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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, 2007 by the Head of Resources

## Introduction

There have been significant changes to the way Local Authorities are to prepare and present their accounts from 2006/2007. All codes of recommended accounting practice in the UK require the approval of the Accounting Standards Board (ASB), who have ultimate responsibility in this area. The ASB are continuing to move toward international convergence with the accounting regulations of other countries, and a component part of this movement is the need for Local Authority accounts to become more compliant with generally accepted accounting practice i.e more similar to company accounts. This has resulted in the latest CIPFA Statement of Recommended Practice (2006) requiring a number of fundamental changes to Local Authority accounts with effect from the financial year 2006/07.

The major changes are summarised below. These changes affect how the information is reported and do not affect the underlying financial position of the Council.

- The removal of the requirement to make a capital financing charge.
- The replacement of the Consolidated Revenue Account and Statement of Total Movement on Reserves with an Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses.
- A requirement to group the 'core' financial statements together (ie Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement) followed by the notes to the core statements and then followed by the 'supplementary' statements and notes (eg Collection Fund).

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.

## 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.

## Foreword to the accounts for the year ended 31 March, 2007 by the Head of Resources (cont'd)

- 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
- Statement on Internal Control

### Revenue Spending in 2006/2007

The Council approved a budget of £16.625 million to be met from the Council Tax and government grants in February 2006. The year end general fund balance, net of budget carryovers of £520,000, at 31 March 2007 is **£1,275,000**. This is accordance with that required under the medium term financial strategy i.e. 8% of the Council's net budget £1,329,000 less £113,000 initial implementation costs of alternate weekly collections of domestic waste and recyclables which will be met from future savings and plus an agreed contribution of £59,000 towards the cost of the Business Transformation Programme in 2007/2008.

In accordance with Council policy a sum of £621,219 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 2007 were £1,608,034.

### Balance Sheet

Total usable reserves and capital receipts at 31 March 2007 were £5.771 million compared to £5.562 million at 31 March 2006.

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, 2007 the reserve showed a liability of £32.240 million (£31.090 million at 31 March 2006). 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 2007 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 £5.842 million together with sources of finance are included in the Notes to the Core Financial Statements on page 28.

## Foreword to the accounts for the year ended 31 March, 2007 by the Head of Resources (cont'd)

### 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, 2007 was £0.242 million. In accordance with government regulations this is taken into account in the calculation of the 2007/2008 and 2008/2009 Council Taxes.

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

<b>Gross arrears outstanding</b>	Arrears	Provision for Doubtful Debts	Arrears for which no provision had been made
	31/03/2007	31/03/2007	31/03/2007
	£ 000's	£ 000's	£ 000's
Council Tax	3,284	980	2,304
Community Charge	1	1	-
Non Domestic Rates	397	225	172
<b>Total</b>	<b>3,682</b>	<b>1,206</b>	<b>2,476</b>

Gross arrears have increased from £3.307 million at 31 March 2006 to £3.682 million at 31 March, 2007.

## Foreword to the accounts for the year ended 31st March, 2007 by the Head of Resources (cont'd)

### 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 2006/2007 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  
19 June 2007

# Statement of Accounting Policies

## 1. General Principles

The statement of accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A statement of recommended practice 2006 (the SORP). These statements are also produced in accordance with the Accounts and Audit Regulation 2003, as amended in 2006.

## 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 where applicable have been complied with in the compilation of accounts except for local minor variations set out.

## 3. Fixed Assets

From 1 April, 1994 authorities in England, Wales and Scotland adopted a new system of capital accounting. The system requires an asset register of all the Council's capital assets to be compiled. Assets are valued and included in the Council's balance sheet at their current value. Infrastructural assets, such as Hayling Island sea defences, Community Assets, such as parks and recreation grounds and Intangible Assets such as computer software licences have been valued at historic value. All other tangible fixed assets are revalued over a five year rolling programme.

## 4. 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.

## 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:

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service;
- 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, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing

## Statement of Accounting Policies (cont'd)

Requirement). 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 Financing 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 Financing 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.

### 7. Government 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.

Government grants for specific revenue purposes are matched with the expenditure to which they relate. Grants made to finance general activities of the Council are credited to the revenue account of the period in which they are payable.

### 8. Disposal of Capital Assets

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 Financing Account from the Statement of Movement on the General Fund Balance.

## Statement of Accounting Policies (cont'd)

### **9. 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, 2007. 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.

### **10. Nature of substantial reserves and provisions**

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

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

Details of reserves and provisions held under the Local Government and Housing Act 1989 are shown in the Balance Sheet. The substantial reserves and provisions at 31 March, 2007 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) Insurance Fund Reserve - An earmarked reserve that will be used to meet future claims.
- (c) Planning Reserve – set up from unused planning delivery grant and will be used to fund improvements in planning performance.
- (d) Capital Reserve - Used to meet part of future capital programmes.
- (e) 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.



## Statement of Accounting Policies (cont'd)

- (f) Collection Fund Balances - Maintained in respect of accumulated Community Charge and Council Tax deficits and surpluses.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) Fixed Asset Restatement Account - Represents the difference between the book value of assets prior to the implementation of capital accounting in 1994 and the revalued amount, and subsequent adjustments to valuations since implementation.
- (l) Capital Financing Account – reflects all capital financing transactions and cannot be used to finance expenditure.
- (m) Insurance Provision – monies set aside to meet estimated cost of settling known claims.

### 11. Basis of valuation of investments

Investments have been valued at 31 March, 2007 at the lower of cost or net realisable value.

### 12. Extent to which central administrative expenses are allocated

All salaries and associated expenses together with the net expenditure on public offices are initially allocated to business units on an appropriate basis and are then recharged, mainly on the basis of individual staff annual timesheets. The Council has complied with Best Value Accounting Code of Practice requirements on accounting for support service costs.

### 13. Work in progress, stocks and stores

- (a) Work in progress - Any work in progress that is rechargeable has been shown in the balance sheet at the accumulated cost as at the 31 March, 2007.
- (b) Stocks and stores - Stocks and stores held in the Council's depot at the year end are included in the balance sheet at the latest purchase price and Tourist Information Centre stocks at nominal value only 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.

## Statement of Accounting Policies (cont'd)

### 14. Leasing

The Council has acquired the use of a variety of vehicles by means of operating

leases. These vehicles do not appear in the balance sheet, as the Council does not own them. The revenue accounts are charged with the annual rentals when they become due.

### 15. Pensions

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.

### 16. 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 2006/2007 and there are no deferred charges arising from the repurchase of borrowing coupled with refinancing or restructuring from earlier years.

### 17. 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.

### 18. 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 15 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, 2007 and its income and expenditure for the year then ended.

**Signed:**



Head of Resources

**Date:**

19 June 2007

## Income and Expenditure Account 2006/2007

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.

2005/2006 £000's (as restated)		Expenditure £000's	Income £000's	2006/2007 £000's
901	Central Services to the Public	9,620	8,896	724
12,236	Cultural, Environmental and Planning Services	15,984	3,206	12,778
864	Highways Roads and Transport Services	2,702	1,534	1,168
942	Housing Services	21,834	20,300	1,534
45	Social Services	238	209	29
2,049	Corporate and Democratic Core	1,972	-	1,972
30	Unapportionable Central Overheads	371	118	253
<b>17,067</b>	<b>NET COST OF SERVICES</b>	<b>52,721</b>	<b>34,263</b>	<b>18,458</b>
80	Loss / (Surplus) on the Sale of Fixed Assets			(173)
99	Langstone Harbour Board Precept			89
14	Contribution of Housing Capital Receipts to Government Pool			10
1	Interest Payable			2
(342)	Interest and Investment Income			(533)
970	Pensions interest cost and expected return on Pensions assets (note 30)			680
<b>17,889</b>	<b>NET OPERATING EXPENDITURE</b>			<b>18,533</b>
	<b>SOURCES OF FINANCE</b>			
(6,799)	Council Tax Payers			(7,169)
(5)	(Surplus) / Loss on Collection Fund			9
(5,127)	Revenue Support Grant			(1,531)
(3,360)	Contribution from Non-Domestic Rate Pool			(7,933)
<b>2,598</b>	<b>DEFICIT FOR THE YEAR</b>			<b>1,909</b>

### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

<b>2,598</b>	Deficit on the Income and Expenditure Account	<b>1,909</b>
(2,551)	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 25 for details)	(2,015)
47	General Fund Decrease / (Increase) for the year	(106)
(1,216)	Balance on General Fund brought forward	(1,169)
<b>(1,169)</b>	<b>Balance on General Fund carried forward</b>	<b>(1,275)</b>

## Income and Expenditure Account 2006/2007 (cont'd)

<b>2006/2007 Analysis of Expenditure</b>	Expenditure £000's	Income £000's	Net £000's
<b><u>Central Services to the Public</u></b>			
Local tax collection	8,523	7,813	710
Elections	237	2	235
Emergency planning	75	-	75
Local land charges	214	310	(96)
General grants, bequests and donations	303	-	303
Other central services to the public	268	771	(503)
	9,620	8,896	724
<b><u>Cultural, Environmental and Planning Services</u></b>			
Culture and heritage	425	164	261
Recreation and sport	1,894	231	1,663
Community parks and open spaces	1,932	275	1,657
Tourism	147	11	136
Cemetery and cremation services	322	229	93
Coast protection	457	248	209
Environmental health	1,756	276	1,480
Community safety	637	86	551
Waste collection	2,737	333	2,404
Street cleansing	1,118	16	1,102
Building control	672	318	354
Development control	1,318	446	872
Planning policy	897	44	853
Economic development	933	480	453
Other cultural, environmental and planning services	739	49	690
	15,984	3,206	12,778
<b><u>Highways, Roads and Transport Services</u></b>			
Transport planning policy and strategy	58	-	58
Highways/roads (structural)	91	73	18
Highways/roads (routine)	742	236	506
Parking services	913	1,161	(248)
Public transport	898	64	834
	2,702	1,534	1,168
<b><u>Housing Services</u></b>			
Private sector housing renewal	773	358	415
Homelessness	723	222	501
Housing benefits payments	19,029	19,066	(37)
Housing benefits administration	1,109	569	540
Other housing services	200	85	115
	21,834	20,300	1,534
<b><u>Social Services</u></b>			
Meals	144	115	29
Sure Start	94	94	0
	238	209	29
<b><u>Corporate and Democratic Core</u></b>			
Corporate Management	667	-	667
Democratic representation and management	1,305	-	1,305
	1,972	-	1,972
<b><u>Unapportionable Central Overheads</u></b>			
	371	118	253
<b><u>GRAND TOTAL</u></b>	<b>52,721</b>	<b>34,145</b>	<b>18,458</b>

## Statement of Total Recognised Gains and Losses

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

	2005/2006	2006/2007
	£000's	£000's
(Surplus) / deficit on the income and expenditure account	2,598	1,909
(Surplus) / deficit arising on revaluation of fixed assets	(3,969)	(1,762)
Actuarial (gains) and losses on pension fund assets and liabilities	(1,760)	140
Surplus / (Deficit) on collection fund	4	117
Reconciling Adjustment	-	2
<b>Total Recognised (Gains) and Losses for the year</b>	<b>(3,127)</b>	<b>406</b>

## Balance Sheet as at 31 March, 2007

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

31st March 2006 (restated) £000's		note	31st March 2007 £000's
	<b>Fixed Assets:-</b>	note 18a	
149	Intangible Fixed Assets		99
	Tangible Fixed Assets		
31,225	Land and buildings		32,605
2,482	Equipment		2,820
951	Vehicles & plant		1,120
3,855	Infrastructure assets		4,894
1,426	Community assets		1,695
	Non operational assets		
7,743	Investment Properties		8,345
728	Assets under construction		277
<b>48,559</b>	<b>Total Fixed Assets</b>		<b>51,855</b>
50	Long term investments	note 19	50
311	Long term debtors	note 20	200
<b>48,920</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>52,105</b>
	<b>Current assets:-</b>		
43	Stocks and stores		56
5,422	Debtors (Net of bad debt provisions)	note 21	4,836
5,000	Investments	note 22	3,000
200	Cash		1,029
<b>10,665</b>	<b>Current Assets</b>		<b>8,921</b>
<b>59,585</b>	<b>TOTAL ASSETS</b>		<b>61,026</b>
	<b>Current liabilities:-</b>		
(7,091)	Creditors	note 23	(6,328)
-	Temporary borrowing		-
(694)	Cash overdrawn		(448)
<b>51,800</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>54,250</b>
(226)	Less Provisions	note 24	(217)
(2,888)	Deferred grants	note 25	(3,766)
(1,791)	Capital contributions deferred	note 25	(2,628)
(31,090)	Liability relating to defined benefit pension scheme	note 30	(32,240)
<b>15,805</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>15,399</b>
	<b>Financed by:</b>		
1,421	Fixed asset restatement account	note 26a	2,026
39,974	Capital financing account	note 26b	40,044
2,136	Usable Capital Receipts Reserve	note 26c	1,529
63	Deferred capital receipts	note 29	40
(31,090)	Pensions Reserve	note 30	(32,240)
(125)	Collection fund	note 31	(242)
2,257	Earmarked reserves	note 26d	2,967
1,169	General Fund Balance	note 26	1,275
<b>15,805</b>	<b>TOTAL CAPITAL AND REVENUE RESERVES</b>		<b>15,399</b>



## Cash Flow Statement 2006/2007

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

2005/2006 £ 000's (restated)		Note Number	2006/2007 £ 000's
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflows</b>		
(12,729)	Cash Paid to and on behalf of employees		(12,453)
(43,508)	Precepts		(45,869)
(10,220)	Other operating costs		(11,672)
(17,810)	Housing Benefit paid out		(18,946)
(18,992)	National Non-Domestic Rate payments to pool		(21,872)
(8)	Payments to the Capital Receipts Pool		(11)
<b>(103,267)</b>			<b>(110,823)</b>
	<b>Cash Inflows</b>		
43,901	Community Charge/Council Tax income		46,004
3,359	National Non-Domestic Rate receipts from pool		7,933
19,713	National Non-Domestic Rate income		21,516
5,127	Revenue Support Grant		1,531
25,046	Department for Work and Pensions (D.W.P.) Grants for Benefits		27,498
811	Other Government grants		951
5,913	Cash received for goods and services		6,867
4	Other Operating Cash Receipts		97
<b>103,874</b>			<b>112,397</b>
<b>607</b>	<b>NET REVENUE CASH INFLOW/(OUTFLOW)</b>	<b>34a</b>	<b>1,574</b>
	<b>SERVICING OF FINANCE</b>		
(1)	Interest paid		(2)
326	Interest received		541
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash (Outflows) / Inflows</b>		
(2,639)	Purchase of fixed assets		(2,874)
(789)	Other Capital Cash payments		(782)
3,381	Sale of Fixed Assets		103
1,789	Capital grants		93
395	Other Capital Cash inflows		422
<b>3,069</b>	<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>(925)</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>	<b>34b</b>	
(5,000)	Net (increase)/reduction in short term deposits		2,000
	<b>FINANCING</b>		
-	New loans raised/(repaid)		-
<b>(1,931)</b>	<b>NET CASH INFLOW/(OUTFLOW)</b>	<b>34c</b>	<b>1,075</b>

## Notes to the Core Financial Statements

### 1. Prior Year Adjustments

In the 2006/07 Statement of Accounts, the Council is required to adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts;
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item;
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000's	Removal of capital financing charges £000's	Relocation of government grants deferred credits £000's	Recognition of gains and losses on disposal of fixed assets £000's	2005/06 comparatives in Income and Expenditure Account £000's
Central services to the public	987	(49)	(37)	-	901
Cultural, environmental and planning services	13,971	(1,274)	(461)	-	12,236
Highways, roads and transport services	1,036	(141)	(31)	-	864
Housing services	982	(21)	(19)	-	942
<b>Impact on Net Cost of Services</b>	<b>19,100</b>	<b>(1,485)</b>	<b>(548)</b>	<b>-</b>	<b>17,067</b>
Loss on Disposal of Fixed Assets	-	-	-	80	80
Asset Management Revenue Account	1	1,485	548	-	-
<b>Impact on Net Operating Expenditure</b>	<b>17,809</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>17,889</b>

Other balances of £775,000 showing in the 2005/2006 Balance Sheet have been reclassified as a creditor balance.

### **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. Actual expenditure under s137(3), incurred on grants to voluntary organisations, other than where a service level agreement is entered into with the Council, in 2006/2007 was £1,000 (£1,570 in 2005/2006).

### **3. Agencies**

The Council is responsible for aspects of highway maintenance within the borough on behalf of Hampshire County Council. The Council spent £411,000 in respect of highway revenue works (£410,000 in 2005/2006). 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 13).

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 £215,630 during 2006/2007 (£230,860 in 2005/2006); 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**

During the year the Council undertook a series of service reviews which resulted in a number of redundancies. The total cost of redundancy payments in 2006/2007 amounted to £721,019 which has been included within the net cost of services.

### **6. Extraordinary Items**

There are no extraordinary items.

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

### 7. Local Authority (Goods and Services) Act 1970

In 2006/2007 the Council received £119,300 (£119,600 during 2005/2006) for services provided to other public bodies. The most significant transactions included £34,000 (£34,400 during 2005/2006) from Portsmouth City Council for a variety of services, Payroll Services to Horizon Leisure Trust and East Hampshire District Council £26,800 (£26,300 during 2005/2006), Audit Services for Winchester City Council £29,700 (£28,700 during 2005/2006) and Hire of Bins to Hermitage Housing Association £21,100 (£20,300 during 2005/2006).

### 8. Members Allowances

The total Members Allowances expenditure (including travelling and subsistence allowances) was £305,659 (£296,573 in 2005/2006).

### 9. 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

<b>Building Regulations Charging Account 2006/2007</b>	Chargeable	Non Chargeable	Total Building Control
	2006/2007	2006/2007	2006/2007
	£000's	£000's	£000's
<b><u>Expenditure</u></b>			
Employee Expenses	341	149	490
Supplies and Services	-	1	1
Central and Support Service Charges	47	20	67
	388	170	558
<b><u>Income</u></b>			
Building Regulation Charges	317	-	317
	317	-	317
Surplus/(Deficit) For Year	(71)	(170)	(241)
<b><u>Comparatives for 2005/2006</u></b>			
Expenditure	328	314	642
Income	294	-	294
Surplus/(Deficit) For Year	(34)	(314)	(348)

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

### 10. Publicity

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

	2005/2006	2006/2007
	£000's	£000's
Staff Recruitment	22	44
Tourism	44	30
Borough Wide Newsletter	31	36
Recycling	5	5
Leisure Promotion	26	16
Other	29	17
	157	148

### 11. 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 2006/2007 was £171,644 (£182,839 during 2005/2006).

Land and Buildings – The Council leases various land and buildings within the Borough for a variety of purposes. Rentals paid in 2006/2007 were £15,807 (£23,000 during 2005/2006).

The authority was committed at 31 March 2007 to making payments of £100,094 under operating leases in 2007/2008, comprising the following elements:-

	Other Land and Buildings	Vehicles, Plant and Equipment
	£000's	£000's
Leases expiring in 2007/2008	3	20
Leases expiring between 2008/2009 and 2012/2013	-	69
Leases expiring after 2012/2013	8	-

#### (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 2006/2007 was £1,055,561 (£943,700 during 2005/2006).

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

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 £29.126 million (valued at 31 March 2007 £26.310 million and subject to £2.816 million depreciation to 31 March 2007).

### (c) Assets Held Under Finance Leases

No assets were held under a finance lease at 31 March 2007.

### 12. Employees receiving remuneration in excess of £50,000

Employees receiving remuneration in excess of £50,000 during 2006/2007 are shown below:

Remuneration (including expenses and benefits)	Number of employees 2005/2006	Number of employees 2006/2007	Left during 2006/2007
Between £100,000 and £110,000	-	1	1
Between £90,000 and £99,999	-	1	-
Between £80,000 and £89,999	1	-	-
Between £70,000 and £79,999	-	3	1
Between £60,000 and £69,999	4	3	1
Between £50,000 and £59,999	7	6	1

Remuneration includes compensation for loss of office.

### 13. 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 40).

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

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. There were no other known material transactions with Members.

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

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

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

Horizon Leisure Trust – payment of an operating grant of £131,400 towards the operating costs of Havant & Waterlooville Leisure Centres.

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 £49,100 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 2006/2007 the Council received £110,000 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 2006/2007 was £162,100.

### 14. Disclosure of Audit Cost

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

	2005/2006 £000's	2006/2007 £000's
Fees payable with regard to statutory external audit services	85	88
Fees payable for statutory inspection	4	6
Fees payable for the certification of grant claims and returns	30	28

### 15. 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 £979,000 (£937,000 in 2005/2006). Transactions between the Joint Committee and the Council are outlined in note 13.

### 16. 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 authority 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)

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

2005/2006 £000's		2006/2007 £000's
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(2,094)	Depreciation and Impairment of Fixed Assets	(2,465)
548	Government Grants Deferred amortisation	573
(769)		
	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e. Deferred Charges)	(685)
(80)	Net gain or (loss) on sale of fixed assets	173
(1,290)	Net charges made for retirement benefits in accordance with FRS17	(1,010)
(3,685)		(3,414)
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
	- Statutory provision for repayment of debt	-
636	Capital expenditure charged to the General Fund Balance	440
(14)	Transfer from usable capital receipts equal to the contribution to Housing Pooled Capital Receipts	(10)
622		430
	<b>Transfers to or from the General Fund Balance that are required to be taken into when determining the Movement on the General Fund Balance for the year</b>	
128	Voluntary provision for the repayment of debt	259
384	Net transfer to or from earmarked reserves	710
512		969
(2,551)	<b>Net additional amount required by statute and non-statutory proper practices to be (debited) / credited to the General Fund Balance for the year</b>	(2,015)

### 18. 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:

	-----Operational Assets-----							Non Oper- ational Assets £000's	Total £000's
	Intangible assets £000's	Land and Buildings £000's	Equipment £000's	Vehicles & plant £000's	Infra- structure assets £000's	Community assets £000's			
Certified valuation at 31 March 2006	248	34,769	6,141	1,788	4,454	1,858	8,597	57,855	
Accumulated Depreciation, Amortisation and Impairment	(99)	(3,544)	(3,659)	(837)	(599)	(432)	(126)	(9,296)	
Net Book Value of Assets at 31 March 2006	149	31,225	2,482	951	3,855	1,426	8,471	48,559	
<u>Movement in 2006/07</u>									
Additions	-	1,148	1,152	562	982	47	1,265	5,156	
Disposals	-	(77)	-	-	-	-	(1,080)	(1,157)	
Revaluations	-	799	-	-	-	-	963	1,762	
Asset Reclassification	-	360	71	-	256	310	(997)	-	
Depreciation	(50)	(850)	(885)	(393)	(199)	(88)	-	(2,465)	
Net Book Value of assets at 31st March 2007	99	32,605	2,820	1,120	4,894	1,695	8,622	51,855	

Intangible Assets relate to purchased software licences.

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
Public Conveniences	March 2003	2007 – 2008
Leisure/Beachlands Properties	March 2004	2007 – 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

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

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

-----Operational Assets-----								
	Intangible assets £000's	Land and Buildings £000's	Equipment £000's	Vehicles & plant £000's	Infra- structure assets £000's	Community assets £000's	Non Oper- ational Assets £000's	Total £000's
Valued at historical cost (at 31/3/2007)	99	-	-	-	4,894	1,695	269	6,957
Valued at current value in								
2006/07	-	32,606	2,820	1,119	-	-	8,353	44,898
2005/06	-	31,225	2,482	951	-	-	8,231	42,889
2004/05	-	30,937	2,589	869	-	-	8,082	42,477
2003/04	-	23,291	2,372	591	-	-	12,374	38,628
2002/03	-	23,672	2,136	446	-	-	7,749	34,003

### (b) Capital Expenditure and Financing

	2005/2006 £000's	2006/2007 £000's
Opening Capital Financing Requirement	2,017	2,485
<u>Capital Investment</u>		
Operational Assets	1,747	3,891
Non Operational Assets	722	1,265
Deferred Charges	769	686
Loans to Local Organisations	18	-
	3,256	5,842
<u>Financed by:-</u>		
Usable capital receipts	1,133	1,995
Grants and Contributions	907	2,288
Revenue provision (including MRP)	764	699
	2,804	4,982
Movement in Loans to Local Organisations	16	46
<u>Closing Capital Financing Requirement</u>	2,485	3,391
Movement represented by :-		
Increase in underlying need to borrow (unsupported by Government financial assistance)	452	860
Movement in Loans to Local Organisations	16	46

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

### (c) Capital Commitments

The estimated commitments arising from capital contracts signed but where payments were not due at 31 March, 2007 were £400,000.

### (d) Fixed Assets

Major fixed assets held at 31 March 2007 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 &amp; Display car parking areas 1 Lorry Park</p>	<p><u>OPERATIONAL BUILDINGS</u> Depot site (Havant) 7 Community Centres (Leigh Park, Waterlooville, Cowplain, Stakes, Hayling Island, Westbrook Farm and Wecock) 1 Arts Centre 2 Museums (Havant and Emsworth) 2 Leisure Centres (Havant and Waterlooville) 2 Halls (Bedhampton and Emsworth) 21 Public Conveniences 1 Civic Offices 1 Sure Start Centre 1 Tourist Information Centre Beach Huts Buildings within parks Regional Business Centre Broadmarsh Bus Station (Havant)</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)

### 19. Long Term Investments

	2005/2006 £000's	2006/2007 £000's
Association of District Councils (new accommodation)	50	50
	50	50

### 20. Long Term Debtors

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

	2005/2006 £000's	2006/2007 £000's
Mortgages (Sales of Council Houses and Other)	55	37
Loans to Local Organisations	48	38
Staff Car Loans	208	125
	311	200

### 21. Current Debtors

An analysis of debtors is shown below:-

	2005/2006 £000's	2006/2007 £000's
Government departments	587	418
Council Tax/Community Charge/N.N.D.R.	3,307	3,682
Payments in advance	530	68
Overpaid Housing Benefits	965	951
Other debtors	1,576	1,539
	6,965	6,658
<u>Less provision for doubtful debts:</u>		
Council Tax/Community Charge/N.N.D.R.	(939)	(1,205)
Overpaid Housing Benefits	(461)	(467)
Other	(143)	(150)
	5,422	4,836

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

### 22. Investments (Short Term)

	2005/2006 £000's	2006/2007 £000's
Short term deposits	5,000	3,000
	<u>5,000</u>	<u>3,000</u>

### 23. Creditors

	2005/2006 £000's (restated)	2006/2007 £000's
Government departments	2,993	1,764
Council Tax/Community Charge/N.N.D.R.	1,156	1,323
Contributions From Developers	732	865
Income in advance	138	39
Other creditors	2,071	2,337
	<u>7,090</u>	<u>6,328</u>

### 24. Insurance provisions

Provisions at 31 March, 2007 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.

	2005/2006 £000's	2006/2007 £000's
Provision for outstanding insurance claims:-		
Third party liabilities	190	186
Vehicles and plant	-	1
Property	2	-
Employers Liability	34	30
	<u>226</u>	<u>217</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 2006/2007	1,387	901
Amounts credited to Net Cost of Services 2006/2007	(509)	(64)
Total movement in deferred grants / contributions	878	837
Balance brought forward at 1 April 2006	2,888	1,791
Balance carried forward at 31 March 2007	3,766	2,628

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 31/3/2006 £000's	Net Movement in Year £000's	Balance at 31/3/2007 £000's	Purpose of Reserve	Further detail of Movements
Fixed Asset Restatement Account	1,421	605	2,026	Store of gains on revaluation of fixed assets	see note a
Capital Financing Account	39,974	70	40,044	Store of capital resources set aside to meet past expenditure	see note b
Usable Capital Receipts Account	2,136	(607)	1,529	Proceeds of fixed asset sales available to meet future capital investment. £112,000 is set aside for the asset acquisition reserve.	see note c
Pensions Reserve	(31,090)	(1,150)	(32,240)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	
Earmarked Reserves	2,257	710	2,967	Resources set aside for specific policy purposes	see note d
General Fund	1,169	106	1,275	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**

	Fixed Asset Restatement Account £000's
Gains/losses on revaluation of fixed assets in 2006/2007	1,762
Impairment losses on fixed assets due to general changes in prices in 2006/2007	-
	-
Total increase/(decrease) in unrealised capital resources in 2006/2007	1,762
Amounts written off fixed asset balances for disposal in 2006/2007	(1,157)
Total movement on reserves in 2006/2007	605
Balance brought forward at 1 April 2006	1,421
Balance carried forward at 31 March 2007	2,026

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

	Capital Financing Account £000's
usable receipts applied to Finance new Capital Investment	1,995
capital expenditure financed from revenue	440
depreciation of Deferred Government Grants credited to Net Cost of Services	573
depreciation charged to Net Cost of Services	(3,150)
amount set aside for voluntary repayment of debt	259
repayment of Loans to Local Organisations	(47)
	70
Total movement on reserve in 2006/2007	70
Balance brought forward at 1 April 2006	39,974
Balance carried forward at 31 March 2007	40,044

**c) Movements in Usable Capital Receipts**

	Usable Capital Receipts £000's
Amounts receivable in 2006/2007	1,398
Amounts repaid to Government Pool	(10)
Amounts applied to finance new capital investment in	(1,995)
Total increase / (decrease) in realised capital resources in 2006/2007	(607)
Balance brought forward at 1 April 2006	2,136
Balance carried forward at 31 March 2007	1,529

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

### d) Movement on Earmarked Reserves

<u>Earmarked Reserves</u>	Balance at 31/3/2006 £000's	Net Movement in Year	Balance at 31/3/2007 £000's
General Fund - earmarked	254	266	520
Insurance Reserve	136	121	257
Planning Reserve	38	57	95
Asset Acquisition Reserve	875	621	1,496
Capital Reserve	954	(355)	599
<b>Total Earmarked Reserves</b>	<b>2,257</b>	<b>710</b>	<b>2,967</b>

### 27. Analysis of Long Term Borrowing

There was no long term borrowing as at 31 March

### 28. Deferred Liabilities

The Council has no deferred liabilities.

### 29. Deferred Credits

Deferred credits represent mortgages on sold Council houses.

### 30. 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.

	2005/2006	2006/2007
	£000's	£000's
<b>Net cost of services</b>		
Current Service Costs	1,680	1,750
Past Service costs	-	370
<b>Net Operating Expenditure</b>		
Interest on pension scheme liabilities	4,100	4,230
Expected return on pension fund assets	<u>(3,130)</u>	<u>(3,550)</u>
Net Charge to the Income and Expenditure account	<u>2,650</u>	<u>2,800</u>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(2,650)	(2,800)
Actual amount charged against the General Fund Balance for pensions in the year i.e. Employers contribution payable to the scheme	<u>1,360</u>	<u>1,790</u>
Movement on pension fund reserves	<u>(1,290)</u>	<u>(1,010)</u>

Havant Borough Council's standard contribution rate over the accounting period was 275% of members' contributions.

### Assets and Liabilities in Relation to Retirement Benefits

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

	2005/2006	2006/2007
	£000's	£000's
Share of assets in Hampshire County Council Pension Fund	55,810	57,720
Estimated funded liabilities in Hampshire County Council Pension Fund	(86,230)	(89,280)
Estimated Unfunded Liabilities	<u>(670)</u>	<u>(680)</u>
Havant Borough Council's deficit in the scheme	<u>(31,090)</u>	<u>(32,240)</u>
<b>Analysis of movement in net Deficit</b>		
	£000's	£000's
Net deficit at 1st April	(31,560)	(31,090)
Movement in year:		
Operating Charge	(1,680)	(2,120)
Contributions	1,360	1,790
Other finance income	(970)	(680)
Actuarial gain / (loss)	1,760	(140)
Net deficit at 31st March	<u>(31,090)</u>	<u>(32,240)</u>

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

The £32.240 million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2007 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 authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority 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 2007 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 2004.

The contribution rates certified for Havant Borough Council at the 31 March 2004 valuation are as follows:

April 2005 to March 2006 250% of members' contributions  
 April 2006 to March 2007 275% of members' contributions  
 April 2007 to March 2008 295% of members' contributions

### **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:

	31/03/2006	31/03/2007
	% pa	% pa
Rate of inflation	3.00	3.20
Rate of general long-term increase in salaries	4.50	4.70
Rate of increase in pensions in payment	3.00	3.20
Proportion of employees opting to take a lump sum	50.00	50.00
Rate of increase to deferred pensions	3.00	3.20
Discount rate	4.90	5.30
Long-term expected rates of return on:		
Equities	7.30	7.70
Property	6.30	6.70
Government Bonds	4.30	4.70
Corporate bonds	4.90	5.30
Other assets	4.60	5.60
Average long term expected rate of return	6.50	6.90

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

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

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

	2006		2007	
	£m	% of fund	£m	% of fund
Equities	1,874.49	65%	1,940.23	67%
Property	106.40	4%	130.88	5%
Government bonds	549.06	19%	597.21	21%
Other	137.58	5%	217.16	8%
<b>Total</b>	<b>2,667.53</b>		<b>2,885.48</b>	

### 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.

	2002/2003		2003/2004		2004/2005		2005/2006		2006/2007	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Differences between the expected and actual return on scheme assets	(13,460)	36.30	4,540	10.60	1,520	3.30	7,580	13.60	(80)	(0.10)
Differences between actuarial assumptions about liabilities and actual experience	270	0.50	(60)	0.10	300	0.40	30	0.00	(230)	(0.30)
Changes in assumptions underlying the present value of pension liabilities	(70)	0.10	150	0.20	(13,770)	(17.70)	(5,850)	(6.70)	170	(0.20)
<b>Total</b>	<b>(13,260)</b>	<b>(22.90)</b>	<b>4,630</b>	<b>7.60</b>	<b>(11,950)</b>	<b>(15.40)</b>	<b>1,760</b>	<b>2.00</b>	<b>(140)</b>	<b>(0.20)</b>

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

### **31. Collection Fund**

Represents the surplus or deficit on the Fund as shown on pages 41 to 43. A share of the Council Tax surplus will be payable to Hampshire County Council, Hampshire Police Authority and Hampshire Fire and Rescue Authority in 2007/2008 and the remainder will be paid during 2008/2009.

### **32. Trust Funds**

The Council does not administer any trust funds.

### **33. Contingent Liabilities and Gains and Events after the Balance Sheet Date**

The Council is the accountable body for Central Government's Single Regeneration Budget programmes within the Borough, the Sure Start (Leigh Park) programme and 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.

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

This includes all events up to the date shown on page 12 when the accounts are signed by the Council's Chief Financial Officer and formally made available to the Standards Committee.

## 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

	2005/2006 £000's	2006/2007 £000's
Net Revenue cash inflow/(outflow)	607	1,574
General Fund surplus/(deficit)	20	106
Collection Fund surplus/(deficit)	(4)	(117)
	16	(11)
Net interest included under Servicing of Finance	(340)	(531)
Revenue Contribution to Capital Outlay	636	440
<u>Add</u>		
Reduction in Debtors	638	-
Reduction in stocks & work in progress	55	-
Increase in provision for bad debts	-	281
Minimum Revenue Provision Credit	128	259
Contributions from reserves, provisions & balances	388	702
Reduction in Payments In Advance	-	477
<u>Less</u>		
Increase in Payments In Advance	(450)	(3)
Reduction in Creditors	(369)	-
Increase in Debtors	-	(83)
Increase in stocks & work in progress	-	(13)
Reduction in provision for bad debts	(61)	-
Other non cash transactions	(34)	56
	607	1,574

#### b) Management of Liquid Resources and Financing

	Balance at 1st April 2006 £000's	Balance at 31st March 2007 £000's	Movement in Year £000's
<u>Management of Liquid Resources</u>			
Short term deposits	5,000	3,000	(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 1st April 2006 £000's	Balance at 31st March 2007 £000's	Movement in Year £000's
Cash	200	1,029	829
Cash Overdrawn	(694)	(448)	246
	(494)	581	1,075

### d) Analysis of Government Receipts and Payments

	2005/2006 £000's (restated)	2006/2007 £000's
<b><u>Revenue Grants</u></b>		
National Non Domestic Rates payments to Pool	(18,992)	(21,872)
National Non Domestic Rates receipts from Pool	3,359	7,933
Revenue Support Grant	5,127	1,531
Department for Work and Pensions Benefits Grant	25,046	27,498
Planning Delivery Grant	104	200
Homelessness Grant	56	67
Disabled Facilities Grant	443	488
Housing Defect Subsidy	115	111
Liveability Grant	67	-
Defra Waste Performance Grant	14	50
Other Grants	12	35
<b><u>Capital Grants</u></b>		
Liveability Capital Grant	1,618	45
Implementing Electronic Government	150	-
Defra Waste Performance Grant	21	48
	17,140	16,134

A review of government grants has been undertaken and this has resulted in a restatement of government grants for 2005/2006.

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

	2005/2006 £000's	2006/2007 £000's
Increase/(Decrease) in Cash in the period	(1,931)	1,075
Increase/(Decrease) in Liquid Resources	5,000	(2,000)
Change in Net Debt resulting from cash flows	-	-
Movement in Net Funds in period	3,069	(925)
Net Funds at beginning of period	1,437	4,506
Net Funds at end of period	4,506	3,581

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, 2007

2005/2006 £000's	Note	2006/2007 £000's
<b>Income</b>		
43,921	2	46,247
6,720		6,956
19,874	3	21,796
118		103
70,633		75,102
<b>Expenditure</b>		
50,310	4	53,039
19,733		21,655
141		141
445		383
8		1
70,637		75,219
<b>Movement on Fund Balance</b>		
121		125
70,637		75,219
70,758		75,344
(70,633)		(75,102)
125	5	242

### 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 2006/2007 was £1,253.07. 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	-	7,671	13,266	11,959	9,615	5,415	2,392	933	40
Equivalents after exemptions, etc	15	6,240	11,757	10,731	8,678	4,956	2,231	855	27
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	8	4,160	9,144	9,538	8,678	6,057	3,222	1,425	54
					Band D Equivalents	42,286			
					Contributions in lieu of armed forces accommodation	41			
					* after disabled reduction	Tax Base	42,327		

## The Collection Fund Income and Expenditure Account for the year ended 31 March, 2007 (cont'd)

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

The total non-domestic rateable value at the 31 March 2007 was £60,386,813 and the national non-domestic rate multiplier for the year was 43.3p and 42.6p 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:-

	2005/2006	2006/2007
	£000's	£000's
Hampshire County Council	36,540	38,544
Hampshire Police Authority	4,781	5,055
Hampshire Fire & Rescue Service	2,190	2,271
Havant Borough Council	6,799	7,169
	50,310	53,039

### 5. Collection Fund (Surplus) / Deficit

The Collection Fund balance comprises:-

	2005/2006	2006/2007
	£000's	£000's
Community Charge	2	3
Council Tax	123	239
<b>(SURPLUS) / DEFICIT</b>	125	242

A previously estimated Council Tax deficit of £82,000 for 2006/2007 will be shared with the precepting authorities in 2007/2008. The balance of £157,000 will be adjusted in 2008/2009.

## The Collection Fund Income and Expenditure Account for the year ended 31 March, 2007 (cont'd)

### 6. Arrears

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

<b>Gross arrears outstanding</b>	Arrears 31/03/2007	Provision for Doubtful Debts 31/03/2007	Arrears for which no provision had been made 31/03/2007	Arrears for which no provision had been made 31/03/2006
	£ 000's	£ 000's	£ 000's	£ 000's
Council Tax	3,284	980	2,304	2,219
Community Charge	1	1	-	-
Non Domestic Rates	397	225	172	149
<b>Total</b>	<b>3,682</b>	<b>1,206</b>	<b>2,476</b>	<b>2,368</b>

### 7. Write Offs

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

<b>Amounts written off</b>	2005/2006 £000's	2006/2007 £000's
Council Tax	462	129
Community Charge	(3)	8
Non Domestic Rates	166	41
<b>Total</b>	<b>625</b>	<b>178</b>

## 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 authority 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 authority 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 authority 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.

## 1. Scope of responsibility

The Council is responsible ensuring that its business is conducted in accordance with the law 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a process designed to:-

- identify and prioritise the risks to the achievement of Council policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised;
- manage risks efficiently, effectively and economically.

## 3. The Internal Control Framework

The system of internal financial control is based on a framework of regular management information, financial procedure rules, administrative procedures, management supervision and a system of delegation and accountability.

The key elements of the Council's internal control environment are summarised below. Where reference is made to documents below, details are available from the Council on request or may, in most cases, be viewed on the Council's website ([www.havant.gov.uk](http://www.havant.gov.uk)).

### Establishing and monitoring the achievement of the Council's objectives:-

- Community Strategy
- Corporate Strategy
- Medium Term Financial Strategy
- Regeneration and Cultural Strategies
- Local Development Framework
- All other Council strategies
- Executive and Council

### Facilitation of policy and decision-making:-

- Council's Constitution
- Published Council papers (available on the website)
- Executive, Council and Overview and Scrutiny

### Ensuring compliance with established policies, procedures, laws and regulations:-

- Monitoring Officer (Solicitor to the Council)

## Statement on Internal Control 2006/2007 (cont'd)

- Overview and Scrutiny Boards
- Executive and Council
- Code of Corporate Governance
- Risk Management Strategy
- Internal Audit
- External Audit and Inspection
- Whistle Blowing Procedure
- Personnel and Learning policies
- Anti-fraud and Corruption Policy
- Disciplinary and Grievance procedures
- Constitution and schemes of delegation
- Financial Framework
- Code of Conduct for Members
- Code of Conduct for Officers
- Health and Safety Policies
- Complaints system

### **Ensuring the economical, effective and efficient use of resources and securing continuous improvement in the way functions are exercised:-**

- Executive and Council
- Overview and Scrutiny Boards
- Corporate Strategy (including the Best Value Performance Plan)
- Corporate Strategy workstreams including service review, partnerships working and income generation
- Business Planning
- Performance Management framework
- Financial Management budgeting and reporting
- Published Statement of Accounts
- Procurement Strategy
- Audit and Inspection
- Project management standards
- Risk Profiling

### **Financial Management of the Council:-**

- Executive and Council
- Section 151 Chief Financial Officer
- Internal Audit
- Financial Framework including named budget holders
- Audit and Inspection
- Scrutiny and Review Panels
- Council's Constitution

### **Performance Management:-**

- Performance Management framework
- Performance and Development (appraisal) Scheme

## **4. Review of Effectiveness of Control**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Council has adopted a cabinet structure to oversee the

## Statement on Internal Control 2006/2007 (cont'd)

executive management decisions. Executive Management Team is responsible for advising the cabinet (known as "the Executive") and Council on the Council's strategic plans and ensuring that the control framework is in place for managing and directing the strategic plan. Council has appointed two Overview and Scrutiny Boards that are responsible for co-ordinating overview and scrutiny work. The Standards Committee undertakes the role of Audit Committee and has met regularly throughout the year and received formal reports from the Audit Manager.

The Council has adopted a structured approach to risk identification to cover strategic, business capability, financial and corporate governance risks. The risks are updated by considering their potential impact and their likelihood. The Staffing Matters Committee undertakes the Member Risk Management Committee role.

The process applied to maintaining and reviewing the effectiveness of the system of internal control includes contributions from:-

The Standards Committee, which:-

- Receives a comprehensive internal audit progress report incorporating situation reports and the executive summaries of all internal audit reports.
- Approves this Statement and the Statement of Accounts.
- Receives quarterly monitoring reports on audit issues.

The Leader and Corporate Portfolio Holder, who:-

- Review this Statement.

The Staffing Matters Committee, who:-

- Are responsible for Risk Management, interview officer Risk Management Champions and review this Statement.

Executive Management Team, which:-

- Reviews this Statement.
- Monitors progress with the more significant internal audit recommendations and deals with management of risk issues.
- Each member of Executive Management Team signs an annual statement of assurance to inform the preparation of this Statement.

Internal Audit, which:-

- Compiles an internal audit programme based on the Corporate Risk Register.
- Reports to Executive Management Team and the Standards Committee on progress with the audit programme, the outcome of individual audits, including audit findings, the risks to which they give rise, recommendations to mitigate the risks, management's responses, implementation targets and progress with implementing recommendations.
- Tracks recommendations to implementation or until superseded.
- Gives an annual opinion on the internal control environment and issues that should be included in this Statement.

External Audit, which:-

- Provides an Annual Audit and Inspection Letter.



- Carries out a "Use of Resources" assessment – the Council has achieved a score of 3 (out of 4) for this assessment (consistently above minimum requirements – performing well)

Risk Management Strategy Group which:-

- Co-ordinates risk management development and reviews of risks and controls.
- Reviews this Statement.

Monitoring Officer, who:-

- Reviews this Statement.

As required by the Accounts and Audit (Amendment) (England) Regulations 2006 Executive Management Team has reviewed the effectiveness of Internal Audit, in the light of feedback following each audit and the conclusions of a review by external audit, and has concluded that internal audit is an effective part of the Council's internal control environment.

## 5. Significant Internal Control Issues

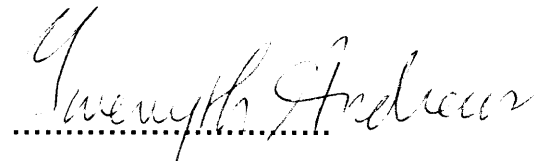
It is considered that there are no significant internal control issues. Set out below are matters identified that, although they do not represent a significant control risk or control weakness, when implemented will improve the overall internal control, efficiency and standard of governance:-

1. The Council needs to fully establish and test effective Business Continuity Planning across the authority to improve the control environment for service delivery. Work on this is well advanced and is expected to be completed in 2007/2008, including the provision of enhanced ICT back-up services.
2. There is an effective framework in place for Risk Management. The Council needs to build further upon this through the risk assessment of partnerships and communication of the revised Anti-Fraud and Corruption policies.
3. There were/are risks during 2006/2007 and 2007/2008 associated with the amount of change underway including Service Reviews, the Business Transformation Programme and the Review of Pay and Rewards. These risks are being actively managed by Executive Management Team and appropriate training is being provided to develop staff skills.
4. Development of policies and impact assessments under Equalities legislation has commenced but a significant amount of work is still required in this area.
5. Work will continue on corporate health and safety awareness and the Emergency Safety Officer will carry out a programme of audits involving all service managers over the next two years.

Signed .....



**Councillor David Gillett**  
**Leader of the Council**  
**June 2007**



**Gwen Andrews**  
**Managing Director**  
**June 2007**



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

### **Opinion on the financial statements**

We have audited the financial statements of Havant Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Havant Borough Council for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003" issued in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

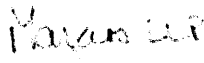
## **Basis of audit opinion**

We conducted our 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.



### **Mazars LLP**

Chartered Accountants and Registered Auditors  
Southampton

28 September 2007

## **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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a Best Value Performance Plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## **Auditors' responsibilities**

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's Best Value Performance Plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making recommendations under section 7 of the Local Government Act 1999.

## **Conclusion**

We 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, we are 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 2007.

## **Best Value Performance Plan**

We issued our statutory report on the audit of the Authority's Best Value Performance Plan for the financial year 2006/07 on 27 November 2006. We 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**

We certify that we 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.

*Mazars LLP*

### **Mazars LLP**

Chartered Accountants and Registered Auditors  
Southampton

28 September 2007