total Remuneration Excluding Pension Contributions £	Pension Contributions £	Total Remuneration Including Pension Contributions £
Chief Executive	Note 1	115,025	675	-	115,700	16,679	132,379
Corporate Director A		84,260	-	-	84,260	12,218	96,478
Corporate Director B		84,903	484	-	85,387	12,311	97,698
Head of Resources		74,202	-	-	74,202	10,759	84,961
Head of Environmental Services	to 31/07/09	21,427	-	-	21,427	3,985	25,412
Head of Development and Technical Services		68,427	261	-	68,688	9,922	78,610
Head of Regeneration		68,427	1,122	516	70,065	9,922	79,987
Head of Customer and Support Services		68,427	234	-	68,661	9,922	78,583
Head of Organisational Development		68,427	276	-	68,703	9,922	78,625

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

## Notes to the Core Financial Statements (cont'd)

### Remuneration Disclosure for Senior Officers whose Salary is less than £150,000 but equal to or more than £50,000 per annum 2008/2009

Post holder information	Notes	Salary (including fees & allowances) £	Expenses Allowances £	Benefits in Kind £	Total Remuneration Excluding Pension Contributions £	Pension Contributions £	Total Remuneration Including Pension Contributions £
Chief Executive		102,849	260	-	103,109	18,616	121,725
Corporate Director A	from 01/01/09	20,583	-	-	20,583	3,726	24,309
Corporate Director B		84,903	515	593	86,011	15,367	101,378
Head of Resources		74,202	-	-	74,202	13,431	87,633
Head of Environmental Services A	to 30/04/08	7,297	-	-	7,297	1,321	8,618
Head of Environmental Services B	from 02/06/08	51,667	-	-	51,667	9,352	61,019
Head of Development and Technical Services		66,896	263	474	67,633	12,108	79,741
Head of Regeneration		66,410	351	857	67,618	12,010	79,628
Head of Customer and Support Services		68,427	23	-	68,450	12,385	80,835
Head of Organisational Development		65,511	236	-	65,747	12,385	78,132

## Notes to the Core Financial Statements (cont'd)

### 8. Related Party Transactions

The Council 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.

Central government has control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the notes to the cash flow (note 27e).

Councillors have direct control over the Council's financial and operating policies. There were no known material related party transactions with councillors.

Officers – there were no known material related party transactions with officers.

Families / Households of Councillors and officers - no transactions were declared following a questionnaire sent to all Councillors and senior officers of the Council.

Assisted Organisations – the Council provided material financial assistance to the following organisations which could form relationships that enable the Council to influence the financial and operating policies of these organisations:-

Havant & District Citizens Advice Bureaux – payment of a grant of £141,200 under a service level agreement.

Havant Council of Community Service – payment of a grant of £73,300 under a service level agreement and payment of £51,100 towards the net cost of providing meals to the elderly.

Joint Ventures:

- During 2009/2010 the Council received £110,000 from the Portchester Crematorium Joint Committee (see note 10) being its share of the distributable surpluses.

### 9. Disclosure of Audit Cost

Havant Borough Council incurred the following fees relating to external audit and inspection.

	2008/2009	2009/2010
	£000's	£000's
Fees payable with regard to statutory external audit services	100	107
Fees payable for statutory inspection	7	9
Fees payable for the certification of grant claims and returns	25	32

### 10. Interests in Other Entities

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

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

Havant Borough Council's share of the net assets of Portchester Crematorium Joint Committee is £1,137,000 (£1,113,000 in 2008/2009). Transactions between the Joint Committee and the Council are outlined in note 8.

### 11. Explanation of the significance of the Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

## Notes to the Core Financial Statements (cont'd)

### 12. Breakdown of reconciling items in the Statement of Movement on the General Fund Balance

2008/2009 £000's (restated)		2009/2010 £000's
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(102)	Amortisation of intangible fixed assets	(51)
(2,308)	Depreciation and Impairment of Fixed Assets	(2,645)
522	Government Grants Deferred amortisation	538
(388)	Revenue Expenditure Funded from Capital under Statute	(328)
68	Net gain or (loss) on sale of fixed assets	277
55	Difference between Council Tax income credited to the I&E account and the precept on the Collection Fund and the amount payable/receivable in the current year to recover deficits or distribute surpluses arising in prior years	14
(3,010)	Net charges made for retirement benefits in accordance with FRS17	(4,330)
(5,163)		(6,525)
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
474	Revenue provision for capital financing	537
21	Capital expenditure charged to the General Fund Balance	17
	Transfer from usable capital receipts equal to the contribution to	
(2)	Housing Pooled Capital Receipts	(7)
1,660	Employer's contributions payable to the Hampshire Pension Fund and retirement benefits payable direct to pensioners	1,740
2,153		2,287
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
889	Net transfer to or from earmarked reserves	1,249
889		1,249
(2,121)	<b>Net additional amount required by statute and non-statutory proper practices to be (debited) / credited to the General Fund Balance for the year</b>	(2,989)

### 13. Net Fixed Assets

The Council's freehold and leasehold properties have been valued under the supervision of an Estates officer, employed by the Council, who holds the BSc F.R.I.C.S. qualification and in accordance with the Statement of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

Depreciation has been charged on a straight line basis in accordance with the remaining life expectancy of the assets in compliance with FRS11 and FRS15 except where it would be immaterial or where the estimated residual value of the asset is not materially different from the net book value.

The useful lives used to calculate depreciation or amortisation are determined asset by asset and for each category of asset are:-

- ◆ Operational Land and Buildings – buildings between 5 and 50 years; land is a non depreciating asset.
- ◆ Vehicles plant and equipment
  - ◆ Operational equipment ranges between 7 and 20 years
  - ◆ Computer hardware has a life between 3 and 5 years
  - ◆ Vehicles and plant ranges between 3 and 10 years.
- ◆ Infrastructure Assets – life between 10 and 50 years
- ◆ Community Assets – life between 4 and 30 years
- ◆ Non operational assets – these assets are non depreciating assets
- ◆ Intangible Assets – life between 4 and 6 years

## Notes to the Core Financial Statements (cont'd)

### (a) Fixed Asset Transactions

Movements in fixed assets in the year were:

	Operational			Non Operational		Total Operational & Non Operational		Total	Intangible Assets
	Operational Land & Buildings	Vehicles Plant & Equipment	Infrastructure	Community Assets	Assets Under Construction	Operational Assets	Investment Properties	£000's	Software £000's
Cost or valuation	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2009	37,150	8,887	7,815	2,405	215	56,472	10,229	66,701	533
Additions	84	582	1,226	53	11	1,956	-	1,956	-
Disposals	-	(42)	-	-	(14)	(56)	-	(56)	-
Impairments	(796)	-	-	-	-	(796)	-	(796)	-
Reclassifications	-	65	-	-	(65)	-	-	-	-
Revaluations	(43)	-	-	-	-	(43)	-	(43)	-
Other movements	-	-	-	-	-	-	-	-	-
At 31 March 2010	36,395	9,492	9,041	2,458	147	57,533	10,229	67,762	533
Depreciation and Impairment									
At 1 April 2009	(2,329)	(5,087)	(1,400)	(528)	-	(9,344)	-	(9,344)	(299)
Charge for the year	(281)	(1,106)	(361)	(101)	-	(1,849)	-	(1,849)	(51)
Disposals	-	42	-	-	-	42	-	42	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	513	-	-	-	-	513	-	513	-
At 31 March 2010	(2,097)	(6,151)	(1,761)	(629)	-	(10,638)	-	(10,638)	(350)
Net Book Value at 31 March 2010	34,298	3,341	7,280	1,829	147	46,895	10,229	57,124	183
Net Book Value at 31 March 2009	34,821	3,800	6,415	1,877	215	47,128	10,229	57,357	234

## Notes to the Core Financial Statements (cont'd)

A target five year rolling programme (minimum) of revaluations is in place ensuring that major movements in valuations for specific categories of asset are reflected each year. Progress against this plan is shown below:-

Category of Asset	Most recent Valuation	Revaluation to be undertaken during
Community Centres	March 2006	2010 – 2011
Car Parks	March 2007	2011 – 2012
Leisure/Beachlands Properties	March 2008	2012 – 2013
Public Conveniences	March 2008	2012 – 2013
Commercial (Let) Properties	March 2009	2013 – 2014
Civic Offices	March 2010	2014 – 2015
Depot	March 2010	2014 – 2015
Other HBC premises	March 2010	2014 – 2015

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out under the supervision of an Estates officer employed by the Council. The basis for the valuation is set out in the statement of accounting policies.

-----Operational Assets-----							
	Intangible assets £000's	Land and Buildings £000's	Vehicles plant & Equipment £000's	Infra- structure assets £000's	Community assets £000's	Non Oper- ational Assets £000's	Total £000's
Valued at historical cost (at 31/3/2010)	183	-	-	7,280	1,829	147	9,439
Valued at current value in							
2009/10	-	34,298	3,341			10,229	47,868
2008/09	-	34,821	3,800	-	-	10,229	48,850
2007/08	-	34,934	3,597	-	-	8,440	46,971
2006/07	-	32,605	3,940	-	-	8,353	44,898
2005/06	-	31,225	3,601	-	-	8,231	43,057

## Notes to the Core Financial Statements (cont'd)

### (b) Capital Expenditure and Financing

	2008/2009	2009/2010
	£000's	£000's
Opening Capital Financing Requirement	3,907	5,565
<i><u>Capital Investment</u></i>		
Operational Assets	2,215	1,945
Non Operational Assets	1,183	11
Loans to Local Organisations	28	2
Revenue Expenditure funded from Capital under statute	388	328
	<u>3,814</u>	<u>2,286</u>
<i><u>Financed by:</u></i>		
Usable capital receipts	716	247
Grants and Contributions	936	1,375
Revenue provision (including MRP)	495	537
	<u>2,147</u>	<u>2,159</u>
Movement in Loans to Local Organisations	(9)	16
<i><u>Closing Capital Financing Requirement</u></i>	5,565	5,708
Movement represented by :		
Increase in underlying need to borrow (unsupported by Government financial assistance)	1,667	127
Movement in Loans to Local Organisations	(9)	16

### (c) Capital Commitments

The estimated commitment arising from a capital contracts where payments were not due at 31 March 2010 was £396,000. This includes the purchase of vehicles £281,000 CCTV contract £90,000 and play equipment £25,000.

## Notes to the Core Financial Statements (cont'd)

### (d) Fixed Assets

Major fixed assets held at 31 March 2010 were:-

<p><u>NON OPERATIONAL ASSETS</u> Various small undeveloped areas and commercial properties</p> <p><u>VEHICLES AND EQUIPMENT</u> Operational vehicles CCTV equipment throughout borough Wheeled recycling bins IT hardware and software Parking Meters</p> <p><u>INFRASTRUCTURE AND COMMUNITY ASSETS</u> 3 cemeteries Hayling Island coastal defences 1,393 acres of principal parks, recreation grounds and open spaces 106 acres of Beachlands, Sea Front, Hayling Island 619 allotment plots Hardened verges Cycleways throughout borough Various footpaths throughout borough Crime Prevention Lighting</p> <p><u>OPERATIONAL LAND</u> 29 Pay &amp; Display car parking areas 1 Lorry Park</p>	<p><u>OPERATIONAL BUILDINGS</u> Depot site (Havant) 7 Community Centres (Leigh Park, Waterloo, Cowplain, Stakes, Hayling Island, Westbrook Farm and Wecock) 1 Arts Centre and Museum (Havant) 1 Museum (Emsworth) 2 Leisure Centres (Havant and Waterloo) 2 Halls (Bedhampton and Emsworth) 21 Public Conveniences 1 Civic Offices 1 Sure Start Centre Beach Huts Buildings within parks Regional Business Centre (Broadmarsh) Bus Station (Havant) Trade Teaching Centre</p> <p><u>INTANGIBLE ASSETS (IT software licences and implementation costs)</u> Geographical Information System Grounds Maintenance System Cedar – Financial Management System Electronic Document Management System</p>
---	--

## Notes to the Core Financial Statements (cont'd)

### 14. Financial Instruments

The Balance Sheet is made up of the following categories of financial instruments:

	2008/2009	2009/2010
	£000's	£000's
<b><u>Loans &amp; Receivables</u></b>		
Receivables	562	431
Short Term Investments	3,515	3,006
Long Term Investments	-	-
Bank Deposits	880	699
	4,957	4,136
<b><u>Financial Liabilities at Amortised Cost</u></b>		
Payables	3,005	1,214
Bank Overdraft	648	154
	3,653	1,368

There was no gain or loss to recognise in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments.

Financial assets are disclosed in the balance sheet at their carrying value which is not materially different from fair value.

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- 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 movements.

The authority's overall risk management programme covers the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by the Finance Team under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

#### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers. The Council uses the creditworthiness service provided by Sector Treasury Services. This service now uses a number of overlays such as credit watches and credit outlooks to enhance the credit ratings of counterparties. The Council's priority when making these deposits is security of capital and liquidity of investments. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum category green in the Sector credit rating system. The approved list of counterparties is amended immediately if any change in sector rating occurs.

## Notes to the Core Financial Statements (cont'd)

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

The Council has experienced no loss arising from defaults on its investments during the last 5 years.

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

The following table provides a breakdown of the Financial Instruments classified as receivables, the amount set aside as provisions to cover non payment of this debt together with an age listing of receivables past their due date for payment.

<b>Receivables</b>	2008/2009	2009/2010
	£000's	£000's
Loans to Local Organisations	68	48
Staff Car loans	244	256
Mortgages	16	7
Housing Initiatives where settlement is deferred	234	120
	<u>562</u>	<u>431</u>
<u>Less provision for doubtful debts:</u>		
Housing Initiatives where settlement is deferred	(31)	(58)
	<u>531</u>	<u>373</u>
 <b>Customer balances past their invoiced date for payment</b>		
Two to six months	17	12
Six months to one year	11	6
Greater than one year	39	31
Total	<u>67</u>	<u>49</u>

### Liquidity Risk

The Council has no borrowing at 31<sup>st</sup> March 2010. Borrowings take place exceptionally to meet short term cash flow needs. In the event of an unexpected cash requirement the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need.

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

### Market Risk

Interest rate risk - The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.
- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council has a number of strategies for managing interest rate risk. The current treasury policy includes a limit which restricts variable rate net borrowing to less than 70% of total net borrowing.

Due to the nature of the investments held at 31 March 2010, the Council was not exposed to significant market risk as a consequence of interest rate fluctuation.

### Price Risk and Foreign Exchange Risk

The Council does not invest in equities or have financial assets and liabilities denominated in foreign currencies. Consequently the Council has no exposure to losses from share price changes or movements in exchange rates.

## Notes to the Core Financial Statements (cont'd)

### 15. Long Term Debtors

These are debtors, which fall due after a period of at least one year as follows:-

	2008/2009 £000's	2009/2010 £000's
Mortgages (Sales of Council Houses and Other)	11	3
Loans to Local Organisations	53	38
Staff Car Loans	130	145
Other	-	4
	194	190

### 16. Debtors

Comparatives for 2008/2009 are adjusted to reflect new arrangements for accounting for council tax and NNDR in 2009/2010.

<b>Current Debtors</b>	2008/2009 £000's (restated)	2009/2010 £000's
Council Tax due to Havant BC	464	468
Hampshire CC (Council Tax)	587	369
Hampshire Police (Council Tax)	82	52
Hampshire Fire (Council Tax)	35	22
NNDR Pool	0	479
Central Government	1,079	292
Payments in Advance	42	71
Overpaid Housing Benefits	1,002	1,464
Other Debtors	1,373	1,516
	4,664	4,733
<u>Less Provision for Doubtful Debts:</u>		
Council Tax (Havant BC share)	(233)	(242)
Overpaid Housing Benefits	(557)	(841)
Other	(196)	(229)
	3,678	3,421

## Notes to the Core Financial Statements (cont'd)

### 17. Creditors

Comparatives for 2008/2009 are adjusted to reflect new arrangements for accounting for council tax and NNDR in 2009/2010.

	2008/2009 £000's (restated)	2009/2010 £000's
Council Tax Paid in Advance (HBC Share)	121	144
Government (NNDR Pool)	637	-
Other Government Departments	471	751
Contributions from Developers	1,172	1,689
Income in Advance	414	471
Other Creditors	3,772	1,758
	<u>6,587</u>	<u>4,813</u>

### 18. Insurance provisions

Provisions at 31 March, 2010 represent amounts set aside for the purpose of providing for liabilities, which are likely or certain to be incurred but are uncertain as to the amount or the date on which they will arise. Insurance claims are met by an insurance fund operated by the Council. Insurance premiums are paid into the fund from the revenue account by services requiring insurance cover. Insurance claims less than the policy excesses, and policy excesses, are then met from the Insurance Fund. Risks covered by the fund include: Employers Liability; Third Party Claims; Property; Motor Vehicles; Engineering; Terrorism; Officials Indemnity and Professional Indemnity within agreed excess levels.

	2008/2009 £000's	2009/2010 £000's
Provision for outstanding insurance claims:-		
Third party liabilities	108	94
Vehicles and plant	-	1
Property	-	1
Employers liability	39	34
	<u>147</u>	<u>130</u>

## Notes to the Core Financial Statements (cont'd)

### 19. Deferred Grants and Capital Contributions deferred

	Government grants deferred £000's	Capital contributions deferred £000's
Grants / contributions receivable in 2009/2010	1,358	-
Amounts credited to Net Cost of Services 2009/2010	(473)	(65)
Total movement in deferred grants / contributions	885	(65)
Balance brought forward at 1 April 2009	5,308	2,498
Balance carried forward at 31 March 2010	6,193	2,433

Government grants deferred are government grants or other contributions received which relate to capital expenditure. These are released to the income and expenditure account to offset the depreciation that may be charged on the assets.

Capital contributions deferred are non-monetary S106 contributions from developers and contribution from Hampshire County Council towards capital expenditure. These are released to the income and expenditure account to offset the depreciation that may be charged on the assets.

### 20. Detail of movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance at 31/3/2009 £000's	Net Movement in Year £000's	Balance at 31/3/2010 £000's	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	4,111	330	4,441	Net gains on revaluation of fixed assets not yet realised through sales	see note a
Capital Adjustment Account	40,109	(1,577)	38,532	Capital resources set aside to meet past expenditure	see note b
Usable Capital Receipts Account	595	64	659	Proceeds of fixed asset sales available to meet future capital investment. £383,000 is set aside for asset acquisition.	see note c
Pensions Reserve	(38,660)	(15,280)	(53,940)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	
Earmarked Reserves	4,697	1,249	5,946	Resources set aside for specific policy purposes	see note d
General Fund	1,260	-	1,260	Resources available to meet future running costs for Council services	

## Notes to the Core Financial Statements (cont'd)

### a) Movements in revaluation reserve

	Revaluation Reserve £000's
Gain on revaluation of fixed assets in 2009/2010	563
Depreciation of revaluation reserve charged to capital adjustment account	(140)
Impairment losses on fixed assets due to general changes in prices in 2009/2010	(93)
Amounts written off fixed asset balances for disposal in 2009/2010	-
Total movement on reserve in 2009/2010	330
Balance brought forward at 1 April 2009	4,111
Balance carried forward at 31 March 2010	4,441

### b) Movement in amounts set aside to finance capital investment

	Capital Adjustment Account £000's
Usable receipts applied to finance new capital investment	247
Capital expenditure financed from revenue	17
Revenue expenditure funded from capital under statute	(328)
Depreciation of Deferred Government Grants credited to Net Cost of Services	538
Depreciation charged to Net Cost of Services	(2,297)
Impairments charged to Net Cost of Services	(399)
Depreciation of revaluation gains	140
Disposal of assets	(14)
Amount set aside for voluntary repayment of debt	537
Repayment of Loans to Local Organisations	(18)
Total movement on reserve in 2009/2010	(1,577)
Balance brought forward at 1 April 2009	40,109
Balance carried forward at 31 March 2010	38,532

### c) Movements in Usable Capital Receipts

	Usable Capital Receipts £000's
Amounts receivable in 2009/2010	318
Amounts repaid to Government Pool	(7)
Amounts applied to finance new capital investment in 2009/2010	(247)
Total increase / (decrease) in realised capital resources in 2009/2010	64
Balance brought forward at 1 April 2009	595
Balance carried forward at 31 March 2010	659

## Notes to the Core Financial Statements (cont'd)

### d) Movement on Earmarked Reserves

<b><u>Earmarked Reserves</u></b>	Balance at 31/3/2009 £000's	Net Movement in Year	Balance at 31/3/2010 £000's
General Fund - Earmarked	650	(91)	559
Insurance Reserve	535	(7)	528
Planning Reserve	405	(346)	59
LABGI Reserve	482	(88)	394
Asset Acquisition Reserve	1,930	(34)	1,896
Capital Reserve	695	1,815	2,510
<b>Total Earmarked Reserves</b>	<b>4,697</b>	<b>1,249</b>	<b>5,946</b>

### 21. Deferred Liabilities

The Council has no deferred liability.

### 22. Deferred Capital receipts

Deferred credits represent mortgages on sold Council houses.

### 23. Pensions

#### Participation in Pensions Schemes

As part of the terms and conditions of employment of employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment, to make the payments, that needs to be disclosed at the time that employees earn their future entitlement. Havant Borough Council participates in the Local Government Pension Scheme, which is administered by Hampshire County Council. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

#### Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when the benefits are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge that is required to be made against Council Tax is based on the cash payable in the year, so the difference between the costs of retirement benefits and how much the Council pays towards retirement benefits is reversed out of the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of the Movement in the General Fund Balance during the year.

## Notes to the Core Financial Statements (cont'd)

	2008/2009	2009/2010
	£000's	£000's
<b>Net cost of services</b>		
Current Service Costs	1,280	1,220
Past Service costs	40	70
<b>Net Operating Expenditure</b>		
Interest on pension scheme liabilities	5,580	5,620
Expected return on pension fund assets	(3,890)	(2,580)
Net Charge to the Income and Expenditure account	<u>3,010</u>	<u>4,330</u>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(3,010)	(4,330)
Actual amount charged against the General Fund Balance for pensions in the year i.e. Employers contribution payable to the scheme	<u>1,660</u>	<u>1,740</u>
Net charges made for retirement benefits in accordance with FRS17	<u>(1,350)</u>	<u>(2,590)</u>

### Principal Financial Assumptions

The latest actuarial valuation of the Fund took place on 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the fund for FRS17 purposes were:

	2008/2009	2009/2010
	% pa	% pa
Rate of inflation	3.30	3.80
Rate of general long-term increase in salaries	4.80	5.30
Rate of increase in pensions payment	3.30	3.80
Rate of increase to deferred pensions	3.30	3.80
Discount rate	6.70	5.50

### Principal Demographic Assumptions

- **Post retirement mortality**

The mortality assumptions are based on the PNA00 series standard mortality tables with allowance for future mortality improvements in line with the "medium cohort" projection model, subject to a minimum level of annual improvement of 1.25% per annum for males and 1.25% per annum for females. Mortality rates in the underlying base table are further adjusted by the use of scaling factors to reflect the actual mortality experience of the Fund. To facilitate comparison with other employers, a pensioner who is currently age 65 is assumed to live on average for a further 22.3 years if they are male and for a further 24.3 years if they are female.

- **Commutation assumption**

Each member is assumed to exchange 25% of the maximum amount permitted of their pre 2008 service pension entitlements.

Each member is assumed to exchange 75% of the maximum amount permitted of their post 2008 service pension entitlements.

## Notes to the Core Financial Statements (cont'd)

### Expected return on assets

The approximate split of assets for the fund as a whole is shown in the table below. Also shown are the assumed rates of return adopted by the employer for the purposes of FRS17

	Long-term rate of return expected at 31 March 2009 (%pa)	Asset split at 31 March 2009 ( %)	Long-term rate of return expected at 31 March 2010 (%pa)	Asset split at 31 March 2010 ( %)
Equities	7.00	55.20	8.00	61.30
Property	6.00	7.30	8.50	6.10
Government Bonds	4.00	27.40	4.50	24.40
Corporate bonds	5.80	3.90	5.50	2.40
Cash	1.60	6.20	0.70	5.80
Average long term expected rate of return	5.70		6.70	

Havant Borough Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out above. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 March 2010.

### Reconciliation of funded status to balance sheet

	2007/2008 £000's	2008/2009 £000's	2009/2010 £000's
Fair value of assets	59,550	46,230	59,740
Present value of unfunded liabilities	(82,770)	(84,890)	(113,680)
Net pension asset / (liability)	(23,220)	(38,660)	(53,940)

The underlying assets and liabilities for retirement benefits attributable to the Council are as follows:

The £53,940,000 net liability represents the difference between the value of the Council's pension fund assets at 31 March 2010 and the estimated present value of the future pension payments to which it was committed at that date. The net liability has a substantial impact on the net assets of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2010 would

## Notes to the Core Financial Statements (cont'd)

also have an impact on the capital value of the pension fund assets. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. The above figures have been provided by the actuaries to the Hampshire County Council Pension Fund using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

The contribution rates certified for Havant Borough Council at the 31 March 2007 valuation are as follows:

April 2007 to March 2008 17.7% of members pensionable pay  
 April 2008 to March 2009 18.1% of members pensionable pay  
 April 2009 to March 2010 18.6% of members pensionable pay

The total contributions expected to be made to the Hampshire County Council Pension scheme by the council in the year to 31 March 2011 are £1,810,000.

### Analysis of Income and Expenditure Account charge

	2008/2009	2009/2010
	£000's	£000's
Current Service Costs	1,280	1,220
Past Service costs	40	70
Interest on pension scheme liabilities	5,580	5,620
Expected return on pension fund assets	(3,890)	(2,580)
Expense recognised in the Income & Expenditure Account	3,010	4,330

### Changes to the present value of liabilities during the year

	2008/2009	2009/2010
	£000's	£000's
Opening present value of liabilities	82,770	84,890
Current service cost	1,280	1,220
Interest cost	5,580	5,620
Contributions by participants	590	600
Actuarial (gain) / loss	(1,930)	25,160
Net benefits paid out	(3,440)	(3,880)
Past Service Cost	40	70
Closing present value of liabilities	84,890	113,680

## Notes to the Core Financial Statements (cont'd)

### Changes to the fair value of assets during the year

	2008/2009	2009/2010
	£000's	£000's
Opening fair value of assets	59,550	46,230
Expected return on assets	3,890	2,580
Actuarial gain / (loss) on assets	(16,020)	12,470
Contributions by the Employer	1,630	1,710
Contributions by participants	590	600
Net benefits paid out	(3,410)	(3,850)
Closing fair value of assets	<u>46,230</u>	<u>59,740</u>

### Actual return on assets

	2008/2009	2009/2010
	£000's	£000's
Expected return on assets	3,890	2,580
Actuarial gain / (loss) on assets	(16,020)	12,470
Actual return on assets	(12,130)	15,050

### Analysis of amount recognised in Statement of Total Recognised Gains & Losses (STRGL)

	2008/2009	2009/2010
	£000's	£000's
Total actuarial gains / (losses)	(14,090)	(12,690)

### History of asset values, present value of liabilities, surplus/deficit and experience gains and losses

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
	£000's	£000's	£000's	£000's	£000's
Fair value of assets	55,810	57,720	59,550	46,230	59,740
Present value of liabilities (funded)	(86,230)	(89,280)	(82,140)	(84,260)	(112,900)
Actual return of liabilities (unfunded)	(670)	(680)	(630)	(630)	(780)
Surplus / (deficit)	<u>(31,090)</u>	<u>(32,240)</u>	<u>(23,220)</u>	<u>(38,660)</u>	<u>(53,940)</u>
Experience gains / (losses) on assets	7,580	(80)	(370)	(16,020)	12,470
Experience gains / (losses) on liabilities	30	(230)	2,460	(490)	1,320

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at midmarket value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been remeasured as permitted by FRS17 (as revised).

### 24. Contingent Liabilities and Contingent Assets

The Council is the accountable body for the Havant Crime and Disorder Partnership. In the event of a project/programme failing the Council may be liable for clawback of funding. However, the risks are limited through partnership agreements with other agencies.

This includes all events up to the date shown on page 15 when the accounts are signed by the Council's Chief Financial Officer and formally made available to the Standards Committee.

### 25. Events after the Balance Sheet Date

The only issue to come to light between the balance sheet date and the authorised for issue date concerns the Council's Pension Liabilities in the Hampshire County Council Pension Fund.

In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pension's liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure / profit and loss account over the next accounting period.

The pension scheme actuary have estimated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by between 8% and 10%, with the exact figure depending on the member profile of the employer. In Havant's case this would be a reduction of between £9,032,000 and £11,290,000 to the deficit showing on the pension fund reserve as at 31<sup>st</sup> March 2010.

### 26. Authorisation of the Statement of Accounts

The accounts were approved by the Chairman of the Standards Committee on 23 June 2010 and were authorised for issue by the Head of Resources on 22 September 2010.

## Notes to the Core Financial Statements (cont'd)

### 27. Notes to the Cash Flow Statement

#### a) Reconciliation between net surplus / deficit on the Income and Expenditure Account to the revenue activities net cash flow

The format of the cash flow statement has changed slightly from previous years to reflect the indirect method approach, in accordance with best accounting practice.

	2008/2009 restated £000's	2009/2010 £000's
Income and Expenditure Account (surplus) / deficit	2,219	2,989
Total (surplus) / deficit for the year	<u>2,219</u>	<u>2,989</u>
<b>Non Cash transactions</b>		
Depreciation and Impairment	(2,287)	(2,696)
Revaluation decrease written off to I&E during the year	(123)	-
Deferred Grants amortised in year	522	538
Gain or (loss) on disposal of fixed assets	68	277
Pension Fund adjustments	(1,350)	(2,590)
Contributions to provisions	(38)	17
Increased Bad Debt Provision	(545)	(534)
Other non cash transactions	(12)	(2)
	<u>(3,765)</u>	<u>(4,990)</u>
<b>Adjustment for items reported separately on cash flow</b>		
Interest and investment income	660	75
Interest payable and similar charges	(1)	-
<b>Items on an accruals basis</b>		
Increase / (decrease) in stock	(9)	2
Increase / (decrease) in debtors	(206)	(1,523)
(Increase) / decrease in creditors	946	1,959
Net Cash (inflow) / outflow from operating activities	<u>(156)</u>	<u>(1,488)</u>

## Notes to the Core Financial Statements (cont'd)

### b) Management of Liquid Resources and Financing

	Balance at 1st April 2009 £'000	Cashflow £'000	Non-cash items £'000	Balance at 31st March 2010 £'000
Movement in short term investments	3,515	(500)	(9)	3,006
National Non-Domestic Rates	(981)	1,407	53	479
Council Tax payers	704	(109)	(152)	443
	3,238	798	(108)	3,928

Short term investments are cash deposits made for periods ranging from two days to twelve months.

### c) Increase in Cash and Cash Equivalents

	Balance at 31st March 2009 £000's	Balance at 31st March 2010 £000's	Movement in Year £000's
Cash	926	726	(200)
Cash Overdrawn	(648)	(154)	494
	278	572	294

### d) Reconciliation of Net Cash Flow to Movement in Net Funds

	2008/2009 £000's	2009/2010 £000's
Increase / (decrease) in cash	(497)	294
Increase / (decrease) in temporary investments	(1,500)	(500)
Change in net debt arising from cash flows	(1,997)	(206)
Non cash (increase) / decrease	(19)	(9)
Net funds at 1 April	5,809	3,793
Net funds at 31 March	3,793	3,578

Net Funds are defined as being outstanding debt less cash less liquid resources.

## Notes to the Core Financial Statements (cont'd)

### e) Analysis of government grants

	2008/2009 £000's	2009/2010 £000's
<b><u>Revenue Grants</u></b>		
National Non Domestic Rates receipts from Pool	8,583	7,984
Revenue Support Grant	1,195	1,843
Area Based Grants	49	71
LPSA2 Reward Grant	-	139
New Burdens (Habitat and Climate Change) Grant	-	36
Local Authorities Business Growth Incentive Grant	501	78
Department for Work and Pensions Benefits Grant	31,578	38,335
Planning Delivery Grant	129	118
Homelessness Grant	71	110
Disabled Facilities Grant	582	600
Housing Defects Subsidy	36	-
Concessionary Travel	327	335
Beach Recycling	80	138
Crime Reduction Grant	48	46
DCLG Support for Town Centres	-	53
	43,179	49,886
<b><u>Capital Grants</u></b>		
EA Beach Nourishment	433	1,049
HCC Playbuilder Grant	-	50
Growth Point Funding	392	-
Crime Reduction Grant	-	16
	825	1,115
<b><u>Unapplied Capital Grants</u></b>		
LPSA2 Reward Grant	-	139
	-	139
<b>Total Government Grants</b>	44,004	51,140

## The Collection Fund Income and Expenditure Account for the year ended 31 March, 2010

2008/2009	Note	2009/2010
£000's <b>Income</b>		£000's
50,861 Income from Council Tax (net of benefits)	2	51,769
8,162 Council Tax Benefits		8,996
25,831 Income collectable from Business Ratepayers	3	26,003
440 Distribution of previous years estimated deficit		-
85,294		86,768
<b>Expenditure</b>		
58,556 Precepts from Police Authority, Fire Authority, County and District Councils	4	60,314
25,689 Business Rate: Payment to National Pool		25,859
142 Costs of collection		144
492 Provision for bad and doubtful debts		331
84,879		86,648
<b>Movement on Fund Balance</b>		
426 Deficit brought forward		11
84,879 Expenditure		86,648
85,305		86,659
(85,294) Income		(86,768)
11 (Surplus)/Deficit carried forward	4	(109)

### Notes to the Collection Fund Accounts

- These accounts represent the transactions of the Collection Fund, which is a statutory fund. It records income from Council Tax, residual community charge and non domestic rates and the demands of the precepting authorities i.e. the Council, Hampshire Police Authority, Hampshire Fire & Rescue Authority and Hampshire County Council. The Collection Fund balances are consolidated with the Council's accounts. The accounts have been prepared on an accruals basis.
- Council Tax is calculated by reference to the valuation band appropriate to each chargeable dwelling; the total yield being determined by what is known as the band D equivalent. The band D charge in 2009/2010 was £1,413.36. The Council Tax base was as follows:-

	*Band A	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
No. of Properties	-	7,958	13,549	12,149	9,656	5,419	2,387	937	38
Equivalents after exemptions, etc	11	6,446	11,944	10,860	8,683	4,941	2,210	854	24
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9
No. of Band D Equivalents	6	4,297	9,290	9,653	8,684	6,039	3,192	1,423	48
			Band D Equivalents		42,632				
Contributions in lieu of armed forces accommodation					42				
* after disabled reduction				Tax Base	42,674				

## The Collection Fund Income and Expenditure Account for the year ended 31 March, 2010 (cont'd)

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

The total non-domestic rateable value at the 31 March 2010 was £64,423,404 and the national non-domestic rate multiplier for the year was 48.5p and 48.1p for small businesses. The income collectable was considerably lower than the gross yield as a result of retrospective adjustments in respect of reductions made to rateable values, provisions for non-collection and various reliefs awarded.

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

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

	2008/2009	-----2009/2010-----		
	Total £000's	Precept / Demand £000's	Share of 31st March 2010 Surplus £000's	Total £000's
Hampshire County Council	42,432	43,449	78	43,527
Hampshire Police Authority	5,757	6,065	11	6,076
Hampshire Fire & Rescue Service	2,473	2,573	5	2,578
Havant Borough Council	7,882	8,227	14	8,241
	<u>58,544</u>	<u>60,314</u>	<u>108</u>	<u>60,422</u>
Community Charge Surplus	1		1	1

### 5. Arrears

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

Gross arrears outstanding	Arrears	Provision	Arrears for	Arrears for
	31/03/2010	for Doubtful Debts 31/03/2010	which no provision had been made 31/03/2010	which no provision had been made 31/03/2009
	£ 000's	£ 000's	£ 000's	£ 000's
Council Tax	3,499	1,808	1,691	1,689
Non Domestic Rates	537	237	300	238
Total	<u>4,036</u>	<u>2,045</u>	<u>1,991</u>	<u>1,927</u>

## The Collection Fund Income and Expenditure Account for the year ended 31 March, 2010 (cont'd)

### 6. Write Offs

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

<b>Amounts written off</b>	2008/2009	2009/2010
	£000's	£000's
Council Tax	161	244
Non Domestic Rates	97	249
Total	<u>258</u>	<u>493</u>
Council Tax Credit Balances written back	(98)	(12)

## Glossary of Terms

ACCRUALS	The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
COMMUNITY ASSETS	Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
CONSISTENCY	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
DEFERRED CHARGES	Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as disabled facility grants and other private sector renewal grants.
DEPRECIATION	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, age or obsolescence or through technological or other changes
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 account.
EXTRAORDINARY ITEMS	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.
FINANCE LEASE	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including initial payment, amounts to substantially all of the fair value of the leased asset.
FIXED ASSETS	Tangible assets and Intangible Fixed Assets that yield benefits to the local authority and the services it provides for a period of more than one year.
GOING CONCERN	The concept that the Council will remain in operational existence for the foreseeable future; in particular that the revenue account and balance sheet assume no intention to curtail significantly the scale of operations.
GOVERNMENT GRANTS	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

## Glossary of Terms (Cont'd)

INFRASTRUCTURE ASSETS	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
INTANGIBLE FIXED ASSETS	Non - financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights.
INVESTMENTS	A long-term investment is an investment that is intended to be held on a continuing basis. Investments that do not meet the above criteria are classified as current assets.
NET BOOK VALUE	The amount at which fixed assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.
NET CURRENT REPLACEMENT COST	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current conditions of the existing asset.
NET REALISABLE VALUE	The open market value of the asset in existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
NON-OPERATIONAL ASSET	Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
OPERATING LEASES OPERATIONAL ASSETS	An operating lease is any lease that is not a finance lease. Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.
POST BALANCE SHEET EVENTS	Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.
PRIOR YEAR ADJUSTMENT	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
PROVISION	Any liabilities or losses that are likely to be incurred, or certain to be incurred, but it is uncertain as to the amounts or dates on which they will arise.
PRUDENCE	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.
RESERVES	Amounts set aside for purposes falling outside the definition of a provision and include general reserves, or balances, which every authority must maintain as a matter of prudence.
STRGL	Statement of Total Recognised Gains and Losses
USEFUL LIFE	The period over which the local authority will derive benefits from the use of a fixed asset.

## Scope of Responsibility

Havant Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Havant Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Havant Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Havant Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.havant.gov.uk](http://www.havant.gov.uk) or can be obtained from the Council's offices. This statement explains how Havant Borough Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Havant Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Havant Borough Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts for the 2009/2010 financial year.

## The governance framework

The key elements of good governance are:-

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

## Annual Governance Statement 2009/2010

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

Following appropriate consultations Havant Borough Council has laid out its purpose, direction, vision and objectives in its Corporate Strategy 2008 - 2011. This document can be obtained either on the Council's website ([www.havant.gov.uk](http://www.havant.gov.uk)) or from the Council's offices. An annual business plan is prepared to support the Corporate Strategy. The Council's vision continues to be for a cleaner, safer and more prosperous Borough, which is widely understood.

The Corporate Strategy, which is comprehensively reviewed every three years, states that in order to deliver the vision of a cleaner, safer and more prosperous Borough the Council must play a community leadership role, with particular focus on the following two areas:-

- The provision of high quality, affordable and accessible public services to its customers in the Borough.
- The stewardship of the Borough for future generations in terms of the physical environment and for the people and our communities across the Borough.

The Council is not a prosperous Council in terms of either capital or revenue resources and improvements will always be sought through better use of existing resources wherever possible.

We value the views of borough residents. We use a wide variety of methods to establish the views of stakeholders (e.g. Citizens Panel, surveys etc.) and are working to understand our customers better using customer insight tools.

Executive Management Team and the Strategy and Regeneration Board monitor performance, including performance indicators, on a quarterly basis; seeking to ensure best use is made of scarce resources and excellent customer service. Managers monitor progress through 1-1 meetings with their staff.

The Council has a performance management framework. This includes induction and Performance and Development appraisal processes for all employees and the annual production of Service and Training Plans for each of the service areas. These plans clearly link individual services to the corporate objectives and include details of national and local performance indicators and risk. Individual performance plans link to Service plans and the Corporate Strategy.

The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting Statements incorporate the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.

## Annual Governance Statement 2009/2010

The Council is subject to independent audit by the Audit Commission and receives ad hoc and annual reports. The Council supplements this work with a small internal audit team. The Standards Committee undertakes the core functions of an audit committee.

The Council's constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of each committee and members and officers. The Council has approved a protocol governing relationships between members and officers as part of its constitution and has adopted codes of conduct for both officers and members, which facilitate the promotion, communication and embedding of proper standards of behaviour. All staff have job descriptions, reviewed annually as part of Performance and Development reviews, and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

The Council's constitution incorporates clear guidelines about ensuring that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All committee agendas and minutes are published promptly on the Council's website. In addition, senior officers of the Council can make some decisions under delegated authority. The over-arching policy of the Council is decided by the full Council. Most decisions that are in line with overall policies and budgets are made by the Cabinet, but key decisions can be challenged by the Overview and Scrutiny Boards.

Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the Data Protection and Freedom of Information Acts, Health and Safety and Equalities requirements.

The Council has appointed a Head of Resources as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs.

The Council has nominated the Solicitor to the Council as the statutory "Monitoring Officer" and agreed a protocol for all senior managers to ensure that the Monitoring Officer is aware of any issues which may have legal implications.

All Cabinet reports are reviewed by the Chief Financial Officer and Monitoring Officer, and financial, strategy, equalities, communications, risk management and legal issues are shown in the reports.

The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's Standards Committee deals with complaints relating to the conduct of members.

Councillor induction training is undertaken after each election. Councillors receive regular updates and training on developments in local government. Training for councillors includes mandatory training for Development Control Committee councillors.

An important outcome of the Community Strategy, owned by the Local Strategic Partnership, and the Corporate Strategy of the Council, is the building of partnerships with various sectors including other local authorities, statutory agencies, voluntary groups, action groups, contractors and our citizens.

# Annual Governance Statement 2009/2010

## Review of effectiveness

Havant Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements includes wide input:-

### INPUTS TO THE ANNUAL GOVERNANCE STATEMENT



- **Managers and staff** have responsibility for the development and maintenance of a sound governance environment.
- **Elected members** are collectively responsible for the governance of the Council and the full Council is responsible for agreeing the constitution, policy framework and budget.

## Annual Governance Statement 2009/2010

- **Internal Audit** is responsible for monitoring the quality and effectiveness of systems of internal control. The Internal Audit Plan is based on the Corporate Key Risks Register. The process includes quarterly reports to the Standards Committee on progress of audits and summaries of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit give an annual opinion on the internal control environment and issues that should be included in this statement.

Part of this review process is an annual review report by the Head of Internal Audit of the effectiveness of the Council's internal audit function. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

- **External Audit** provides external assessment of the Council's performance including through an Organisation Assessment annually.
- **Directors and Heads of Service** complete annual statements of assurances. One statement covers governance issues within their own services. Each Director and Head of Services has been allocated a "champion" role for some of the Council's key risks and the second statement covers any issues arising from those risks.
- **The Solicitor to the Council** has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are followed and also reviews this statement. Amendments are considered by the Standards Committee and Council from time to time as required to reflect managerial and operational changes.
- An officer **Risk Management Strategy Group** is responsible for monitoring risk management across the Council and has had the opportunity to comment on this statement.<sup>1</sup>
- An officer **Governance Group** co-ordinates the preparation of this statement and recommends the statement to Executive Management Team. The Group has undertaken a self-assessment of governance based on the Code of Corporate Governance.
- **Executive Management Team** reviews this statement and regularly deals with the management of risk.
- **Staffing Matters Committee** monitors risk management, interviews risk management champions and reviews this statement.
- **Standards Committee** receives regular internal audit reports and approve this statement and the Statement of Accounts.
- **The Cabinet** manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
- The **Leader and Chief Executive** sign this statement.

---

<sup>1</sup> The Health and Safety Committee also considers risks arising from Health and Safety issues.

## Annual Governance Statement 2009/2010

The results of the review of governance were considered by the Staffing Matters Committee on 1 June and the Standards Committee on 23 June approved this statement.

### 5. 2008/2009 ISSUES

The issues identified last year have been reviewed and significant progress has been made on those issues. Where work is outstanding this is indicated in the table below.

### 6. 2009/2010 AND EMERGING ISSUES

There are a number of risks that have been identified for both the current and future financial years. In identifying these risks, the Council has also stated how it plans to mitigate these risks. Many of these risks relate particularly to the two key projects i.e. greater integration of services between Havant Borough Council and East Hampshire District Council and the large project commencing this year to create a Public Service Village following refurbishment of the Civic Offices.

Set out below are matters for 2009/2010 or emerging issues where, **although they do not represent substantial risk**, implementing the proposed actions will improve the overall standard of corporate governance:-

<b>2009/2010 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2010/2011</b>	<b>Progress/Comments/ [Lead Officer]</b>
1	Good governance of the emerging integrated management with East Hampshire District Council	Ensure that appropriate constitutional and other governance arrangements are established at the outset, including dealing appropriately with Human Resources issues that arise.	[EMT, Corporate Development Manager and Solicitor to the Council]
2	Business Continuity	To embed Business Continuity Arrangements	Testing of service plans to continue. Corporate plan to be tested. Arrangements worked satisfactorily in period of severe snow in 2010. [Head of Customer and Support Services]
3	Health and Safety	Training to ensure staff do not become complacent and recognise risks arising from the Public Service Village project	Training programmes to be arranged [Head of Environmental Services]
4	Data Quality	Establish range of data sets and owners, update data quality protocol and provide training.	[Head of Development and Technical Services]

<b>2009/2010 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2010/2011</b>	<b>Progress/Comments/ [Lead Officer]</b>
5	Information Security	Ensure all actions agreed with internal audit are implemented in order to achieve first class security including for flexible working.	Improvements have taken place but Information Security is still considered by the Risk Management Group to be the highest key risk to the Council. Partnership with Hampshire County Council regarding ICT services presents risk and opportunities. [Head of Organisational Development]
6	Project and Programme Management	Improve project and programme management further including ensuring post implementation review of projects and consistent project monitoring and risk management. Ensure the Public Service Village Project is well managed.	Further skills development in project management to be a focus of the HR strategy to ensure that existing and future major projects are well managed. [Corporate Director and Head of Organisational Development]
7	Capacity	Executive Management Team to monitor risks in supporting the delivery of the Corporate Strategy with regard to capacity and change management issues.	<p>Council has major projects in progress including the Public Service Village, potential development of integrated management with East Hampshire District Council (following establishment of the joint Chief Executive role in October 2009) and delivery of ICT services by Hampshire County Council. Capacity of the organisations in the longer term will be increased by this work but in the short term there are risks around workload and capacity as the organisation moves through a programme of change.</p> <p>Partnership and Public Service Village Governance arrangements are now in place and assisting with robustly managing the capacity issues on these programmes of work.</p> <p>Continual work with the elected councillors in terms of design of service provision is aimed at assisting in this area e.g.</p>

2009/2010 Corporate Governance Review Action Plan			
No.	Issue	Action in 2010/2011	Progress/Comments/ [Lead Officer]
			deciding what not to provide in the future and alternative commissioning. [Executive Management Team]
8	Financial position	To monitor and react to the actions of the new government in terms of financial support to local government and Havant in particular.	[Head of Resources/Executive Management Team]
9	Changes in strategic direction	Monitor changes as a result of General Election 2010	Council needs to be alert to the impact of the new government on policies. [Executive Management Team]
10	Safeguarding of vulnerable adults and children and young people who are at risk of anti-social behaviour, abuse or domestic violence	Training for staff, introduce standard reporting and participate in the Hampshire Children Partnership/Trust linked to the Public Service Village	[Head of Regeneration]

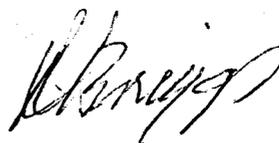
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements although we recognise they do not represent substantial risk to the authority. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of the Quarterly Health Check monitoring.

Signed



Sandy Hopkins  
Chief Executive  
Havant Borough Council  
Dated 23 June 2010

Signed



Councillor Tony Briggs  
Leader of the Council  
Havant Borough Council  
Dated 23 June 2010

# Independent auditors' report to the Members of Havant Borough Council

## Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Havant Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies

This report is made solely to the Members of Havant Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

## Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice of the financial position of the Council and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

# **Independent auditors' report to the Members of Havant Borough Council (cont.)**

## **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## **Opinion**

In my opinion the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Council's Responsibilities**

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

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Independent auditors' report to the Members of Havant Borough Council (cont.)**

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Havant Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### **Certificate**

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

Mark Catlow  
Officer of the Audit Commission  
Collins House  
Bishopstoke Road  
Eastleigh  
Hampshire

29 September 2010