

Contents

	<u>Page (s)</u>
Head of Resources - Foreword to the Accounts	2 - 4
Statement of Accounting Policies	5 - 8
Consolidated Revenue Account	9 - 17
Collection Fund Account	18 - 20
Consolidated Balance Sheet	21 - 32
Statement of Total Movement in Reserves	33 - 37
Cash Flow Statement	38 - 40
Glossary of Terms	41 - 42
Statement of Responsibilities for the Statement of Accounts	43
Statement of Assurance	44
Audit Opinion	45 - 46

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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 31st March, 2005 by the Head of Resources

In accordance with statutory obligations and the Code of Practice on Local Authority Accounting for Great Britain the Statement of Accounts which follows includes the following:-

- ◆ Statement of Accounting Policies (Pages 5 - 8)
- ◆ Consolidated Revenue Account (Pages 9 - 17) which summarises all the Council's revenue activities.
- ◆ Collection Fund Accounts (Pages 18 - 20) which account for all Council Tax and Business Rate income collected for the Borough, County Council, Police Authority and Central Government.
- ◆ Consolidated Balance Sheet (Pages 21 - 32)
- ◆ Statement of Total Movement in Reserves (Pages 33 - 37) which brings together all gains and losses of the Council during the period and identifies those that have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.
- ◆ Cash Flow Statement (Pages 38 - 40) shows all the cash movements between the Council and third parties. Reconciliations are provided which link the statement to other statements in the accounts.
- ◆ Glossary of Terms (pages 41 – 42)
- ◆ Statement of Assurance (Page 44)
- ◆ Statement of Responsibilities for the Statement of Accounts and External Auditor's Opinion. (Page 43 and 45 - 46)

There have been no significant changes in statutory functions.

Revenue Spending in 2004/2005 (pages 9 - 17)

The Council approved a budget of £14.690 million to be met from the council tax and government grants in February, 2004. Final net expenditure for the year amounted to £15.062 million. This represents an overspend of £250,000 and a reduction in approved budget carryforwards of £122,000 which has been financed from the General Fund Reserve. A reduction of the balance had been expected in budgetary control reports, mainly as a result of essential expenditure approved by the Executive (e.g. legal services and cemeteries) and reduced income including interest, planning, land charges and parking. The General Fund Balance (net of budget carryforwards) at 31st March 2005 (page 34) was £1.216 million.

Council Housing

On 31st 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 31st March 1995 transferred to the General Fund on 1st April 1995.

Foreword to the accounts for the year ended 31st March, 2005 by the Head of Resources (cont'd)

Collection Fund (pages 18 - 20)

This fund accounts independently for income relating to the Council Tax, Community Charge and Non-Domestic Rates; income being raised on behalf of the County Council, Police Authority, Fire Authority and the Borough Council. Administration costs of collection are met by the Borough Council.

86.8% of the Council Tax levied was payable to Hampshire County Council, the Police Authority and the Fire Authority, 13.2% was retained by the Council to meet its own expenditure.

The Collection Fund Deficit at 31st March, 2005 was £0.121 million. In accordance with government regulations this is taken into account in the calculation of the 2005/2006 and 2006/2007 Council Taxes.

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

Gross arrears outstanding	Arrears for		
	Arrears 31/03/2005 £ 000's	Provision for Doubtful Debts 31/03/2005 £ 000's	which no provision had been made 31/03/2005 £ 000's
Council Tax	3,110	733	2,377
Community Charge	24	24	-
Non Domestic Rates	528	275	253
Benefit Debtors	946	489	457
Sundry Debtors	1,128	82	1,046
Total	5,736	1,603	4,133

Gross arrears have increased from £5.253 million at 31st March 2004 to £5.736 million at 31st March, 2005, mainly arising from the inclusion within the accounts for the first time of overpaid housing benefit debt which is being recovered by way of deduction from future benefit entitlements (£0.400 million).

Euro Costs

Economic and Monetary Union (EMU) could necessitate significant expenditure by the Council to adapt operations and information systems to accommodate the single currency.

The Council may incur a variety of costs, which could include administrative planning, staff training, the provision of information to customers, modification of software and the adaptation of hardware, such as cash receipting machines and car parking machines. The likely once only costs to the Council arising from the introduction of the single currency in Great Britain cannot yet be adequately assessed particularly because the timing of any such introduction of the currency in Great Britain is not known.

Foreword to the accounts for the year ended 31st March, 2005 by the Head of Resources (cont'd)

Consolidated Balance Sheet, Statement of Total Movements in Reserves and Cash Flow Statement (pages 21 - 40)

The Balance Sheet summarises the Council's year end financial position (including the Collection Fund); the Statement of Total Movements in Reserves brings together all the recognised gains and losses of the authority during the period and identifies those which have and have not been recognised in the consolidated revenue account. The statement separates the movements between revenue and capital reserves, and the Cash Flow Statement summarises inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

A summary of the capital spending of the Council in the year of £3.971 million together with sources of finance are included in the notes to the Balance Sheet page 24.

Total usable reserves and capital receipts at 31st March, 2005 were £3.089 million compared to £5.318 million at 31st March 2004. The reduction was mainly due to the use of the usable capital receipts reserve to finance the capital programme.

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 31st March, 2005 the reserve showed a liability of £31.560 million (£18.240 million at 31st March 2004). This change mainly arose due to a change in actuarial assumptions in measuring pension fund liabilities (see page 8). The liability represents the difference between the value of the Authority's pension fund assets and the estimated present value of payments to 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 1st April 2005 would also have an impact on the capital value of the pension fund assets.

Outlook

The accounts for 2004/2005 in this report show that the Council's finances are in a satisfactory state although action will need to be taken to ensure that a balanced budget will be possible in 2006/2007 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.
- ❖ Funding costs arising from government action e.g. changes to Concessionary Travel.
- ❖ 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
18th July 2005

Statement of Accounting Policies

1. General Principles

Financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A statement of recommended practice. These statements are also produced in accordance with the Accounts and Audit Regulations 2003.

2. Accounting Standards

Following the recommendations of the Chartered Institute of Public Finance and Accountancy and the wishes of the Office of the Deputy Prime Minister, the principles contained in the Statements of Standard Accounting Practice Numbers 4, 5, 9, 13, 15, 17, 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 1st 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, and Community Assets, such as parks and recreation grounds and Intangible Assets such as computer software have been valued at historic value. Charges for the use of assets have been made in the Council's accounts. The amount of the capital charge is equal to depreciation (the extent to which the asset has been worn out or used up during the year) plus a notional interest payment (3.5% and 4.8% for assets valued at current value or historic cost respectively). The interest charge determined nationally reflects the benefit the service receives from the Council's decision to allocate scarce capital resources to that particular asset rather than for another purpose. Details of the basis upon which fixed assets are included within the balance sheet are provided in note 1 to the Consolidated Balance Sheet.

4. Depreciation

Assets are depreciated in accordance with FRS 15 which requires depreciation to be applied to all assets with a finite useful life. Fixed assets have been depreciated on a straight line basis; with depreciation charges being calculated in accordance with their remaining asset lives.

5. Deferred Charges

Deferred charges are payments, which are capitalised, on the grounds that they provide long term benefits but do not involve the creation of a fixed asset e.g Disabled Facility Grants. The Council's policy is to write down deferred charges in the year in which they are incurred.

Statement of Accounting Policies (cont'd)

6. Government Grants and Contributions

Capital Grants and contributions (including non monetary contributions) for fixed assets are initially credited to a government grants deferred account. Amounts are released to revenue via the Asset Management Revenue Account to offset the charges for depreciation on the related asset. 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.

7. Disposal of Capital Assets

When a disposal takes place the asset is removed from the fixed asset account and asset register. Its book value is debited to the Fixed Asset Restatement Account and the net proceeds from the disposal are credited to the Usable Capital Receipts Account.

8. 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 consolidated 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 the 31st March for which invoices have not been paid. Exceptions apply in the case of (a) electricity, gas and other similar quarterly charges which are charged at the date of meter reading and (b) Housing Benefit payments and subsidy where the Benefits year does not end on the 31st 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 31st March, 2005. Interest receivable and payable have been accounted for on an income and expenditure basis.

9. Nature of substantial reserves and provisions

Details of reserves and provisions held under the Local Government and Housing Act 1989 are shown in the Consolidated Balance Sheet. The substantial reserves and provisions at 31st March, 2005 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.

Statement of Accounting Policies (cont'd)

- (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.
- (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 Reserve – the balance of grants and contributions applied to the financing of fixed assets, awaiting amortisation to the asset management revenue account to match depreciation of the relevant assets.
- (i) 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.
- (j) 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.
- (k) Insurance Provision – monies set aside to meet estimated cost of settling known claims.

10. Basis of valuation of investments

Investments have been valued at 31st March, 2005 at the lower of cost or net realisable value.

11. 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 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.

12. 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 31st March, 2005.
- (b) Stocks and stores - Stocks and stores held in the Council's depot and Tourist Information Centres at the year end are included in the balance sheet at the latest purchase price and not in accordance with Statement of Standard Accounting Practice (S.S.A.P.) number 9 (see 2 above). Losses on stocks and stores sold are accounted for when realised. The stocks include spares and fuel for the Council's vehicle and plant fleet. Concessionary Travel Token stocks are valued at cost. There are no other significant stock holdings for which provision is made.

13. 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.

14. 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 Consolidated 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 consolidated revenue account to ensure the amount required from Council Tax is unaffected by the adoption of FRS17.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/04 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 6.4%. For the 2004/05 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 5.3% is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of approximately £11 million adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements on Reserves.

15. Repurchase of Borrowing

Gains or losses arising from the repurchase or early settlement of borrowing is recognised in the consolidated revenue 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 2004/2005 and there are no deferred charges arising from the repurchase of borrowing coupled with refinancing or restructuring from earlier years.

Consolidated Revenue Account 2004/2005

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.

2003/2004 £000's	Expenditure £000's	Income £000's	2004/2005 £000's
1,265 Central Services to the Public	9,009	8,071	938
13,307 Cultural, Environmental and Planning Services	17,182	2,619	14,563
893 Highways Roads and Transport Services	2,549	1,568	981
2,204 Housing Services	18,412	17,209	1,203
56 Social Services	343	290	53
1,540 Corporate and Democratic Core	1,828	5	1,823
1,087 Unapportionable Central Overheads	39	-	39
20,352 NET COST OF SERVICES	49,362	29,762	19,600
93 Langstone Harbour Board Precept			96
(406) Interest and Investment Income			(304)
(1,839) Transfer from Asset Management Revenue Account (note 10)			(1,930)
Pensions interest cost and expected return on Pensions assets			
1,140 (note 13)			980
19,340 NET OPERATING EXPENDITURE			18,442
APPROPRIATIONS			
(845) Contribution to / (from) other reserves (note 11)			(263)
(1,310) Contribution to / (from) the pensions reserve (note 13)			(1,370)
556 Capital expenditure financed from revenue			752
(1,964) Provision for repayment of external loans (note 14)			(2,217)
(366) Adjustment for deferred charges and deferred grants (note 15)			(282)
15,411 AMOUNT TO BE MET FROM GOVERNMENT GRANT & LOCAL TAXPAYERS			15,062
SOURCES OF FINANCE			
(6,018) Council Tax Payers			(6,379)
(132) Surplus on Collection Fund			(62)
(5,115) Revenue Support Grant			(5,078)
(4,078) Contribution from Non-Domestic Rate Pool			(3,171)
68 NET GENERAL FUND (SURPLUS) / DEFICIT			372
1,842 Balance on General Fund brought forward			1,774
(68) Surplus / (Deficit) for the year			(372)
1,774 Balance on General Fund carried forward			1,402

Consolidated Revenue Account 2004/2005 (cont'd)

2004/2005 Analysis of Expenditure	Expenditure £000's	Income £000's	Net £000's
<u>Central Services to the Public</u>			
Local tax collection	7,828	7,041	787
Elections	237	2	235
Emergency planning	44	-	44
Local land charges	202	297	(95)
General grants, bequests and donations	304	-	304
Other central services to the public	394	731	(337)
	<u>9,009</u>	<u>8,071</u>	<u>938</u>
<u>Cultural, Environmental and Planning Services</u>			
Culture and heritage	391	97	294
Recreation and sport	1,960	148	1,812
Community parks and open spaces	2,549	171	2,378
Tourism	288	18	270
Cemetery and cremation services	362	236	126
Coast protection	441	147	294
Environmental health	1,724	167	1,557
Community safety	1,164	178	986
Waste collection	2,486	255	2,231
Street cleansing	1,038	26	1,012
Building control	783	317	466
Development control	1,455	432	1,023
Planning policy	497	2	495
Economic development	1,152	425	727
Other cultural, environmental and planning services	892	-	892
	<u>17,182</u>	<u>2,619</u>	<u>14,563</u>
<u>Highways, Roads and Transport Services</u>			
Transport planning policy and strategy	73	12	61
Highways/roads (structural)	152	115	37
Highways/roads (routine)	797	348	449
Traffic management and road safety	18	28	(10)
Parking services	845	1,028	(183)
Public transport	664	37	627
	<u>2,549</u>	<u>1,568</u>	<u>981</u>
<u>Housing Services</u>			
Private sector housing renewal	916	421	495
Homelessness	702	230	472
Housing benefits payments	15,776	15,972	(196)
Housing benefits administration	977	465	512
Other housing services	41	121	(80)
	<u>18,412</u>	<u>17,209</u>	<u>1,203</u>
<u>Social Services</u>			
Meals	206	153	53
Sure Start	137	137	-
	<u>343</u>	<u>290</u>	<u>53</u>
<u>Corporate and Democratic Core</u>			
Corporate Management	685	-	685
Democratic representation and management	1,143	5	1,138
	<u>1,828</u>	<u>5</u>	<u>1,823</u>
<u>Unapportionable Central Overheads</u>			
	39	-	39
<u>GRAND TOTAL</u>	<u>49,362</u>	<u>29,762</u>	<u>19,600</u>

Consolidated Revenue Account 2004/2005 (cont'd)

Notes to the Account

1. **Prior Year Adjustments**

There were no prior year adjustments.

2. **Section 137(3) Local Government Act 1972**

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 2004/2005 was £25,760 (£36,939 in 2003/2004).

3. **Agencies**

The Council is responsible for aspects of highways maintenance (including Environmental Maintenance, Development Control and Traffic Management) within the borough on behalf of Hampshire County Council. The Council spent £0.372 million in respect of highways revenue works (£0.339 million in 2003/2004). 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 Consolidated Revenue Account but administration costs and the associated County Council reimbursement are shown in the account (page 10).

The Council has entered into an agency agreement with Hampshire County Council for the enforcement of parking control (effective from April 2005). The Council incurred set up costs prior to the commencement of this agreement (£35,700); all costs are included within the Consolidated Revenue Account and can be reimbursed from any future surplus of income arising from parking enforcement.

4. **Trading Operations**

The Council has no Trading Operations.

5. **Exceptional Items**

There are no exceptional items.

6. **Local Authority (Goods and Services) Act 1970**

In 2004/2005 the Council received £123,300 (£127,400 during 2003/2004) for services provided to other public bodies. The most significant transactions included £50,600 (£47,900 during 2003/2004) from Portsmouth City Council for a variety of services, Payroll Services to Horizon Leisure Trust and East Hampshire District Council £25,700 (£25,000 during 2003/2004) and Audit Services to East Hampshire District Council and Winchester City Council £35,100 (£31,600 during 2003/2004).

Consolidated Revenue Account 2004/2005 (cont'd)

7. Members Allowances

The total Members Allowances expenditure (including travelling and subsistence allowances) was £288,838 (£260,389 in 2003/2004).

8. Building Control Trading Account

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

Building Regulations Charging Account 2004/2005	Chargeable	Non Chargeable	Total Building Control
	2004/2005	2004/2005	2004/2005
	£000's	£000's	£000's
<u>Expenditure</u>			
Employee Expenses	275	356	631
Supplies and Services	-	2	2
Central and Support Service Charges	17	17	34
	292	375	667
<u>Income</u>			
Building Regulation Charges	316	-	316
	316	-	316
Surplus/(Deficit) For Year	24	(375)	(351)
<u>Comparatives for 2003/2004</u>			
Expenditure	298	326	624
Income	317	-	317
Surplus/(Deficit) For Year	19	(326)	(307)

9. Publicity

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

	2003/2004	2004/2005
	£000's	£000's
Staff Recruitment	84	46
Tourism	59	71
Borough Wide Newsletter	30	29
Recycling	31	28
Other	40	33
	244	207

Consolidated Revenue Account 2004/2005 (cont'd)

10. Transfer from Asset Management Revenue Account

	2003/2004	2004/2005
	£000's	£000's
<u>Income</u>		
Capital Charges	(3,020)	(3,698)
Depreciation of Deferred Grants	(697)	(491)
	(3,717)	(4,189)
<u>Expenditure</u>		
Provision for depreciation	1,871	2,256
Interest Charges	7	3
	1,878	2,259
Surplus on Asset Management Revenue Account	(1,839)	(1,930)

11. Contributions To/(From) Reserves

	2003/2004	2004/2005
	£000's	£000's
Capital Reserve	(735)	(390)
Insurance Reserve	(111)	(1)
Commuted Car Parking	1	1
Planning Reserve	-	127
	(845)	(263)

12. Leases

Finance Leases

During 2004/2005 no assets were acquired under finance leases. No finance lease rentals were paid during the year.

Operating Leases

Vehicles - The Council uses vehicles and plant financed under terms of an operating lease. The amount paid under these agreements in 2004/2005 was £202,565 (£218,526 2003/2004).

Land and Buildings – The Council leases various land and buildings within the Borough for a variety of purposes. Rentals paid in 2004/2005 were £23,200.

Lessors – 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 2004/2005 was £932,700 (£892,000 during 2003/2004).

Consolidated Revenue Account 2004/2005 (cont'd)

13. Pensions

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the authority 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.

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 cost of retirement benefits and how much the Council pays towards retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year.

	2003/2004 £000's	2004/2005 £000's
Net cost of services		
Current Service Costs	1,050	1,540
Past Service costs	940	10
Total cost charged to net services cost	1,990	1,550
Net Operating Expenditure		
Interest on pension scheme liabilities	3,560	3,890
Expected return on pension fund assets	(2,420)	(2,910)
Net (credit) / charge to other finance income	1,140	980
Movement on Pension Fund Reserves	(1,310)	(1,370)
<u>Amounts to be met from Government Grants and Local Taxation i.e employers' contribution paid</u>	1,820	1,160

Havant Borough Council's standard contribution rate over the accounting period was 225% of members' contributions.

See also Balance Sheet note 11 page 29 and Statement of Total Movement in Reserves note 1 page 34.

Consolidated Revenue Account 2004/2005 (cont'd)

14. Revenue provision for the repayment of loans

Councils are required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute. Under the calculation the Council was not required to make a minimum revenue provision in 2004/2005. However, a charge was made to ensure the cost of investment in vehicles is charged to revenue over the life of the vehicles. (Note: Capital Financing Regulations changed with effect from 1st April 2004. Previously, because the Council had a debt free status it was not required to make a minimum revenue provision but could instead apply part of the Provision for Credit Liabilities for revenue purposes).

	2003/2004	2004/2005
	£000's	£000's
Amount Charged as depreciation	1,871	2,256
Surplus transferred to revenue	(1,964)	(2,217)
	(93)	39

15. Adjustments for Deferred Charges and Deferred Government Grants

	2003/2004	2004/2005
	£000's	£000's
Reversal of Deferred Charges included within net cost of services	(1,063)	(773)
Reversal of Deferred Government Grants included within net cost of services	697	491
	(366)	(282)

16. Employees receiving a remuneration in excess of £50,000

Employees receiving a remuneration in excess of £50,000 during 2004/2005 are shown below:

Remuneration (including expenses and benefits)	Number of employees 2003/2004	Number of employees 2004/2005
Between £80,000 and £89,999	1	1
Between £70,000 and £79,999	-	-
Between £60,000 and £69,999	1	3
Between £50,000 and £59,999	5	4

17. 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).

Members of the Council have direct control over the Council's financial and operating policies. During the year a contract was awarded to a company in which a Member had an interest (annual value less than £100,000). 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 is 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 £235,800 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 and an interest free loan of £15,900.

Havant Council of Community Service – payment of a grant of £73,300 under a service level agreement and payment of £77,045 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 2004/2005 the Council received £106,000 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 cost of running Havant Museum during 2004/2005 was £150,900.

Consolidated Revenue Account 2004/2005 (cont'd)

18. Disclosure of Audit Cost

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

	2003/2004	2004/2005
	£000's	£000's
Fees payable with regard to statutory external audit service:	100	68
Fees payable for statutory inspection	16	-
Fees payable for the certification of grant claims and return:	59	28

19. 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 has 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 £882,678. (£900,938 in 2003/2004). Transactions between the Joint Committee and the Council are outlined in note 17 (related parties) to the Consolidated Revenue Account.

The Collection Fund Income and Expenditure Account for the year ended 31st March, 2005

2003/2004	Note	2004/2005
£000's		£000's
Income		
40,129	2	42,413
5,463		6,220
18,831	3	18,152
16		65
64,439		66,850
Expenditure		
45,505	4	48,368
18,705		18,011
127		141
113		374
41		66
64,491		66,960
Movement on Fund Balance		
(41)		11
64,491		66,960
64,450		66,971
(64,439)		(66,850)
11	5	121

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 2004/2005 was £1,151.69. 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	-	7,521	13,097	11,834	9,578	5,379	2,365	924	38
Equivalents after exemptions, etc	13	6,130	11,678	10,616	8,664	4,953	2,198	839	26
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9
No. of Band D Equivalents	7	4,087	9,083	9,436	8,664	6,054	3,175	1,398	51
					Band D Equivalents	41,955			
					Contributions in lieu of armed forces accommodation	42			
* after disabled reduction					Tax Base	41,997			

The Collection Fund Income and Expenditure Account for the year ended 31st March, 2005 (cont'd)

3. Non-Domestic Rateable Value and Rate Multiplier

The total non-domestic rateable value at the 31st March 2005 was £47,747,299 and the national non-domestic rate multiplier for the year was 45.6p. 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 were:-

	2003/2004	2004/2005
	£000's	£000's
Hampshire County Council	35,408	35,284
Hampshire Police Authority	4,079	4,551
Hampshire Fire & Rescue Service	-	2,154
Havant Borough Council	6,018	6,379
	45,505	48,368

5. Collection Fund (Surplus) / Deficit

The Collection Fund balance comprises:-

	2003/2004	2004/2005
	£000's	£000's
Community Charge	(71)	(5)
Council Tax	82	126
(SURPLUS) / DEFICIT	11	121

A previously estimated Council Tax deficit of £118,000 will be shared with the precepting authorities in 2005/2006. The balance of £8,000 will be adjusted in 2006/2007. (See note 12 on page 31)

The Collection Fund Income and Expenditure Account for the year ended 31st March, 2005 (cont'd)

6. Arrears

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

Gross arrears outstanding	Arrears 31/03/2005	Provision for Doubtful Debts 31/03/2005	Arrears for which no provision had been made 31/03/2005
	£ 000's	£ 000's	£ 000's
Council Tax	3,110	733	2,377
Community Charge	24	24	-
Non Domestic Rates	528	275	253
Total	3,662	1,032	2,630

7. Write Offs

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

Amounts written off	2003/2004 £000's	2004/2005 £000's
Council Tax	304	272
Community Charge	167	185
Non Domestic Rates	146	75
Total	617	532

Consolidated Balance Sheet as at 31st March, 2005

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

31st March 2004 £000's		31st March 2005 £000's
	Fixed Assets:-	
	note 1a	
-	Intangible Fixed Assets	198
	Tangible Fixed Assets	
23,291	Land and buildings	30,937
2,372	Equipment	2,589
591	Vehicles & plant	869
3,239	Infrastructure assets	3,374
1,729	Community assets	1,453
	Non operational assets	
7,989	Investment Properties	7,770
4,385	Assets under construction	312
43,596	Total Fixed Assets	47,502
50	Long term investments	50
496	Long term debtors	456
44,142	TOTAL LONG TERM ASSETS	48,008
	Current assets:-	
183	Stocks and stores	97
4,904	Debtors (Net of bad debt provisions)	5,424
4,800	Investments	-
103	Cash	1,910
9,990		7,431
	Less Current liabilities:-	
4,226	Creditors	5,671
1,000	Temporary borrowing	-
671	Cash overdrawn	473
4,093	NET CURRENT ASSETS	1,287
48,235	TOTAL ASSETS	49,295
239	Less Provisions	202
126	Deferred credits	104
18,240	Liability relating to defined benefit pension scheme	31,560
29,630	TOTAL NET ASSETS	17,429
	Representing:-	
(391)	Fixed asset restatement account	739
40,390	Capital financing account	40,427
2,063	Deferred grants	2,491
-	Capital contributions deferred	1,829
1,594	Usable Capital Receipts Reserve	-
(18,240)	Pensions Reserve	(31,560)
(11)	Collection fund	(121)
2,258	Earmarked reserves	1,873
1,466	General Fund Balance	1,216
501	Other balances	535
29,630	TOTAL CAPITAL AND REVENUE RESERVES	17,429

1. 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 for each category of asset are:-

- ◆ Operational Land and Buildings – generally 40-50 years but determined asset by 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 - generally 7 years; less for some vehicles and plant
- ◆ 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 Balance Sheet on page 21

(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 2004	-	25,268	4,349	897	3,555	2,015	12,457	48,541	
Accumulated Depreciation and Impairment	-	(1,977)	(1,977)	(306)	(316)	(286)	(83)	(4,945)	
Net Book Value of Assets at 31 March 2004	-	23,291	2,372	591	3,239	1,729	12,374	43,596	
<i><u>Movement in 2004/05</u></i>									
Additions	247	2,872	1,035	513	48	7	311	5,033	
Disposals	-	(141)	-	-	-	-	-	(141)	
Revaluations	-	1,270	-	-	-	-	-	1,270	
Asset Reclassification	-	4,581	-	-	213	(213)	(4,581)	-	
Depreciation	(49)	(936)	(818)	(235)	(126)	(70)	(22)	(2,256)	
Net Book Value of assets at 31st March 2005	198	30,937	2,589	869	3,374	1,453	8,082	47,502	

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
Community Centres	March 2001	2005 – 2006
Car Parks	March 2002	2006 – 2007
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

Notes to the Balance Sheet on page 21

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 31/3/2005)	-	-	-	-	3,374	1,453	-	4,827
Valued at current value in								
2004/05	198	30,937	2,589	869	-	-	8,082	42,675
2003/04	-	23,291	2,372	591	-	-	12,374	38,628
2002/03	-	23,672	2,136	446	-	-	7,749	34,003
2001/02	-	23,435	1,785	137	-	199	7,657	33,213
2000/01	-	24,768	1,351	178	-	246	7,704	34,247

(b) Movement in the Capital Financing Requirement

	2003/2004 £000's	2004/2005 £000's
Opening Capital Financing Requirement	1,655	1,534
<u>Capital Investment</u>		
Operational Assets	1,579	2,855
Non Operational Assets	4,041	311
Deferred Charges	1,063	773
Loans to Local Organisations	68	32
	6,751	3,971
<u>Financed by:-</u>		
Usable capital receipts	474	1,824
Capital receipts - negative credit ceiling	4,985	-
Grants and Contributions	736	882
Revenue provision (including MRP)	556	791
	6,751	3,497
Movement in Loans to Local Organisations	(121)	9
<u>Closing Capital Financing Requirement</u>	1,534	2,017
Movement represented by :-		
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	474
Movement in Loans to Local Organisations	(121)	9

Notes to the Balance Sheet on page 21

(c) Capital Commitments

The estimated commitments arising from capital contracts signed but where payments were not due at 31st March, 2005 were £99,000.

(d) Assets Held Under Finance Leases

No assets were held under a finance lease at 31st March 2005.

(e) Operating Leases

The authority was committed at 31st March 2005 to making payments of £181,200 under operating leases in 2005/2006, comprising the following elements:-

	Other Land and Buildings £000's	Vehicles, Plant and Equipment £000's
Leases expiring in 2005/2006	13	16,241
Leases expiring between 2006/2007 and 2010/2011	2	164,959
Leases expiring after 2010/2011	8	-

(f) Council as Lessor

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 £25.333 million (valued at 31st March 2005 £23.561 million and subject to £1.772 million depreciation to 31st March 2005).

Notes to the Balance Sheet on page 21

(g) Fixed Assets

Major fixed assets held at 31st March 2005 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> 31 Pay & Display car parking areas 1 Lorry Park Havant Bus Station</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 2 Tourist Information Centres Beach Huts Buildings within parks Regional Business Centre Broadmarsh</p> <p><u>INTANGIBLE ASSETS (IT software and implementation costs)</u> Geographical Information System Grounds Maintenance System</p>
--	--

All assets are used by the General Fund

2. Long Term Investments

	2003/2004 £000's	2004/2005 £000's
Association of District Councils (new accommodation)	50	50
	50	50

Notes to the Balance Sheet on page 21

3. Long Term Debtors

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

	2003/2004 £000's	2004/2005 £000's
Mortgages (Sales of Council Houses and Other)	100	86
Loans to Local Organisations	105	95
Staff Car Loans	291	275
	496	456

4. Current Debtors

An analysis of debtors is shown below:-

	2003/2004 £000's	2004/2005 £000's
Government departments	564	917
Council Tax/Community Charge/N.N.D.R.	3,789	3,662
Payments in advance	86	80
Overpaid Housing Benefits *	463	946
Other debtors	1,336	1,422
	6,238	7,027
<u>Less provision for doubtful debts:</u>		
Council Tax/Community Charge/N.N.D.R.	(1,111)	(1,032)
Overpaid Housing Benefits	(176)	(489)
Other	(47)	(82)
	4,904	5,424

* From 2004/2005 the accounts include the total Overpaid Housing Benefit debt being recovered by adjusting payment of ongoing benefits (£399,769). Previously this debt was included only as a note to the accounts (£163,293 at 31st March 2004)

5. Investments (Short Term)

	2003/2004 £000's	2004/2005 £000's
Short term deposits	4,800	-
	4,800	-

The Council had £1.750 million deposited in a business reserve account at 31st March 2005. This has been classified as cash and not an investment because the terms and conditions of this account allow instant access to the sums deposited.

Notes to the Balance Sheet on page 21

6. Creditors

	2003/2004 £000's	2004/2005 £000's
Government departments	1,037	2,519
Council Tax/Community Charge/N.N.D.R.	1,055	885
Income in advance	132	321
Other creditors	2,002	1,946
	4,226	5,671

7. Insurance provisions

Provisions at 31st March, 2005 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.

	2003/2004 £000's	2004/2005 £000's
Provision for outstanding insurance claims:-		
Third party liabilities	137	161
Vehicles and plant	-	1
Property	-	2
Employers Liability	102	38
	239	202

Notes to the Balance Sheet on page 21

8. Analysis of Long Term Borrowing

There was no long term borrowing as at 31st March

9. Deferred Liabilities

The Council has no deferred liabilities.

10. Deferred Credits

Deferred credits represent mortgages on sold council houses.

11. Pension Reserve

Page 14 note 13 contains details of the Authority's participation in the Local Government Pension Scheme (administered by Hampshire County Council).

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:-

	2003/2004	2004/2005
	£000's	£000's
Share of assets in Hampshire County Council Pension Fund	42,950	46,190
Estimated funded liabilities in Hampshire County Council Pension Fund	(60,480)	(77,130)
Estimated Unfunded Liabilities	(710)	(620)
Havant Borough Council's deficit in the scheme	<u>(18,240)</u>	<u>(31,560)</u>

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. 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 discount rate used to calculate pension scheme liabilities has been changed from a rate determined each year by the Governments Actuaries Department based on the assumed long-term real rate of return expected to be earned on a portfolio of long-dated index-linked stocks to the current rate of return on a high quality corporate bond of equivalent currency and term to the Scheme liabilities, often referred to as "AA Corporate Bond Rates". As a consequence the reduction in the assumed real discount rate has resulted in significant increases in liabilities and current service cost. This change accounts for approximately £11 million of the £11.950 million actuarial loss relating to pensions.

Notes to the Balance Sheet on page 21

The £31.560 million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2005 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 1st April 2005 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 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

The main assumptions used for the purposes of FRS 17 are as follows:

	31/03/2004	31/03/2005
	% pa	% pa
Rate of inflation	2.90	2.90
Rate of general long-term increase in salaries	4.40	4.40
Rate of increase in pensions in payment	2.90	2.90
Discount rate for scheme liabilities	6.40	5.30
Discount rate for pension cost over following year	5.40	5.30
Long-term expected rates of return on:		
Equities	7.70	7.70
Government Bonds	4.70	4.70
Property	6.70	6.70
Other assets	4.20	4.80
Average long term expected rate of return	6.90	6.90

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

	2003/2004		2004/2005	
	£m	% of fund	£m	% of fund
Equities	1,344.73	71%	1,463.32	69%
Property	70.84	4%	84.83	4%
Government bonds	407.57	21%	470.81	22%
Other	102.00	4%	101.80	5%
Total	1,925.14		2,120.76	

Notes to the Balance Sheet on page 21

The movement in net surplus for the year to 31 March 2005 is as follows:

	£000's	£000's
Net deficit at 1/4/04		-18,240
Movement in year:		
Operating Charge		
Current service cost	-1,540	
Past service cost	-10	
Total Operating Charge	-1,550	-1,550
Contributions		1,160
Other finance income		-980
Actuarial gain / (loss)		-11,950
Net deficit at 31/3/05		-31,560

12. Collection Fund Revenue Account

Represents the surplus or deficit on the Fund as shown on pages 18 to 20. A share of the Council Tax surplus will be payable to Hampshire County Council and Hampshire Police Authority in 2005/2006 and the remainder will be paid during 2006/2007 (See page 19 note 5).

13. Other Balances

	2003/2004 £000's	2004/2005 £000's
Contributions from Developers	502	540
Highways Agency	18	15
Other	(19)	(20)
	501	535

14. Trust Funds

The Council does not administer any trust funds.

15. Contingent Liabilities and Gains and Post Balance Sheet Events

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.

In 2004/2005 the Council agreed to dispose of 4 acres of land at Potash Terrace. The land has been sold subject to the potential purchaser being granted planning permission and road diversion plans. If this sale goes ahead, this will result in a significant capital receipt to the council.

The position regarding possible costs associated with the Euro is explained on page 3.

Statement of Total Movement in Reserves

	2003/2004 £000's	2004/2005 £000's
<i>Surplus / (deficit) for the year</i>		
General Fund	(192)	(250)
Collection Fund	(52)	(110)
add back Movements on earmarked revenue reserves	(721)	(385)
Deduct appropriation from pensions reserve	(1,310)	(1,370)
Actuarial gains and (losses) relating to pensions	4,630	(11,950)
Total increase / (decrease) in revenue resources (note 1)	2,355	(14,065)
Increase / (decrease) in usable capital receipts	1,594	(1,594)
Increase / (decrease) in negative credit ceiling	(5,077)	-
Increase / (decrease) in unapplied capital grants and contributions	-	-
Total increase / (decrease) in realised capital resources (note 2)	(3,483)	(1,594)
Gains / (losses) on revaluation of fixed assets	867	1,271
Impairment losses on fixed assets due to general changes in prices	-	-
Total increase / (decrease) in unrealised value of fixed assets (note 3)	867	1,271
Value of assets sold, disposed of or decommissioned (note 3)	(141)	(141)
Capital receipts set aside	5,551	1,825
Revenue resources set aside	(1,722)	(1,788)
Movement on Government Grants Deferred	40	2,257
Total increase / (decrease) in amounts set aside to finance capital investment (note 4)	3,869	2,294
Increase / (decrease) in the pension reserve	(3,320)	13,320
Total recognised gains	147	1,085
<i>Reconciliation to Balance Sheet (page 21)</i>	2003/2004 £000's	2004/2005 £000's
Total Capital and Revenue Reserves at 31st March	29,630	17,429
less Total Capital and Revenue Reserves 31st March previous year	(26,073)	(29,630)
less movement in other balances & Pensions Reserve	(3,410)	13,286
Total recognised gains	147	1,085

Notes To Statement of Total Movement in Reserves

Notes to Statement of Total Movement in Reserves

1. Movement in revenue resources

	General Fund Balances £000's	Earmarked Revenue Reserves £000's	Collection Fund £000's	Pension Reserves £000's
Surplus / (deficit) for 2004/05	(250)		(110)	
Appropriations to/from revenue		(385)		(1,370)
Actuarial gains and losses relating to pensions				(11,950)
	(250)	(385)	(110)	(13,320)
Balance brought forward at 1 April 2004	1,466	2,258	(11)	(18,240)
Balance carried forward at 31 March 2005	1,216	1,873	(121)	(31,560)

Details of the purposes of the reserves are shown on pages 6 and 7.

The General Fund Reserve and Earmarked Revenue Reserves may be used to fund either revenue or capital expenditure. The purpose of the Collection Fund (see page 18 and page 31 note 12) is to show transactions in relation to Community Charge, Council Tax and Non Domestic Rates and the way in which these have been distributed to preceptors.

Movements on earmarked reserves and the General Fund are further broken down in the table below:

	Balance at 31/3/2004 £000's	Surplus / (Deficit) in Year £000's	Transfers In/(Out) £000's	Balance at 31/3/2005 £000's
<u>Earmarked Reserves</u>				
General Fund - earmarked	308	(122)	-	186
Commuted Car parking	25	-	1	26
Insurance Reserve	137	-	(1)	136
Planning Reserve	-	-	127	127
Asset Acquisition Reserve	475	-	-	475
Capital Reserve	1,313	-	(390)	923
Total Earmarked Reserves	2,258	(122)	(263)	1,873
<u>Non Earmarked Reserves</u>				
General Fund	1,466	(250)	-	1,216
Total Usable Reserves	3,724	(372)	(263)	3,089

Notes To Statement of Total Movement in Reserves

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 liability of the Hampshire County Council Pension Fund (see note 11 page 29-31).

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

	2003/2004		2004/2005	
	£000's	%	£000's	%
Differences between the expected and actual return on scheme assets	4,540	10.60	1,520	3.30
Differences between actuarial assumptions about liabilities and actual experience	(60)	0.10	300	0.40
Changes in assumptions underlying the present value of pension liabilities	<u>150</u>	0.20	<u>(13,770)</u>	(17.70)
Total	4,630	7.60	(11,950)	(15.40)

2. Movements in realised capital resources

	Usable Capital Receipts £000's	Unapplied capital grants and contributions £000's
Amounts receivable in 2004/2005	231	-
Amounts applied to finance new capital investment in 2004/2005	<u>(1,825)</u>	-
Total increase / (decrease) in realised capital resources in 2004/2005	(1,594)	-
Balance brought forward at 1 April 2004	<u>1,594</u>	-
Balance carried forward at 31 March 2005	-	-

The Usable Capital Receipts Reserve represents capital receipts which are available for financing new capital expenditure but have yet to be applied for that purpose.

Notes To Statement of Total Movement in Reserves

3. 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 2004/2005	1,271
Impairment losses on fixed assets due to general changes in prices in 2004/2005	-
Total increase/(decrease) in unrealised capital resources in 2004/2005	1,271
Amounts written off fixed asset balances for disposal in 2004/2005	(141)
Total movement on reserves in 2004/2005	1,130
Balance brought forward at 1 April 2004	(391)
Balance carried forward at 31 March 2005	739

The system of capital accounting, effective from 1st April 1994, requires the establishment of the fixed asset restatement account. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation at 1st April 1994 and subsequent revaluations since 1st April 1994. The reserve is written down by the net book value of assets on disposal and debited or credited with the deficits or surpluses arising on revaluations. Assets are revalued on a five year rolling programme.

4. Movement in amounts set aside to finance capital investment

	Capital Financing Account £000's	Government grants deferred £000's	Capital contributions deferred £000's
Capital receipts set aside in 2004/2005			
- usable receipts applied	1,825		
Total capital receipts set aside in 2004/2005	1,825	-	-
Revenue resources set aside in 2004/2005			
- capital expenditure financed from revenue	752	-	-
- reconciling amount for provision for loan repayments	(2,540)	-	-
Total revenue resources set aside in 2004/2005	(1,788)	-	-
Grants / contributions applied to capital investment in 2004/2005	-	882	1,866
Amounts credited to the Asset Management Revenue Account in 2004/2005	-	(454)	(37)
Movement in Government / Capital Contributions Grants Deferred	-	428	1,829
Total movement on reserve in 2004/2005	37	428	1,829
Balance brought forward at 1 April 2004	40,390	2,063	-
Balance carried forward at 31 March 2005	40,427	2,491	1,829

Notes To Statement of Total Movement in Reserves (Cont'd)

The capital financing account represents the amounts which are required by statute to be set aside from capital receipts or the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. This reserve is primarily to maintain the double entry accounting concept and does not represent cash balances available for future financing of capital expenditure.

Government grants deferred – government grants towards capital expenditure are initially credited to this account and then released to the Asset Management Revenue Account over the life of the relevant asset to match the charge for depreciation.

Capital contributions deferred – non monetary S106 contribution from Developer towards capital expenditure. Contribution initially credited to this account and then released to the Asset Management Revenue Account over the life of the relevant asset to match the charge for depreciation.

Cash Flow Statement 2004/2005

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

2003/2004 £ 000's	Note Number	2004/2005 £ 000's
REVENUE ACTIVITIES		
Cash Outflows		
(11,824)		(11,894)
(39,567)		(42,029)
(10,087)		(10,877)
(14,472)		(15,748)
(19,491)		(18,553)
(95,441)		(99,101)
Cash Inflows		
40,007		42,244
4,078		3,171
18,313		17,576
5,115		5,078
20,380		22,324
898		1,460
5,301		5,637
(236)		798
93,856		98,288
(1,585)	1	(813)
SERVICING OF FINANCE		
(5)		(4)
424		382
CAPITAL ACTIVITIES		
Cash (Outflows) / Inflows		
(6,054)		(3,473)
(1,073)		(639)
1,970		13
568		1,958
1,000		781
(4,755)		(1,795)
MANAGEMENT OF LIQUID RESOURCES		
4,050	2	4,800
FINANCING		
1,000		(1,000)
295	3	2,005

Notes To The Cash Flow Statement 2004/2005

1. Reconciliation of Revenue Surplus to Net Revenue Cash Flow

	2003/2004 £000's	2004/2005 £000's
Net Revenue cash inflow/(outflow)	(1,585)	(813)
General Fund surplus/(deficit)	(68)	(372)
Collection Fund surplus/(deficit)	(51)	(111)
	(119)	(483)
Net interest included under Servicing of Finance	(401)	(299)
Revenue Contribution to Capital Outlay	556	752
<u>Add</u>		
Increase in creditors	-	-
Reduction in Debtors	148	-
Reduction in stocks & work in progress	-	85
Increase in provision for bad debts	-	270
<u>Less</u>		
Contributions from reserves, provisions & balances	(898)	30
Payments In Advance	36	5
Reduction in Creditors	(225)	(79)
Increase in Debtors	-	(1,101)
Increase in stocks & work in progress	(26)	-
Minimum Revenue Provision Credit	(92)	39
Reduction in provision for bad debts	(577)	-
Other non cash transactions	13	(32)
	(1,585)	(813)

2. Management of Liquid Resources and Financing

	Balance at 1st April 2004 £000's	Balance at 31st March 2005 £000's	Movement in Year £000's
<u>Management of Liquid Resources</u>			
Short term deposits	4,800	-	4,800
<u>Financing</u>			
Temporary Borrowing	1,000	-	(1,000)

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

Notes To The Cash Flow Statement 2004/2005 (cont'd)

3. Decrease in Cash and Cash Equivalents

	Balance at 1st April 2004 £000's	Balance at 31st March 2005 £000's	Movement in Year £000's
Cash	103	1,910	1,807
Cash Overdrawn	(671)	(473)	198
	<u>(568)</u>	<u>1,437</u>	<u>2,005</u>

4. Analysis of Government Receipts and Payments

	2003/2004 £000's	2004/2005 £000's
National Non Domestic Rates payments to Pool	(19,491)	(18,553)
National Non Domestic Rates receipts from Pool	4,078	3,171
Revenue Support Grant	5,115	5,078
Department for Work and Pensions Benefits Grant	20,380	22,324
Capital Grants	568	1,958
Other Grants	898	1,460
	<u>11,548</u>	<u>15,438</u>

5. Reconciliation of Net Cash Flow to Movement in Net Funds

	2003/2004 £000's	2004/2005 £000's
Increase/(Decrease) in Cash in the period	295	2,005
Increase/(Decrease) in Liquid Resources	(4,050)	(4,800)
Change in Net Debt resulting from cash flows	<u>(1,000)</u>	<u>1,000</u>
Movement in Net Funds in period	(4,755)	(1,795)
Net Funds at beginning of period	7,986	3,231
Net Funds at end of period	<u>3,231</u>	<u>1,436</u>

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

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.
CAPITAL CHARGE	A charge to revenue accounts to reflect the cost of fixed assets used in the provision of services.
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 are 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.

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 31st March, 2005 and its income and expenditure for the year then ended.

Signed:

Head of Resources

Date: 18th July 2005

Statement of Assurance

Havant Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the authority's affairs and the stewardship of the resources at its disposal. To this end, Havant Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance* and of a Statement of Internal Control. A copy of the code, which is reviewed annually, is on our web site at havant.gov.uk, or can be obtained from the Head of Resources.

It is recognised that appropriate management and reporting arrangements are necessary to enable the Council to satisfy itself, and the public, that its approach to corporate governance is both adequate and effective in practice. The Head of Resources has been given responsibility for overseeing the implementation of the code, reviewing the operation of the code in practice and preparing this statement for consideration by the Leader and Managing Director.

In addition, the authority's internal audit manager has been given the responsibility to review independently and prepare a report to the Standards Committee, as part of the Internal Audit Annual Report, on the adequacy and effectiveness of the code and the extent of compliance with it.

No assurance can ever be absolute but on the basis of the reports of the Head of Resources and Internal Audit Manager arising from their reviews of the authority's corporate governance arrangements, we are satisfied that the Council has an adequate framework to provide sound corporate governance, including adequate systems of risk management and internal control.

We propose over the coming year to further enhance our corporate governance arrangements. Actions will include:-

- ◆ Improving the Performance Management system, including the quality of performance indicators.
- ◆ Adopting a code of conduct for employees.
- ◆ Continuing to develop risk management and business continuity arrangements

We are satisfied that these steps will address the need for improvements that were identified in our review and will review their implementation and operation as part of our next annual review.

Signed

Leader of the Council
6 July 2005

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Managing Director
6 July 2005

Independent Auditors' Report To Havant Borough Council

We have audited the Statement of Accounts for the year ended 31 March 2005 on pages 5 to 40 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 8.

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 54 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 Head of Resources and auditors

As described in the Statement of Responsibilities for the Statement of Accounts on page 43, the Head of Resources is responsible for the preparation of the Statement of Accounts in accordance with the 'Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004'. Our responsibilities, as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts presents fairly the financial position of the Council and its income and expenditure for the year.

We review whether the Statement of Assurance on page 44 reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003" published on 2 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 whether the Statement of Assurance covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance arrangements or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the Statement of Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Statement of Accounts.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 Statement of Accounts is 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 Statement of Accounts present fairly the financial position of Havant Borough Council as at 31 March 2005 and its income and expenditure for the year then ended.

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

Chartered Accountants and Registered Auditors
Southampton

28 October 2005