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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, 2008 by the Head of Resources

Introduction

There have been two significant changes to the way Local Authorities are to prepare and present their accounts for 2007/2008. These changes are summarised below:-

- The introduction of a revaluation reserve and the combining of the Fixed Asset Restatement Account and Capital Financing Reserve into the Capital Adjustments Account
- Accounting for Financial Instruments

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

There have been no significant changes 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.

Foreword to the accounts for the year ended 31 March, 2008 by the Head of Resources (cont'd)

Revenue Spending in 2007/2008

The Council approved a budget of £17.117 million to be met from the Council Tax and government grants in February 2007. The year end general fund balance, net of budget carryovers of £585,000, at 31 March 2008 is **£1,357,800**. This is in accordance with that required under the medium term financial strategy i.e. 8% of the Council's net budget £1,369,000 less £11,200 initial implementation costs of alternate weekly collections which will be met from future savings.

In accordance with Council policy a sum of £514,922 was transferred to the Asset Acquisition Reserve. This amount is the excess amount available at the year end above that required in the general fund balance under the medium term financial strategy. Total funds available for asset acquisition at 31 March 2008 were £2,055,618.

Balance Sheet

Total usable reserves and capital receipts at 31 March 2008 were £6.370 million compared with £5.771 million at 31 March 2007.

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, 2008 the reserve showed a liability of £23.220 million (£32.240 million at 31 March 2007). 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. Any significant changes in global equity markets after 1 April 2008 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 £3.389 million (£5.842 million during 2006/2007) together with sources of finance are included in the Notes to the Core Financial Statements on page 30.

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 13.5% of Council Tax receipts are retained by the Borough Council. NNDR is self balancing within the account.

The Collection Fund Deficit at 31 March, 2008 was £0.426 million. In accordance with government regulations this is taken into account in the calculation of the 2008/2009 and 2009/2010 Council Taxes.

Foreword to the accounts for the year ended 31 March, 2008 by the Head of Resources (cont'd)

Arrears of Community Charge, National Non-Domestic Rate and Council Tax were:-

Gross arrears outstanding	Arrears 31/03/2008 £ 000's	Provision for Doubtful Debts 31/03/2008 £ 000's	Arrears for which no provision had been made 31/03/2008 £ 000's
Council Tax	3,157	1,360	1,797
Community Charge	1	1	-
Non Domestic Rates	342	190	152
Total	3,500	1,551	1,949

Gross arrears have reduced from £3.682 million at 31 March 2007 to £3.500 million at 31 March, 2008.

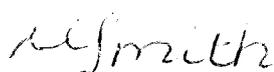
Further Information

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 2007/2008 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
17 June 2008

Statement of Accounting Policies

1. General Principles

The statement of accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A statement of recommended practice 2007 (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) 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. 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.

4. 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:-

- 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.

Statement of Accounting Policies (cont'd)

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

- 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 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 the 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.

Statement of Accounting Policies (cont'd)

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. Grants for deferred charges are treated as revenue grants and credited to the appropriate service. A revenue contribution to capital is then made to finance the relevant capital expenditure.

5. Charges to Revenue for Tangible 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 tangible fixed assets used by the service;
- 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 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.

6. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges 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.

Statement of Accounting Policies (cont'd)

7. Basis on which Debtors and Creditors at the year end are included in the accounts

The Council's accounts operate on an expenditure and income basis. Debtors appearing in the Balance Sheet represent sums still due to the Council, which have not been received at the year end, after allowing appropriate provisions for bad debts. 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, including an estimate of the costs to the Council arising from a recalculation of the costs of operating the 2006/2007 County wide Concessionary Travel scheme. 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. Accrual has been made for government grants known to be receivable for the period to 31 March, 2008. 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.

8. 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, 2008 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 and set up costs for Garden Waste Collection service.
- (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.

Statement of Accounting Policies (cont'd)

- (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.
- (g) Collection Fund Balances - Maintained in respect of accumulated Community Charge and Council Tax deficits and surpluses.
- (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 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) 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.

- (l) 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.
- (m) Revaluation Reserve - Represents the store of gains on revaluation of fixed assets from 1 April 2007 not yet realised through sales.
- (n) Capital Adjustment Account – reflects the capital resources set aside to meet past capital expenditure.

9. 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 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

Statement of Accounting Policies (cont'd)

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.

10. 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 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.

11. 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, 2008.
- (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 (S.S.A.P.) 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 are no other significant stock holdings for which provision is made.

12. 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.

Statement of Accounting Policies (cont'd)

13. Pensions

Pension costs are accounted for in accordance with FRS17. The purpose of FRS17 is to reflect the fair value of assets and liabilities arising from an employer's retirement benefit obligations in the accounting period in which they are earned, and to reflect any unfunded liabilities of the pension fund on the Balance Sheet.

Net assets / (liabilities) of the Council's share of the pension fund are recognised in the accounts through a pensions reserve. Charges to services are based upon the benefit entitlement earned by employees rather than the employers' contribution payable. The difference between the benefit entitlement earned and pension contributions paid are reversed out in the Income and Expenditure Account to ensure the amount required from Council Tax is unaffected by the adoption of FRS17.

14. Repurchase of Borrowing

Gains or losses arising from the repurchase or early settlement of borrowing is recognised in the Income and Expenditure Account in the periods which the repurchase or early settlement is made. Where, however, the repurchase of borrowing is coupled with refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.

The Council has no long term debt. No repurchase or early settlement of borrowing took place during 2007/2008 and there are no deferred charges arising from the repurchase of borrowing coupled with refinancing or restructuring from earlier years.

15. 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.

16. 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

Statement of Accounting Policies (cont'd)

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 interests 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 16 to the Core Financial Statements

The relationship with the body disclosed is not material and therefore there are no entities 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 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 Code of Practice').

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 Code of Practice.

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 fairly the financial position of the Council at the 31 March, 2008 and its income and expenditure for the year then ended.

Signed:



Head of Resources

Date:

17 June 2008

Income and Expenditure Account 2007/2008

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.

2006/2007 £000's		Expenditure £000's	Income £000's	2007/2008 £000's
724	Central Services to the Public	10,276	9,373	903
12,778	Cultural, Environmental and Planning Services	15,496	3,435	12,061
1,168	Highways Roads and Transport Services	3,662	1,704	1,958
1,534	Housing Services	24,795	23,200	1,595
29	Social Services	229	197	32
1,972	Corporate and Democratic Core	1,850	1	1,849
253	Unapportionable Central Overheads	690	-	690
18,458	NET COST OF SERVICES	56,998	37,910	19,088
(173)	Loss / (Surplus) on the Sale of Fixed Assets			(104)
89	Langstone Harbour Board Precept			79
10	Contribution of Housing Capital Receipts to Government Pool			11
2	Interest Payable			1
(533)	Interest and Investment Income			(649)
680	Pensions interest cost and expected return on Pensions assets (note 29)			850
18,533	NET OPERATING EXPENDITURE			19,276
	SOURCES OF FINANCE			
(7,169)	Council Tax Payers			(7,513)
9	(Surplus) / Loss on Collection Fund			14
(1,531)	Revenue Support Grant			(1,382)
(7,933)	Contribution from Non-Domestic Rate Pool			(8,236)
-	Local Authority Business Growth Improvement Grant			(46)
1,909	DEFICIT FOR THE YEAR			2,113

1,909	Deficit on the Income and Expenditure Account	2,113
(2,015)	Net additional amount required by statute and non-statutory proper practices to be (debited) / credited to the General Fund Balance for the year (see page 26 for details)	(2,196)
(106)	General Fund Decrease / (Increase) for the year	(83)
(1,169)	Balance on General Fund brought forward	(1,275)
(1,275)	Balance on General Fund carried forward	(1,358)

Income and Expenditure Account 2007/2008 (cont'd)

2007/2008 Analysis of Expenditure	Expenditure £000's	Income £000's	Net £000's
<u>Central Services to the Public</u>			
Local tax collection	9,106	8,354	752
Elections	250	9	241
Emergency planning	100	-	100
Local land charges	205	234	(29)
General grants, bequests and donations	300	-	300
Other central services to the public	315	776	(461)
	<u>10,276</u>	<u>9,373</u>	<u>903</u>
<u>Cultural, Environmental and Planning Services</u>			
Culture and heritage	456	141	315
Recreation and sport	1,623	268	1,355
Community parks and open spaces	1,700	210	1,490
Tourism	213	9	204
Cemetery and cremation services	349	268	81
Coast protection	503	475	28
Environmental health	1,901	394	1,507
Community safety	625	59	566
Waste collection	2,556	452	2,104
Street cleansing	1,162	37	1,125
Building control	654	310	344
Development control	1,420	381	1,039
Planning policy	812	43	769
Economic development	615	331	284
Other cultural, environmental and planning services	907	57	850
	<u>15,496</u>	<u>3,435</u>	<u>12,061</u>
<u>Highways, Roads and Transport Services</u>			
Transport planning policy and strategy	27	-	27
Highways/roads (structural)	26	7	19
Highways/roads (routine)	832	206	626
Parking services	1,061	1,309	(248)
Public transport	1,716	182	1,534
	<u>3,662</u>	<u>1,704</u>	<u>1,958</u>
<u>Housing Services</u>			
Private sector housing renewal	1,010	493	517
Homelessness	517	250	267
Housing benefits payments	21,645	21,690	(45)
Housing benefits administration	1,223	728	495
Other housing services	400	39	361
	<u>24,795</u>	<u>23,200</u>	<u>1,595</u>
<u>Social Services</u>			
Meals	142	110	32
Sure Start	87	87	0
	<u>229</u>	<u>197</u>	<u>32</u>
<u>Corporate and Democratic Core</u>			
Corporate Management	721	1	720
Democratic representation and management	1,129	-	1,129
	<u>1,850</u>	<u>1</u>	<u>1,849</u>
<u>Unapportionable Central Overheads</u>			
	<u>690</u>	<u>-</u>	<u>690</u>
<u>GRAND TOTAL</u>	<u>56,998</u>	<u>37,910</u>	<u>19,088</u>

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.

	2006/2007	2007/2008
	£000's	£000's
(Surplus) / deficit on the income and expenditure account	1,909	2,113
(Surplus) / deficit arising on revaluation of fixed assets	(1,762)	(3,049)
Actuarial (gains) and losses on pension fund assets and liabilities	140	(10,600)
(Surplus) / Deficit on collection fund	117	184
Reconciling Adjustment	2	(1)
Total Recognised (Gains) and Losses for the year	406	(11,353)

Balance Sheet as at 31 March, 2008

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

31st March 2007 £000's		note	31st March 2008 £000's
	Fixed Assets:-	note 19a	
99	Intangible Fixed Assets		50
	Tangible Fixed Assets		
32,605	Land and buildings		34,934
3,940	Vehicles plant and equipment		3,597
4,894	Infrastructure assets		5,479
1,695	Community assets		1,667
	Non operational assets		
8,345	Investment Properties		8,440
277	Assets under construction		1,124
51,855	Total Fixed Assets		55,291
50	Long term investments	note 20	50
200	Long term debtors	note 21	216
52,105	TOTAL LONG TERM ASSETS		55,557
	Current assets:-		
56	Stocks and stores		79
4,836	Debtors (Net of bad debt provisions)	note 22	4,837
3,000	Investments	note 20	5,034
1,029	Cash		1,058
8,921	Current Assets		11,008
61,026	TOTAL ASSETS		66,565
	Current liabilities:-		
(6,328)	Creditors	note 23	(8,808)
-	Temporary borrowing		-
(448)	Cash overdrawn		(283)
54,250	TOTAL ASSETS LESS CURRENT LIABILITIES		57,474
(217)	<u>Less</u> Provisions	note 24	(109)
(3,766)	Deferred grants	note 25	(4,830)
(2,628)	Capital contributions deferred	note 25	(2,563)
(32,240)	Liability relating to defined benefit pension scheme	note 29	(23,220)
15,399	TOTAL ASSETS LESS LIABILITIES		26,752
	Financed by:		
-	Revaluation Reserve	note 26a	2,929
42,070	Capital Adjustment Account	note 26b	41,062
1,529	Usable Capital Receipts Reserve	note 26c	1,219
40	Deferred capital receipts	note 28	22
(32,240)	Pensions Reserve	note 29	(23,220)
(242)	Collection fund	note 30	(426)
2,967	Earmarked reserves	note 26d	3,808
1,275	General Fund Balance	note 26	1,358
15,399	TOTAL CAPITAL AND REVENUE RESERVES		26,752

Cash Flow Statement 2007/2008

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

2006/2007 £ 000's		Note Number	2007/2008 £ 000's
	REVENUE ACTIVITIES		
	Cash Outflows		
(12,453)	Cash Paid to and on behalf of employees		(12,735)
(45,869)	Precepts		(48,297)
(11,672)	Other operating costs		(11,291)
(18,946)	Housing Benefit paid out		(20,276)
(21,872)	National Non-Domestic Rate payments to pool		(22,562)
(11)	Payments to the Capital Receipts Pool		(11)
(110,823)			(115,172)
	Cash Inflows		
46,004	Community Charge/Council Tax income		48,630
7,933	National Non-Domestic Rate receipts from pool		8,236
21,516	National Non-Domestic Rate income		23,153
1,531	Revenue Support Grant		1,382
27,498	Department for Work and Pensions (D.W.P.) Grants for Benefits		30,008
951	Other Government grants		1,353
6,867	Cash received for goods and services		5,963
97	Other Operating Cash Receipts		370
112,397			119,095
1,574	NET REVENUE CASH INFLOW/(OUTFLOW)	33a	3,923
	SERVICING OF FINANCE		
(2)	Interest paid		(1)
541	Interest received		622
	CAPITAL ACTIVITIES		
	Cash (Outflows) / Inflows		
(2,874)	Purchase of fixed assets		(2,503)
(782)	Other Capital Cash payments		(843)
103	Sale of Fixed Assets		274
93	Capital grants		51
422	Other Capital Cash inflows		671
(925)	NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		2,194
	MANAGEMENT OF LIQUID RESOURCES	33b	
2,000	Net (increase)/reduction in short term deposits		(2,000)
	FINANCING		
-	New loans raised/(repaid)		-
1,075	NET CASH INFLOW/(OUTFLOW)	33c	194

1. Prior Year Adjustments

There were no prior year adjustments. The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/2007 to accommodate the implementation of the Revaluation Reserve (see accounting policy 4). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £2.026 million on the FARA at 31st March 2007 has been written off to the Capital Financing Account (£40.044 million) to form a new Capital Adjustment Account with a credit balance of £42.070 million. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31st March 2008 therefore only shows revaluation gains accumulated since 1st April 2007.

2. Discretionary Expenditure

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. As a consequence the majority of the provisions of s137 were repealed with effect from October 2000. The Council is still required to disclose expenditure under s137(3) e.g. donations to charities. There was no expenditure under s137(3), incurred on grants to voluntary organisations, other than where a service level agreement was entered into with the Council, in 2007/2008 (£1,000 in 2006/2007).

3. Agencies

The Council is responsible for aspects of highway maintenance within the borough on behalf of Hampshire County Council. The Council spent £462,900 in respect of highway revenue works (£411,000 in 2006/2007). 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 shown in the account (page 15).

From April 2005 the Council entered into an agency agreement with Hampshire County Council for the enforcement of parking control. The net cost of this service was £302,600 during 2007/2008 (£215,630 in 2006/2007); 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. Trading Operations

The Council has no Trading Operations.

5. Exceptional Items

Following a series of service reviews a number of redundancies have arisen. The total cost of redundancy payments in 2007/2008 amounted to £399,516 (£721,019 in 2006/2007) which has been included within the net cost of services.

Notes to the Core Financial Statements (cont'd)

6. Extraordinary Items

There are no extraordinary items.

7. Local Authority (Goods and Services) Act 1970

In 2007/2008 the Council received £134,200 (£119,300 during 2006/2007) for services provided to other public bodies. The most significant transactions included £44,400 (£34,000 during 2006/2007) from Portsmouth City Council for a variety of services, Payroll Services to Horizon Leisure Trust and East Hampshire District Council £27,900 (£26,800 during 2006/2007), Audit Services for Winchester City Council £33,200 (£29,700 during 2006/2007) and Hire of Bins to Hermitage Housing Association £22,200 (£21,100 during 2006/2007).

8. Local Area Agreements

The Council is a participant in the Hampshire Local Area Agreement (LAA), a partnership with 36 other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. The Hampshire LAA is a three year agreement between partners in Hampshire and the Government to improve lives and conditions in Hampshire Communities. The Agreement focuses the attention of partners on 8 priority outcomes drawn from the Hampshire Community Strategy and the 11 Hampshire District Councils Community Strategies.

Hampshire County Council is the accountable body for the Local Area Agreement.

The total amount of Grant received by Hampshire County Council was £9,838,017 in 2007/2008 of which the Council received £102,656 from the Local Area Agreement funds in 2007/08 to fund its own services.

The following table shows all the statutory partners of the Hampshire LAA.

Arts Council England - South East	Learning and Skills Council
Basingstoke and Deane Borough Council	Museums Libraries and Archives Council –
Basingstoke and North Hants NHS Found. Trust	SE
East Hampshire District Council	National Probation Service
Eastleigh Borough Council	Natural England
English Heritage	New Forest District Council
Environment Agency	New Forest National Park Authority
Fareham Borough Council	Portsmouth Hospitals NHS Trust
Frimley Park Hospital NHS Foundation Trust	Rushmoor Borough Council
Gosport Borough Council	South East England Development Agency
Hampshire Constabulary	Southampton University Hospitals NHS
Hampshire Fire Authority	Trust
Hampshire Partnership NHS Trust	Sport England - South East
Hampshire Police Authority	Surrey and Borders Partnership NHS Trust
Hampshire Primary Care Trust	Test Valley Borough Council
Hart District Council	Winchester and Eastleigh Healthcare NHS
Havant Borough Council	Trust
Highways Agency (Area 3)	Winchester City Council
Health and Safety Executive – SE Region	Wessex Youth Offending Team
Jobcentre Plus	

Notes to the Core Financial Statements (cont'd)

9. Members Allowances

The total Members Allowances expenditure during 2007/2008 (including travelling and subsistence allowances) was £308,820 (£305,659 in 2006/2007).

10. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory bodies. The statement below shows the total cost of operating the building control unit divided between chargeable and non-chargeable activities.

Building Regulations Charging Account 2007/2008	Chargeable	Non Chargeable	Total Building Control
	2007/2008	2007/2008	2007/2008
	£000's	£000's	£000's
<u>Expenditure</u>			
Employee Expenses	291	160	451
Supplies and Services	-	1	1
Central and Support Service Charges	41	65	106
	332	226	558
<u>Income</u>			
Building Regulation Charges	310	-	310
	310	-	310
Surplus/(Deficit) For Year	(22)	(226)	(248)
<u>Comparatives for 2006/2007</u>			
Expenditure	388	170	558
Income	317	-	317
Surplus/(Deficit) For Year	(71)	(170)	(241)

11. Publicity

Expenditure on publicity under Section 5 of the Local Government Act 1986 was:

	2006/2007	2007/2008
	£000's	£000's
Staff Recruitment	44	42
Tourism	30	46
Borough Wide Newsletter	36	41
Recycling	5	11
Leisure Promotion	16	18
Other	17	22
	148	180

Notes to the Core Financial Statements (cont'd)

12. 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 2007/2008 was £89,238 (£171,644 during 2006/2007).

Land and Buildings – The Council leases various land and buildings within the Borough for a variety of purposes. Rentals paid in 2007/2008 were £7,182 (£15,807 during 2006/2007).

The authority was committed at 31 March 2008 to making payments of £94,997 under operating leases in 2008/2009, comprising the following elements:-

	Other Land and Buildings £000's	Vehicles, Plant and Equipment £000's
Leases expiring in 2008/2009	2	19
Leases expiring between 2009/2010 and 2013/2014	-	69
Leases expiring after 2013/2014	5	-

(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 2007/2008 was £1,248,154 (£1,055,561 during 2006/2007).

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases for various land and building properties (Community Centres, Leisure Centres and investment properties but excluding the Civic Offices where part of the building is leased to tenants) was £27.588 million (valued at 31 March 2008 £26.571 million and subject to £1.017 million depreciation to 31 March 2008).

(c) Assets Held Under Finance Leases

No assets were held under a finance lease at 31 March 2008.

Notes to the Core Financial Statements (cont'd)

13. Employees receiving remuneration in excess of £50,000

Employees receiving remuneration in excess of £50,000 during 2007/2008 are shown below:

Remuneration (including expenses and benefits)	Number of employees 2006/2007	Left during 2006/2007	Number of employees 2007/2008	Left during 2007/2008
Between £100,000 and £110,000	2	1	-	-
Between £90,000 and £99,999	-	-	1	-
Between £80,000 and £89,999	1	1	2	1
Between £70,000 and £79,999	3	-	2	-
Between £60,000 and £69,999	4	1	5	-
Between £50,000 and £59,999	4	1	4	-

Remuneration includes compensation for loss of office. (The 2006/2007 figures have been restated to include gross pay rather than taxable pay in the calculation of remuneration).

14. 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 a note to the Cash Flow Statement (page 45).

Members of the Council have direct control over the Council's financial and operating policies. During the year, works and services to the value of less than £100,000 were commissioned from a company in which a Member had an interest. Contracts were entered into in full compliance with the Council's standing orders. The relevant member did not take part in any discussions or decisions relating to the contract. Details of that Member's interest in the commissioned company are recorded in the Register on Members' Interest, open to public inspection at the Civic Offices, Havant. Two members declared an interest in organisations receiving grant assistance from the Council of up to £20,000.

Officers – During the year, goods and services to the value of £20,900 were commissioned from a registered charity in which an officer has an interest.

Families / Households of members and officers. No transactions were declared following a questionnaire sent to all members and senior officers of the Council.

Notes to the Core Financial Statements (cont'd)

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 £57,000 towards the net cost of providing meals to the elderly.

Joint Ventures:-

- The Council along with 3 neighbouring authorities is part of the Portchester Crematorium Joint Committee, which has control over the functions of Portchester Crematorium. During 2007/2008 the Council received £112,000 from the Joint Committee being its share of the distributable surpluses.
- A “Havant Museum Joint Committee” between the Council and Hampshire County Council controls the operation of Havant Museum, with each authority generally meeting 50% of the cost. The total cost of running Havant Museum during 2007/2008 was £156,900

15. Disclosure of Audit Cost

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

	2006/2007 £000's	2007/2008 £000's
Fees payable with regard to statutory external audit services	88	116
Fees payable for statutory inspection	6	6
Fees payable for the certification of grant claims and returns	28	28

16. 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 the following entity. The accounts of this entity have not been consolidated into the financial statements of the Council.

Portchester Crematorium Joint Committee 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. Havant Borough Council's share of the net assets of Portchester Crematorium Joint Committee is £1,100,000 (£979,000 in 2006/2007). Transactions between the Joint Committee and the Council are outlined in note 14.

17. 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.

The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.

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)

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

2006/2007 £000's		2007/2008 £000's
	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	
(2,465)	Depreciation and Impairment of Fixed Assets	(2,151)
573	Government Grants Deferred amortisation	510
(685)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e. Deferred Charges)	(828)
173	Net gain or (loss) on sale of fixed assets	104
(1,010)	Net charges made for retirement benefits in accordance with FRS17	(1,580)
(3,414)		(3,945)
	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	
	- Statutory provision for repayment of debt	-
440	Capital expenditure charged to the General Fund Balance	549
(10)	Transfer from usable capital receipts equal to the contribution to Housing Pooled Capital Receipts	(11)
430		538
	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	
259	Voluntary provision for the repayment of debt	370
710	Net transfer to or from earmarked reserves	841
969		1,211
(2,015)	Net additional amount required by statute and non-statutory proper practices to be (debited) / credited to the General Fund Balance for the year	(2,196)

19. Net Fixed Assets

The freehold and leasehold properties which comprise the Council's property portfolio 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 for each category of asset are:-

- ◆ Operational Land and Buildings – buildings generally 40-50 years but determined asset by asset; land is a non depreciating asset.
- ◆ Operational Equipment - generally 10 years; less for some assets including Computer Hardware and software which generally has a life of less than 5 years
- ◆ Vehicles & Plant – average life 6 years
- ◆ Infrastructure Assets - generally 30 years; less for some assets
- ◆ Community Assets – generally 20 years; less for some assets
- ◆ Non operational assets – generally 50 years; less for some assets
- ◆ Intangible Assets – 5 years

Assets, which comprise land but no buildings, are not depreciated because it is considered they have an infinite useful life.

Notes to the Core Financial Statements (cont'd)

(a) Fixed Asset Transactions

Movements in fixed assets in the year were:

Tangible Assets	Operational			Non Operational		Total Operational & Non Operational Assets £000's	Investment Properties £000's	Total £000's
	Operational Land & Buildings £000's	Vehicles Plant & Equipment £000's	Infrastructure £000's	Community Assets £000's	Assets Under Construction £000's			
Cost								
At 1 April 2007	34,793	7,121	5,687	2,131	276	50,008	8,345	58,353
Additions	56	800	850	-	855	2,561	-	2,561
Disposals	-	(215)	-	-	-	(215)	-	(215)
Impairments	(74)	-	-	-	-	(74)	-	(74)
Reclassifications	(43)	1	41	(35)	(7)	(43)	43	-
Revaluations	1,986	-	-	-	-	1,986	52	2,038
Other movements	-	-	-	-	-	-	-	-
At 31 March 2008	36,718	7,707	6,578	2,096	1,124	54,223	8,440	62,663
Depreciation								
At 1 April 2007	(2,188)	(3,181)	(793)	(436)	-	(6,598)	-	(6,598)
Charge for the year	(607)	(1,122)	(236)	(63)	-	(2,028)	-	(2,028)
Disposals	-	193	-	-	-	193	-	193
Reclassifications	-	-	(70)	70	-	-	-	-
Revaluations	1,011	-	-	-	-	1,011	-	1,011
Other movements	-	-	-	-	-	-	-	-
At 31 March 2008	(1,784)	(4,110)	(1,099)	(429)	-	(7,422)	-	(7,422)
Net Book Value at 31 March 2008	34,934	3,597	5,479	1,667	1,124	46,801	8,440	55,241
Net Book Value at 1 April 2007	32,605	3,940	4,894	1,695	276	43,410	8,345	51,755

Intangible Assets	Software
Cost	£000's
At 1 April 2007	248
Additions	-
Disposals	-
Impairments	-
Reclassifications	-
Revaluations	-
Other movements	-
At 31 March 2008	248
Depreciation	
At 1 April 2007	(149)
Charge for the year	(50)
Disposals	-
Reclassifications	-
Revaluations	-
Other movements	-
At 31 March 2008	(198)
Net Book Value at 31 March 2008	50
Net Book Value at 1 April 2007	99

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
Leisure/Beachlands Properties	March 2004	2008 – 2009
Commercial (Let) Properties	March 2004	2008 – 2009
Civic Offices	March 2005	2009 – 2010
Depot	March 2005	2009 – 2010
Other HBC premises	March 2005	2009 – 2010
Community Centres	March 2006	2010 – 2011
Car Parks	March 2007	2011 – 2012
Public Conveniences	March 2008	2012 – 2013

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	Land and Buildings	Vehicles plant & Equipment	Infra-structure assets	Community assets	Non Operational Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Valued at historical cost (at 31/3/2008)	50	-	-	5,479	1,667	1,124	8,320
Valued at current value in							
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
2004/05	-	30,937	3,708	-	-	8,082	42,727
2003/04	-	23,291	3,491	-	-	12,374	39,156

Notes to the Core Financial Statements (cont'd)

(b) Capital Expenditure and Financing

	2006/2007	2007/2008
	£000's	£000's
Opening Capital Financing Requirement	2,485	3,391
<u>Capital Investment</u>		
Operational Assets	3,891	1,706
Non Operational Assets	1,265	855
Deferred Charges	686	828
	5,842	3,389
<u>Financed by:-</u>		
Usable capital receipts	1,995	463
Grants and Contributions	2,288	1,510
Revenue provision (including MRP)	699	919
	4,982	2,892
Movement in Loans to Local Organisations	46	19
<u>Closing Capital Financing Requirement</u>	3,391	3,907
Movement represented by :-		
Increase in underlying need to borrow (unsupported by Government financial assistance)	860	497
Movement in Loans to Local Organisations	46	19

(c) Capital Commitments

The estimated commitments arising from capital contracts signed but where payments were not due at 31 March, 2008 were £1,500,000. This includes £715,000 for a contract to purchase refuse vehicles and £290,000 for an Information Technology contract.

Notes to the Core Financial Statements (cont'd)

(d) Fixed Assets

Major fixed assets held at 31 March 2008 were:-

<p><u>NON OPERATIONAL ASSETS</u> Various small undeveloped areas including commercial properties</p> <p><u>VEHICLES AND EQUIPMENT</u> Operational vehicles CCTV equipment throughout Borough Wheeled recycling bins IT hardware and software</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 619 allotment plots Hardened verges Cycleways throughout borough Various footpaths throughout borough Crime Prevention Lighting</p> <p><u>OPERATIONAL LAND</u> 29 Pay & 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 2 Museums (Havant and 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</p>
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All assets are used by the General Fund

Notes to the Core Financial Statements (cont'd)

20. Financial Instruments

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

	2006/2007	2007/2008
	£000's	£000's
<u>Loans & Receivables</u>		
Receivables	2,763	3,390
Short Term Investments	3,000	5,034
Long Term Investments	50	50
Bank Deposits	900	900
	6,713	9,374
<u>Financial Liabilities at Amortised Cost</u>		
Payables	6,328	8,062
Bank Overdraft	448	283
	6,776	8,345

There were no gains and losses 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. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum category green in the Sector Treasury Services Ltd. ratings, with a maximum investment of £5 million for up to 364 days deposited to any one institution in the highest rated category. No more than £1 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

Notes to the Core Financial Statements (cont'd)

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.

Customers are assessed, taking into account their financial position, past experience and other factors wherever possible.

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

The Council does not generally allow credit for customers. To minimise the Council's exposure to customer non-payment, monies are set aside as provisions to cover an estimate of the uncollectible debt. The table below analyses the Current debtors and bad debt provisions at 31st March (arrears of Council Tax and NNDR have been excluded as these are statutory debts and are not financial instruments).

Current Debtors	2006/2007	2007/2008
	£000's	£000's
Government departments	418	836
Payments in advance	68	64
Overpaid Housing Benefits	951	943
Other debtors	1,539	1,331
	2,976	3,174
<u>Less provision for doubtful debts:</u>		
Overpaid Housing Benefits	(467)	(464)
Other	(150)	(141)
	2,359	2,569

Much of the debt shown in the table above is technical debt arising at the 31st March. An analysis of the Council's debtors systems at 31st March 2008 shows the following aged debt and this gives a good indication of the level of exposure to uncollected debt.

Customer balances past their due date for payment	£000's
Two to six months	174
Six months to one year	138
Greater than one year	402
Total	714

Liquidity Risk

The Council has no borrowings at 31st March. 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.

Notes to the Core Financial Statements (cont'd)

Market Risk

Interest rate risk - The Council is exposed to some risks in terms of its exposure to interest rate movements on its 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 policy has an upper limit on variable rate net borrowing of 50%.

Due to the nature of the investments held at 31 March, 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.

21. Long Term Debtors

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

	2006/2007 £000's	2007/2008 £000's
Mortgages (Sales of Council Houses and Other)	37	16
Loans to Local Organisations	38	16
Staff Car Loans	125	184
	<u>200</u>	<u>216</u>

Notes to the Core Financial Statements (cont'd)

22. Debtors

Current Debtors	2006/2007	2007/2008
	£000's	£000's
Council Tax/Community Charge/N.N.D.R	3,682	3,818
Government departments	418	836
Payments in advance	68	64
Overpaid Housing Benefits	951	943
Other debtors	1,539	1,331
	<u>6,658</u>	<u>6,992</u>
<u>Less provision for doubtful debts:</u>		
Council Tax/Community Charge/N.N.D.R	(1,205)	(1,550)
Overpaid Housing Benefits	(467)	(464)
Other	(150)	(141)
	<u>4,836</u>	<u>4,837</u>

23. Creditors

	2006/2007	2007/2008
	£000's	£000's
Government departments	1,764	1,758
Council Tax/Community Charge/N.N.D.R.	1,323	1,393
Contributions From Developers	865	1,179
Income in advance	39	397
Other creditors	2,337	4,081
	<u>6,328</u>	<u>8,808</u>

24. Insurance provisions

Provisions at 31 March, 2008 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.

	2006/2007	2007/2008
	£000's	£000's
Provision for outstanding insurance claims:-		
Third party liabilities	186	75
Vehicles and plant	1	-
Property	-	-
Employers Liability	30	34
	<u>217</u>	<u>109</u>

Notes to the Core Financial Statements (cont'd)

25. Deferred Grants and Capital Contributions deferred

	Government grants deferred £000's	Capital contributions deferred £000's
Grants / contributions receivable in 2007/2008	1,509	-
Amounts credited to Net Cost of Services 2007/2008	(445)	(65)
Total movement in deferred grants / contributions	1,064	(65)
Balance brought forward at 1 April 2007	3,766	2,628
Balance carried forward at 31 March 2008	4,830	2,563

Government grants deferred – 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 – 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.

26. 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 31/3/2007 £000's	Net Movement in Year £000's	Balance at 31/3/2008 £000's	Purpose of Reserve	Further detail of Movements
Revaluation Reserve	0	2,929	2,929	Store of gains on revaluation of fixed assets not yet realised through sales	see note a
Capital Adjustment Account	42,070	(1,008)	41,062	Store of capital resources set aside to meet past expenditure	see note b
Usable Capital Receipts Account	1,529	(310)	1,219	Proceeds of fixed asset sales available to meet future capital investment. £125,000 is set aside for the asset acquisition reserve.	see note c
Pensions Reserve	(32,240)	9,020	(23,220)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	
Earmarked Reserves	2,967	841	3,808	Resources set aside for specific policy purposes	see note d
General Fund	1,275	83	1,358	Resources available to meet future running costs for Council services	

Notes to the Core Financial Statements (cont'd)

a) Movements in unrealised value of fixed assets and value of assets sold, disposed of or decommissioned

	Revaluation Reserve £000's
Gains/losses on revaluation of fixed assets in 2007/2008	3,049
Depreciation charged to net cost of services	(120)
Impairment losses on fixed assets due to general changes in prices in 2007/2008	-
Amounts written off fixed asset balances for disposal in 2007/2008	-
Total movement on reserve in 2007/2008	2,929
Balance brought forward at 1 April 2007	-
Balance carried forward at 31 March 2008	2,929

b) Movement in amounts set aside to finance capital investment

	Capital Adjustment Account £000's
Usable receipts applied to finance new capital investment	463
Capital expenditure financed from revenue	549
Depreciation of Deferred Government Grants credited to Net Cost of Services	510
Depreciation charged to Net Cost of Services	(2,786)
Impairments charged to Net Cost of Services	(73)
Disposal of assets	(22)
Amount set aside for voluntary repayment of debt	370
Repayment of Loans to Local Organisations	(19)
Total movement on reserve in 2007/2008	(1,008)
Balance brought forward at 1 April 2007	42,070
Balance carried forward at 31 March 2008	41,062

c) Movements in Usable Capital Receipts

	Usable Capital Receipts £000's
Amounts receivable in 2007/2008	164
Amounts repaid to Government Pool	(11)
Amounts applied to finance new capital investment in 2007/2008	(463)
Total increase / (decrease) in realised capital resources in 2007/2008	(310)
Balance brought forward at 1 April 2007	1,529
Balance carried forward at 31 March 2008	1,219

Notes to the Core Financial Statements (cont'd)

d) Movement on Earmarked Reserves

<u>Earmarked Reserves</u>	Balance at 31/3/2007 £000's	Net Movement in Year	Balance at 31/3/2008 £000's
General Fund - earmarked	520	113	633
Insurance Reserve	257	220	477
Planning Reserve	95	341	436
Asset Acquisition Reserve	1,496	435	1,931
Capital Reserve	599	(268)	331
Total Earmarked Reserves	2,967	841	3,808

27. Deferred Liabilities

The Council has no deferred liabilities.

28. Deferred Credits

Deferred credits represent mortgages on sold Council houses.

29. 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.

Notes to the Core Financial Statements (cont'd)

Transactions Relating to Retirement Benefits

The cost of retirement benefits are recognised in the Net Cost of Services when they 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.

	2006/2007	2007/2008
	£000's	£000's
Net cost of services		
Current Service Costs	1,750	1,690
Past Service costs	370	690
Net Operating Expenditure		
Interest on pension scheme liabilities	4,230	4,730
Expected return on pension fund assets	(3,550)	(3,880)
Net Charge to the Income and Expenditure account	<u>2,800</u>	<u>3,230</u>
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(2,800)	(3,230)
Actual amount charged against the General Fund Balance for pensions in the year i.e. Employers contribution payable to the scheme	<u>1,790</u>	<u>1,650</u>
Net charges made for retirement benefits in accordance with FRS17	<u>(1,010)</u>	<u>(1,580)</u>

Notes to the Core Financial Statements (cont'd)

Assets and Liabilities in Relation to Retirement Benefits

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

	2006/2007	2007/2008
	£000's	£000's
Share of assets in Hampshire County Council Pension Fund	57,720	59,550
Estimated funded liabilities in Hampshire County Council Pension Fund	(89,280)	(82,140)
Estimated Unfunded Liabilities	(680)	(630)
Havant Borough Council's deficit in the scheme	<u>(32,240)</u>	<u>(23,220)</u>
Analysis of movement in net Deficit	£000's	£000's
Net deficit at 1st April	(31,090)	(32,240)
Movement in year:		
Operating Charge	(2,120)	(2,380)
Contributions	1,790	1,650
Other finance income	(680)	(850)
Actuarial gain / (loss)	(140)	10,600
Net deficit at 31st March	<u>(32,240)</u>	<u>(23,220)</u>

The £23,220 million net liability represents the difference between the value of the Council's pension fund assets at 31 March 2008 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 2008 would 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 latest actuarial valuation took place on 31 March 2007.

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

Notes to the Core Financial Statements (cont'd)

Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values. The main assumptions used for the purposes of FRS 17 are as follows:

	31/03/2007	31/03/2008
	% pa	% pa
Rate of inflation	3.20	3.70
Rate of general long-term increase in salaries	4.70	5.20
Rate of increase in pensions in payment	3.20	3.70
Rate of increase to deferred pensions	3.20	3.70
Discount rate	5.30	6.80
Long-term expected rates of return on:		
Equities	7.70	7.60
Property	6.70	6.60
Government Bonds	4.70	4.60
Corporate bonds	5.30	6.80
Other assets	5.60	6.00
Average long term expected rate of return	6.90	6.70

The fair value of assets of the Hampshire County Council Pension Fund at 31 March is set out below.

	2007		2008	
	£m	% of fund	£m	% of fund
Equities	1,940.23	67%	1,807.60	62%
Property	130.88	5%	168.00	6%
Government bonds	597.21	21%	775.60	27%
Other	217.16	8%	167.00	5%
Total	<u>2,885.48</u>		<u>2,918.20</u>	

Notes to the Core Financial Statements (cont'd)

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31 March each year.

	2003/2004		2004/2005		2005/2006		2006/2007		2007/2008	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Differences between the expected and actual return on scheme assets	4,540	10.60	1,520	3.30	7,580	13.60	(80)	(0.10)	(370)	(0.60)
Differences between actuarial assumptions about liabilities and actual experience	(60)	0.10	300	0.40	30	0.00	(230)	(0.30)	(2,460)	(3.00)
Changes in assumptions underlying the present value of pension liabilities	150	0.20	(13,770)	(17.70)	(5,850)	(6.70)	170	(0.20)	13,430	16.20
Total	4,630	7.60	(11,950)	(15.40)	1,760	2.00	(140)	(0.20)	10,600	12.80

30. Collection Fund

Represents the surplus or deficit on the Fund as shown on pages 46 to 48. A share of the Council Tax surplus will be payable to Hampshire County Council, Hampshire Police Authority and Hampshire Fire and Rescue Authority in 2008/2009 and the remainder will be paid during 2009/2010.

31. Trust Funds

The Council does not administer any trust funds.

32. 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 13 when the accounts are signed by the Council's Chief Financial Officer and formally made available to the Standards Committee.

33. Events after the Balance Sheet Date

On 2nd April 2008 the Department for Communities and Local Government (DCLG) announced details of proposed additional grant allocations under the Local Authorities Business Growth Incentives Scheme (LABGI). Councils had until 16 May 2008 to make representations, with final allocations to be made as soon as possible thereafter. Havant Borough Council's provisional allocation amounts to £379,859. This will be accounted for when the final determination is made, which is expected to be during the financial year 2008/09.

There were no further events after the balance sheet date, favourable or unfavourable, which require any amounts within the accounts to be adjusted or disclosure to be made.

34. Authorisation of the Statement of Accounts

The accounts were approved by the Chairman of the Standards Committee on 25th June 2008.

Notes to the Core Financial Statements (cont'd)

34. Notes to the Cash Flow Statement

a) Reconciliation of Revenue Surplus to Net Revenue Cash Flow

	2006/2007 £000's	2007/2008 £000's
Net Revenue cash inflow/(outflow)	1,574	3,923
General Fund surplus/(deficit)	106	83
Collection Fund surplus/(deficit)	(117)	(184)
	(11)	(101)
Net interest included under Servicing of Finance	(531)	(648)
Revenue Contribution to Capital Outlay	440	549
<u>Add</u>		
Increase in creditors	-	2,411
Reduction in Debtors	-	359
Increase in provision for bad debts	281	334
Voluntary provision for the repayment of debt	259	370
Contributions from reserves, provisions & balances	702	733
Reduction in Payments In Advance	477	4
<u>Less</u>		
Reduction in Creditors	(3)	-
Increase in Debtors	(83)	-
Increase in stocks & work in progress	(13)	(23)
Other non cash transactions	56	(65)
	1,574	3,923

b) Management of Liquid Resources and Financing

	Balance at 1st April 2007 £000's	Balance at 31st March 2008 £000's	Movement in Year £000's
<u>Management of Liquid Resources</u>			
Short term deposits	3,000	5,000	2,000
<u>Financing</u>			
Temporary Borrowing	-	-	-

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

Notes to the Core Financial Statements (cont'd)

(c) Increase in Cash and Cash Equivalents

	Balance at 31st March 2007 £000's	Balance at 31st March 2008 £000's	Movement in Year £000's
Cash	1,029	1,160	131
Cash Overdrawn	(448)	(385)	63
	581	775	194

d) Analysis of Government Receipts and Payments

	2006/2007 £000's	2007/2008 £000's
<u>Revenue Grants</u>		
National Non Domestic Rates payments to Pool	(21,872)	(22,562)
National Non Domestic Rates receipts from Pool	7,933	8,236
Revenue Support Grant	1,531	1,382
Department for Work and Pensions Benefits Grant	27,498	30,008
Planning Delivery Grant	200	342
Homelessness Grant	67	53
Disabled Facilities Grant	488	565
Housing Defects Subsidy	111	86
Defra Waste Performance Grant	50	52
LA Business Growth Initiative	-	46
Concessionary Travel	-	89
Smokefree Legislation	-	49
Beach Recycling	-	65
Other Grants	35	5
<u>Capital Grants</u>		
Liveability Capital Grant	45	-
Defra Waste Performance Grant	48	51
	16,134	18,467

e) Reconciliation of Net Cash Flow to Movement in Net Funds

	2006/2007 £000's	2007/2008 £000's
Increase/(Decrease) in Cash in the period	1,075	194
Increase/(Decrease) in Liquid Resources	(2,000)	2,000
Change in Net Debt resulting from cash flows	-	-
Movement in Net Funds in period	(925)	2,194
Net Funds at beginning of period	4,506	3,581
Net Funds at end of period	3,581	5,775

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

The Collection Fund Income and Expenditure Account for the year ended 31 March, 2008

2006/2007	Note	2007/2008
£000's Income		£000's
46,247 Income from Council Tax (net of benefits)	2	48,417
6,956 Council Tax Benefits		7,469
21,796 Income collectable from Business Ratepayers	3	23,659
103 Distribution of 2006/07 estimated deficit		82
75,102		79,627
Expenditure		
53,039 Precepts from Police Authority, Fire Authority, County and District Councils	4	55,801
21,655 Business Rate:- Payment to National Pool		23,521
141 Costs of collection		139
383 Provision for bad and doubtful debts		354
1 Adjustment of previous years' community charges		(4)
75,219		79,811
Movement on Fund Balance		
125 Deficit brought forward		242
75,219 Expenditure		79,811
75,344		80,053
(75,102) Income		(79,627)
242	5	426

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 spending requirements of 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 2007/2008 was £1,313.96. The Council Tax base was as follows:-

	<u>*Band A</u>	<u>Band A</u>	<u>Band B</u>	<u>Band C</u>	<u>Band D</u>	<u>Band E</u>	<u>Band F</u>	<u>Band G</u>	<u>Band H</u>
No. of Properties	-	7,681	13,289	12,014	9,611	5,436	2,388	937	39
Equivalents after exemptions, etc	13	6,225	11,794	10,800	8,684	4,977	2,235	867	29
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	7	4,150	9,173	9,600	8,684	6,083	3,228	1,445	58
			Band D Equivalents		42,428				
Contributions in lieu of armed forces accommodation					40				
* after disabled reduction				Tax Base	42,468				

The Collection Fund Income and Expenditure Account for the year ended 31 March, 2008 (cont'd)

3. Non-Domestic Rateable Value and Rate Multiplier

The total non-domestic rateable value at the 31 March 2008 was £61,847,399 and the national non-domestic rate multiplier for the year was 44.4p and 44.1p 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

Hampshire County Council, Hampshire Police Authority, Hampshire Fire & Rescue Service and Havant Borough Council precept upon the collection fund. The amount of these precepts was:-

	2006/2007	2007/2008
	£000's	£000's
Hampshire County Council	38,544	40,583
Hampshire Police Authority	5,055	5,324
Hampshire Fire & Rescue Service	2,271	2,381
Havant Borough Council	7,169	7,513
	53,039	55,801

5. Collection Fund (Surplus) / Deficit

The Collection Fund balance comprises:-

	2006/2007	2007/2008
	£000's	£000's
Community Charge	3	-
Council Tax	239	426
(SURPLUS) / DEFICIT	242	426

A previously estimated Council Tax deficit of £440,000 for 2007/2008 will be shared with the precepting authorities in 2008/2009. The difference of (£14,000) will be adjusted in 2009/2010.

The Collection Fund Income and Expenditure Account for the year ended 31 March, 2008 (cont'd)

6. Arrears

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

Gross arrears outstanding	Arrears 31/03/2008	Provision for Doubtful Debts 31/03/2008	Arrears for which no provision had been made 31/03/2008	Arrears for which no provision had been made 31/03/2007
	£ 000's	£ 000's	£ 000's	£ 000's
Council Tax	3,376	1,360	2,016	2,304
Community Charge	1	1	-	-
Non Domestic Rates	441	190	251	172
Total	3,818	1,551	2,267	2,476

7. Write Offs

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

Amounts written off	2006/2007 £000's	2007/2008 £000's
Council Tax	129	107
Community Charge	8	-
Non Domestic Rates	41	104
Total	178	211
Council Tax Credit Balances written back	-	(105)

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.
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 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 2008 and up to the date of approval of the statement of accounts for the 2007/08 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 2007/2008 (cont'd)

- 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 new Corporate Strategy 2008 - 2011. This document can be obtained either on the Council's website (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, "Have your say" events, surveys etc.) and are working to understand our customers better.

Executive Management Team and the Customer Care and Performance Panel 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 is an Investors in People employer.

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 2007/2008 (cont'd)

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 Executive, 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 Executive 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.

Members' induction training is undertaken after each election. Members receive regular updates and training on developments in local government. Training for members includes mandatory training for Development Control Committee members and attendance at the Hampshire and Isle of Wight High Achievers Programme.

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 and our citizens. Currently, governance arrangements for partnerships either rely on the normal governance procedures or on legal agreements. Further work to improve the governance arrangements for partnerships is in hand.

Annual Governance Statement 2007/2008 (cont'd)

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.
- **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

Annual Governance Statement 2007/2008 (cont'd)

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** provide an annual Audit and Inspection Letter, which includes the results of the Use of Resources assessments. The Council has currently a score of 3 (out of 4) for this assessment (consistently above minimum requirements – performing well).
- **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.
- A 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** receive regular internal audit reports and approve this statement and the Statement of Accounts.
- **The Executive** manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
- The **Leader and Managing Director** sign this statement.

The results of the review of governance were considered by the Staffing Matters Committee on 3 June and the Standards Committee on 25 June approved this statement.

Annual Governance Statement 2007/2008 (cont'd)

2006/2007 issues

Significant progress has been made on issues identified last year and details are set out in the Appendix.

2007/2008 and emerging issues

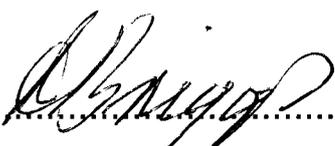
There are a number of risks that have been identified for both the current and future financial years. In identifying these risks, the Council has also stated how it plans to mitigate these risks. Set out below are matters for 2007/2008 or emerging issues which, **although they do not represent substantial risk**, through implementing the proposed actions will improve the overall standard of corporate governance:-

2007/2008 Corporate Governance Review Issues			
No.	Issue	Action in 2008/2009	Progress/Comments/ [Lead Officer]
1	Budgetary Risk – extension of concessionary fares to a nationwide scheme.	Monitor the costs associated with the new concessionary bus travel scheme	The true costs of the new arrangements will become evident as the year progresses. [Head of Resources]
2	Customer Intelligence	Obtain better information on our customers and understand the reasons for the comparatively low level of satisfaction with the Council's services indicated in the recent survey.	Customer Intelligence Project started. The overall objective of this project is to gain a better understanding of our customers through gathering, interpreting and using customer data and intelligence in order to better meet their needs and manage expectations. The project is due for completion by December 2008. [Head of Customer and Support Services]
3	Public accountability	Prepare an annual report setting out details of the Council's achievements	Co-ordinate the annual report and performance plan with a view to one document. [Head of Organisational Development]
4	Partnerships	Develop governance framework for Partnership Working, including actively managing new proposals including service delivery partnerships	A listing of partnerships has been completed. Internal Audit will facilitate Control Risk Self-Assessment work in the first quarter of 2008/2009. An officer/member Strategic Partnership Procurement Project Board has been set up and will actively manage and monitor complex partnership arrangements. [Corporate Director]

2007/2008 Corporate Governance Review Issues			
No.	Issue	Action in 2008/2009	Progress/Comments/ [Lead Officer]
5	Business Continuity	To embed Business Continuity Arrangements	Plans to be tested and reviewed by December 2008 [Head of Customer and Support Services]
6	Scheme of delegation	Scheme of delegation to be reviewed due to changes in officer structure	To be reviewed by the Solicitor to the Council by December 2008 [Solicitor to the Council]
7	Data Quality	Establish range of data sets and owners and update data quality protocol	By Autumn 2008 [Head of Development and Technical Services & Head of Organisational Development]
8	Performance Management	Executive Member performance to be reviewed	Leader to undertake performance reviews by December 2008 [Leader of the Council]
9	Capacity	Executive Management Team to consider reports on risks in supporting the delivery of the Corporate Strategy with regard to capacity issues.	Executive Management Team considered capacity issues regarding the Corporate Strategy Business Plan in May 2008. Head of Environmental Services currently seconded to Hampshire County Council. [Head of Organisational Development]
10	Change Management	Clear communications across all the relevant streams of work and effective implementation of projects including the Electronic Document and Records Management System and exploration of Strategic Service Partnerships.	Ongoing communications including Communications plan drafted for the Strategic Partnership Procurement Project Board and Corporate Strategy presentations May 2008. Training and user support for embedding culture and other changes. [Executive Management Team]
11	Health and Safety	Further improve health and safety policies, reviews and training	Training for Managers, June 2008. [Head of Environmental Services]
12	Equalities	Demonstrate the outcomes from action undertaken in relation to improving equality of service delivery	Executive Management Team will review progress and outcomes [Head of Organisational Development]

2007/2008 Corporate Governance Review Issues			
No.	Issue	Action in 2008/2009	Progress/Comments/ [Lead Officer]
13	Use of Resources	Further development of the arrangements for use of resources.	Medium Term Financial Strategy, Risk Management Strategy and Asset Management Plan to be updated. Sustained improvement to be demonstrated from service reviews. [Head of Resources, Head of Customer and Support Services, Executive Management Team]
14	Information Security	Implement actions agreed from the 2007 internal audit Control Risk Self-Assessment	Acolaid computer system security improved – May 2008. [Head of Organisational Development]
15	Planning obligations and contributions including Section 106 agreements	Implement actions agreed from the 2007 Control Risk Self-Assessment	Phase 1 of project by the end of December 2008, Phase 2 by March 2010. [Head of Development and Technical Services]
16	Project Management	Improve project management further including ensuring post implementation review of projects and consistent project monitoring	Executive Management Team to monitor project risks as part of quarterly reviews of the Corporate Strategy Business Plan. Project Management training will take place in 2008/2009. [Executive Management Team]

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 Corporate Strategy action plan monitoring.

Signed 
Councillor Tony Briggs
Leader of the Council
June 2008

Signed 
Sandy Hopkins
Managing Director
June 2008

Annual Governance Statement 2007/2008 (cont'd)

APPENDIX

Review of 2006/2007 Statement issues			
No.	Issue	Action in 2006/2007 statement	Progress/Comments
1	Business Continuity Planning	Work well advanced and expected to be completed in 2007/2008, including the provision of enhanced ICT back-up services.	Further significant progress was made in 2007/2008 including ICT back-up testing. There is further work to be done, however, including the full testing and review of business continuity arrangements.
2	Risk Management	Building further on effective framework for Risk Management through the risk assessment of partnerships and communication of the revised Anti-Fraud and Corruption policies.	Risk Management has continued to become more effective. The Risk Management Strategy has been revised to reflect partnership risks and further work on partnership management will take place in 2008/2009. The Anti-Fraud and Corruption policies have been effectively communicated through briefings.
3	Change Management	Actively manage the significant amount of change through service reviews, Business Transformation Programme and the Review of Pay and Rewards and appropriate training provided to develop staff skills.	Changes were actively managed.
4	Equalities	Develop policies and impact assessments under Equalities legislation.	Significant achievements in policies, impact assessments and training.
5	Health and Safety	Carry out a programme of audits involving all service managers over the next two years.	Safety co-ordinators have been involved in improving programme of audits. Accident rates have reduced by 18% in 2007/2008 compared with the previous year.

Independent auditors' report to the Members of Havant Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Havant Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial 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 present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority 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 financial 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 Authority's corporate governance procedures or its risk and control procedures

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

Independent auditors' report to the Members of Havant Borough Council (cont'd)

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 Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 Authority 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 Authority accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and 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 Authority 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 relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Independent auditors' report to the Members of Havant Borough Council (cont'd)

Conclusion

I have undertaken our 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 December 2006, 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 ending 31 March 2008.

Best Value Performance Plan

Mazars LLP issued their statutory report on the audit of the Authority's Best Value Performance Plan for the financial year 2007/08 on 14 December 2007. They did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

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.

K L Handy
District Auditor,

Audit Commission,
Collins House,
Bishopstoke Road,
Eastleigh,
Hampshire,
SO50 6AD

24 September 2008