HAVANT BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
2018 – 2019

CONTENTS

Contents

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

The Finance Department,
Havant Borough Council,
Public Service Plaza, Civic Centre Road,
Havant, Hants. PO9 2AX
Telephone: 01749 341270

This report and further details of the Council’s finances can also be viewed on the Council's website https://www.havant.gov.uk

NARRATIVE STATEMENT

Introduction to Havant Borough Council

The Statutory Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information to the public, including electors, residents and businesses of Havant Borough; Council Members, partners and other stakeholders of Havant Borough Council.

The Statutory Accounts aim to provide:

An understanding of the overarching financial position of the Council.
Confidence that the public funds entrusted to the Council have been accounted for appropriately.
Assurance that the financial position of the Council is robust.

Structure of the Narrative Statement

The Narrative Statement is structured into:

Key facts about Havant Borough Council
Chief Finance Officer (Section 151 Officer's statement)
Performance against Business Plans & Council Strategy
Financial performance
Budget / MTFS 2019/20
Explanations of financial statements.

Key facts about Havant Borough Council

Havant Borough Council is responsible for services such as waste collection and recycling, council tax collection, leisure services, planning, housing, building control, environmental health, car parking and economic development. Policies and strategies are developed and determined by our 38 councillors. The Council employs 201 full time equivalent members of staff serving a population of 124,900.

Havant Borough Councils' mission, as elected leaders and public servants is to play our part and shape council services to ensure that the communities of Havant Borough will be increasingly prosperous, vibrant and active. The Council will put our customers at the centre of everything we do.

In recent years the Government's austerity measures have placed significant financial pressures on the Council and will continue into the foreseeable future.

Our operational priorities that will help us deliver our corporate strategy mission are; financial sustainability, economic growth, environmental sustainability, public service excellence and creativity and innovation.

Overall Financial Position

The revenue outturn position for the year was £528k surplus before carry forwards of £428k and £100k after carry forwards.

This is a real achievement against £2.2m of "Budget Challenge" targets that were included within the 2018/19 budget. These have been offset through income growth and operational efficiencies.

The Council's overall financial position remains sustainable with adequate levels of reserves. There are robust processes in place for budget setting and forecasting, and the Council has in place a Medium Term Financial Strategy (MTFS) that is both understood and owned by the business managers. There are sound systems in place to ensure that financial performance is understood, and that cash is collected, that debtor balances are minimised, and all funding streams are exploited. A full deep-dive review of the MTFS will take place during 2019/20 to ensure the Council remains financially sustainable in the future.

The MTFS agreed by Council in February 2018 shows initial surpluses turning into deficits, but with an overall cumulative surplus being maintained.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Annual (Surplus)/Deficit	Nil	(0.219)	(0.170)	0.042	0.248
Cumulative Surplus	-	(0.219)	(0.389)	(0.347)	(0.099)

Despite all the additional demand pressures, austerity measures and national funding cuts in public services Havant Borough Council continues to deliver efficient and high-quality services to its residents. Operational performance remains strong with all national planning application targets met as well as high collection rates for Council Tax and business rates.

Lydia Morrison
Chief Finance Officer (s151)

Performance against our Corporate Strategy 2018/19

Havant Borough Council's mission is to ensure that the communities of Havant will be increasingly prosperous, vibrant and active, putting customers at the centre of everything we do. The strategy to deliver this is to develop a mixed economy of service delivery, with a strong focus on commissioning high quality services.

Our corporate strategy is focused around operational priorities grouped into the following areas; financial sustainability, economic growth, environmental sustainability, public service excellence, creativity and innovation. During 2018/19 as part of the budget setting process for 2019/20 we refreshed our Corporate Strategy with particular focus on our new Regeneration Strategy approved during 2018/19, with renewed focus on our customers and on financial sustainability.

(1) Financial sustainability

We are committed to ensure that our council services contributed to us being financially sustainable in the environment of a reducing government grant, and being affordable to our customers. During 2018/19 we increased Council Tax by 2.99%, this increase was in the context of falling government revenue support grants and the need to ensure our residents receive the best possible service.

2018/19 saw the third year of our successful joint venture, Norse South East. Norse South East provides our operational services to residents and during its third year of operation met its financial targets of income back to the Council. During the year Norse continued to grow new services as it looks to expand its business in order to deliver a greater financial return to Havant Borough Council in future years.

2018/19 saw the continuation of the ground-breaking partnership between six councils more than 85 miles apart through the delivery partner Capita. The Partnership is the first-time local authorities have looked beyond their immediate neighbours to share services to utilise their vision to deliver improved and more affordable services. Outsourced services at HBC include the HR Service, which has implemented new HR and payroll systems across the partnership, the IT service, Land Charges, Customer Services, Revenue and Benefits and the Finance service, with new finance software as part of the system upgrades. The Council continues to work with Capita in order to improve services and secure the overall headline savings and achieve the best financial outcome for the Council.

(2) Public Service Excellence

Our priority is to support our most vulnerable customers. The Council continues to see a rise in the number of homeless/potentially homeless customers. During the year there were a total of 804 homelessness prevention outcome cases with only 7 cases accepted as homelessness. This represents the high levels of intervention and casework that the Council managed in order to prevent homelessness. In addition, at the end of March the Government gave a grant to be used specifically to reduce length of time in Bed & Breakfast and this will allow for any additional initiatives in our Strategy Action Plan.

Regarding the Supporting Families project, Havant was set a target by Hampshire County Council to engage with families and support them on a range of issues such as employment, financial matters, domestic abuse, health and children in need. The target set for 2018/19 was 150 families which was achieved and exceeded with 195 families given support.

The council continued to engage with our communities and deliver a number of supportive initiatives including community events. We delivered various Making Every Contact Count (MECC) sessions, including two Dementia Friendly sessions and a Sport England Get Up & Go project targeting over 55's to increase physical activity. In addition, the first year of our Havant Community Lottery saw more than 63,000 tickets being sold in the first 12 months, raising a £37,812 for good causes in the borough, a total of 60% of every ticket going back to the community.

A number of community infrastructure projects were progressed during the year including improvements to Barton's Green changing pavilion which was fully refurbished following receipt of a grant. In addition, Havant Rugby Club saw improvements to their facilities enabled them to become World Rugby compliant with the Council supporting through a £15,000 developer contribution. During the year community infrastructure levy spending was agreed with more than £1.29m earmarked for new infrastructure and community projects over the coming years.

During the year a number of major events took place in the borough, the Emsworth Food Fortnight, Windsurfing Festival, Virgin Kitesurfing and annual Fireworks, showcasing the borough on a national scale and engaging with the local community. More than 70 students from the borough joined the Mayor, councillors and community groups for the fifth annual Youth Conference in March. In addition, the annual Junior Citizen event also took place, attended by over 1000 school children from local schools its aim is to teach children key life skills and importance of being good citizens.

(3) Creativity and Innovation

Havant Borough Council is an exciting and vibrant place to work. The Council provides community leadership and is at the cutting edge of innovation and practice. Our Public Service Plaza provides a working environment which is shared with several important public, private and voluntary sector partners. The Plaza is a centre of excellence and is vital to the integration of public services and we continue to explore opportunities to grow the Plaza.

We are committed to developing and supporting our staff. We continued to develop a modern and effective employment package for our staff. Heads of Service and Team Leaders have completed a comprehensive HR skills programme. This has included information on policies and procedures in addition to appropriate decision making in respect of people management matters. A change of culture remains central to a high performing Council. There are now four specific workstreams dedicated to an area of change and supported by staff volunteers in the areas of Wellbeing, Performance and Productivity, Good Governance and Communications and Engagement. Our HBC website, designed to make priority services easy to find has continued to grow as well as our social media presence. When compared to the last quarter from last year (2017/18), the number of website visits has increased by 45% (up from 131,475 to 191,313). The website usage continues to increase and is becoming the default place to access council services and information with more users visiting the site every year.

We have continued our quarterly You're a Star staff awards, and our annual staff awards took place in December 2018, recognising individual and team achievements. We also held a Leadership Conference for our current and future leaders.
Our Councillors have also been involved in a Councillor Development pilot and were successfully awarded Councillor Charter status accreditation during the year. Work now continues to embed councillor development

Our involvement in the Eastern Solent Coastal Partnership, formed in 2012, continues. This innovative initiative was driven forward by the need for coastal management that recognises coastal flooding and erosion risk impacts not exclusive to local authority boundaries.

Our Place Shaping work

(4) Economic growth

During 2018/19 the Council adopted a new Regeneration Strategy which would allow for the transformation of the borough over the next 18 years. The Regeneration Strategy sets out ambitious plans for major regeneration across the area. The strategy identifies the opportunities that are available to overcome the housing, economic and transport challenges faced, whilst highlighting the potential benefits that can be gained for residents, visitors and investors. The regeneration programme priorities are the Civic Plaza redevelopment, Brockhampton West marketing, Hayling Island development and the wider borough promotion, in particular Havant Town Centre. Phase 2 projects include wider redevelopment opportunities in the town centres (Havant, Waterlooville and Leigh Park). With the approval of the Regeneration Strategy work in 2018/19 was focussed on establishing a team to deliver the work.

Homes England agreed a £3.4million funding deal with Havant Borough Council announced in 2018/19. The funding has been awarded through the Government's £450 million Local Authority Accelerated Construction Programme and will enable development of new homes on the Council's surface car parks at the Civic Campus. The Council plans to use the funding to accelerate the delivery of 121 apartments prioritising the use of modern methods of construction.

NARRATIVE STATEMENT

Another step forward for the regeneration of Havant was taken when Havant Borough Council and Havant and South Downs College hosted more than 25 local businesses at the first Havant Business Partnership event. The aim of the event was to create positive networks for the college, council and major businesses in the area. It is intended that this will be the start of a growing business networking forum for Havant. Delegates were invited to take part in discussion groups about the challenges businesses face in recruiting and retaining talent and how the regeneration plans will transform the borough for everyone's benefit.

(5) Local Plan

Our Local Plan has made significant progress over the year with agreement from the Council to submit to the Secretary of State for Housing, Communities and Local Government following the final proposed consultation. The Local Plan sets out how the Borough of Havant will develop over the next 17 years. It outlines the strategy for ensuring that the growth needed is delivered in the right places and is of the right character and quality. It also ensures that this growth is delivered alongside supporting roads, schools and services such as health, as well as retail, leisure and community facilities. The Havant Borough Local Plan 2036 includes a number of proposals to meet housing, employment and infrastructure needs for the borough. These include the regeneration of Havant and Waterlooville Town Centres together with Hayling Island Seafront. These are key priority sites in the newly adopted Regeneration Strategy.

(6) Environmental sustainability

2018/19 was the third year of our agreed Energy Strategy. Our strategy provides a framework to deliver energy projects across the borough until 2022. The strategy has three clear aims; improve energy efficiency, increase low carbon energy generation and demonstrate council leadership. During the year work focussed on an electric vehicle infrastructure project, with ChargePoint Services to provide three new electric vehicle chargers in the borough – enabling residents and visitors to charge quickly and efficiently on the go.

As a member of the Eastern Coastal Solent Partnership work has continued to improve the local Coastline. In January 2019 the Hayling Island Funding and Implementation Strategy started with an assessment of the condition of defences around the island. Flood risk modelling is underway to develop an up to date picture of flood risk on the island and an assessment of potential economic benefits of undertaking future works is progressing. Funding for the Langstone protection scheme of £2.55M has been approved via pot building across four financial years 2018/19 – 2021/22. By working under a Shared Service Agreement, the costs of running the Partnership and its services are distributed and funded proportionally across each local authority. The Partnership has made substantial savings, whilst providing a higher quality of service and employing more staff. Since 2012 the Partnership as delivered over £1.8m in savings for the partners.

Impact of Covid-19

As a result of the final version of these statements being approved in July 2020 we have considered the impact of the Covid-19 pandemic on the Council. The pandemic has had a significant impact on the Council, although the vast majority of the financial impact will be in 2020/21 and possibly beyond. We have considered the impact on the Council's finances as an event after the balance sheet date (note 42 on page 93).

Financial Performance & Capital Summary

2018/19 Revenue Outturn

For the 2018/19 financial year, the Council agreed its budget for net revenue spending on General Fund services at £16.176m. Net revenue spending is financed in part by Government Grant and retained business rates, with the remainder being raised through the council tax, use of reserves and interest on external investments. The Council Tax charge for Council services was set at £204.48 for band D properties.

The table below compares the final outturn with the original budget. The basis for these figures is the Council's internal management accounts rather than the statutory published accounts which comply with International Financial Reporting Standards (IFRS).

	BUDGET	Actuals to date	VAR TO BUDGET
SERVICE	**£000**	**£000**	**Fav(-) / Adv**
Head of Neighbourhood Support	(142.8)	(83.5)	59.3
Head of Planning (H)	568.9	680.1	111.3
Head of Coastal Partnership	192.7	111.7	(81.0)
Head of Housing	548.9	386.6	(162.3)
Head of Communications	204.8	223.6	18.8
Head of Development	74.5	(105.2)	(179.7)
Head of Community Engagement	919.4	714.0	(205.4)
Estates	496.1	505.5	9.4
Head of Property	(1,402.7)	(1,195.7)	207.0
OPERATIONS & PLACE SHAPING	**1,459.7**	**1,237.1**	**(222.7)**
Head of Finance	966.7	1,712.7	746.0
Head of Organisational Development	918.6	946.2	27.6
Head of Legal	342.4	289.8	(52.6)
Head of Programmes Redesign & Quality	3,060.2	2,776.2	(283.9)
Head of Customer Services	3,681.7	3,564.9	(116.7)
5 Councils Staff and Contract	359.3	531.0	171.6
GOVERNANCE	**9,328.9**	**9,820.9**	**492.0**
Head of Commercial Development	127.5	161.7	34.1
Head of Regeneration (South)	(335.0)	132.4	467.4
Head of Environmental Services	3,888.1	4,397.9	509.8
COMMERCIAL	**3,680.7**	**4,692.0**	**1,011.4**
CONTRIBUTION (favourable) or adverse	**14,469.3**	**15,750.0**	**1,280.7**
Other Operating Income & Expenditure	852.8	770.8	(82.0)
Movement in Reserves	853.7	1,642.0	788.3
TOTAL MOVEMENT IN RESERVES AND OTHER	**1,706.5**	**2,412.8**	**706.3**
TOTAL NET EXPENDITURE	**16,175.8**	**18,162.7**	**1,986.9**
Council Tax & Business Rates	(11,462.4)	(12,671.6)	(1,209.2)
General Grants	(4,713.4)	(5,591.6)	(878.1)
FUNDING	**(16,175.8)**	**(18,263.2)**	**(2,087.4)**
(SURPLUS)/ DEFICIT	**0.0**	**(100.5)**	**(100.5)**

NARRATIVE STATEMENT

*Please note only material variances are analysed out in detail.

VAR TO BUDGET (Fav) / Adverse	SERVICE	NARRATIVE
59.3	Head of Neighbourhood Support	Adverse variance due to £250k budget challenge not being fully met. The greatest contribution were made from additional parking income of (£94k). Offset in part by additional bank charges. Further savings were made in reduced staffing and contract costs.
111.3	Head of Planning (H)	Adverse variance due to £50k budget challenge not being met and additional staffing costs.
(81.0)	Head of Coastal Partnership	Favourable variance due to grant income received from the Environmental Agency in 18/19 but spend anticipated in 19/20 due to a delay of commencement of works.
(162.3)	Head of Housing	Favourable variance comprised of (£234k) additional unbudgeted grant funding. Bed and Breakfast income increased by (£140k). Partially offset by £173k increased spend on homelessness prevention
18.8	Head of Communications	In line.
(179.7)	Head of Development	Favourable variance mainly attributable to higher than anticipated planning and inspection fees (£108k), unbudgeted grant income (£5k) and lower than planned payment of grants.
(205.4)	Head of Community Engagement	(£175k) national lottery funding received for Wecock farm, big local plan, remainder is due to vacancy savings.
9.4	Estates	In line.
207.0	Head of Property	Adverse variance due to reduction in expected investment property income following reclassification of assets.
746.0	Head of Finance	Variance is mainly due to review of balance sheet provisions, interest on investments and interest payable.
27.6	Head of Organisational Development	Corporate budget adjustment of £85k partially achieved through vacancy savings and a reduction in supplies and services costs.
(52.6)	Head of Legal	Favourable variance due to reduced spend on external legal and professional services.
(283.9)	Head of Programmes Redesign & Quality	Favourable variance due to delay of non-essential building maintenance. Partially offset by a reduction in land charges income due to reduced demand £33k, and increase in ICT licences across the council above anticipated budget and in-house CRM development.
(116.7)	Head of Customer Services	Favourable variance mainly due to vacancy savings (£157k), partially offset by redundancy costs and electoral grant income funding carried forward from 17/18.

This table is continued on the next page

171.6	5 Councils Staff and Contract	Adverse variance due to net review of cumulative net recharge position across the partnership. Additional pension transition costs and changes to staffing recharges.
34.1	Head of Commercial Development	Adverse variance due to a net staffing overspend of £77k. This has been partially offset by (£11k) additional income for professional services and a reduction in external third party professional fee and software purchases costs.
467.4	Head of Regeneration (South)	Overspend partially offset by a transfer from reserves reported through the Movement in Reserves.
509.8	Head of Environmental Services	Adverse variance due to £400k of budget challenges not met and an additional unanticipated £105k cost relating to waste services contract.

Capital Outturn 2018/19

The Capital outturn for 2018/19 was as follows,

Expenditure	Budget including Brought Forward	Outturn
	£'000	£'000
Housing		
DFG Expenditure	734	967
	734	**967**
Operational Land and Buildings		
Front Lawn Works	-	306
Barton Green Pavilion	80	86
Refurbishment of HBC equipped play areas	75	25
Construct New Allotments	135	-
FCERM Scheme	-	32
S106 Funded - HBC Assets Acquisition of land	-	2
S106 Funded - Non HBC Assets Capital grant to public sector	-	8
	290	**459**
Investment Properties		
Development of Phase 1 of the Commercial Premises	54	-
Vehicles and Equipment		
Replacement of Noise Monitoring Equipment	22	11
Animal Warden Vehicle	30	-
Neighbourhood Quality Fleet Replacement	17	24
	69	**34**
Other Capital Expenditure		
Replacement of processing and application mgmt system	350	-
Asset Management Maintenance System	35	-
Building control software	50	17
	435	**17**
Total Expenditure	**1,582**	**1,477**
Financed by		
Increase in Capital Financing Requirement		-
Capital Receipts		510
Grants and Contributions		967
Contributions from Earmarked Reserves		-
Total Financing		**1,477**

Business Rates Retention Scheme

The principle behind the scheme is that local authorities retain a share of Business Rates collected from their local businesses. Authorities retain a share of growth in the business base, giving councils incentive to invest in local infrastructure. The government announced the continuation of several Business Rate reliefs throughout 2018/19. The impact of these reliefs was to reduce collectible business rates, and this has been offset by cash grants paid to the Council. The surplus or deficit on business rates will be redistributed between the Government, Havant Borough Council, Hampshire County Council, and Hampshire Fire and Rescue during 2019/20. The budget calculations for 2019/20 take into account this redistribution.

The table below demonstrates how the Council estimated its collectable business rates, how this is split between the participating authorities, the split of the overall 2018/19 (surplus)/deficit, and the impact on the General Fund in 2019/20, compared to actual performance in the year.

	Budget	Outturn
	£'000	£'000
Business Rates Yield		
Base Yield	35,936	35,608
Provision for backdated appeals	-	267
Cost of Collection	(138)	(138)
Adjustment for provision for bad debt	-	(102)
Transitional protection payment	(865)	(868)
Business Rates Yield	**34,933**	**34,767**
Distribution		
Central Government (50%)	17,467	17,467
Hampshire County Council (9%)	3,144	3,144
Hampshire Fire (1%)	349	349
Havant Borough Council (HBC) (40%)	13,973	13,973
Total Distribution	**34,933**	**34,933**
Collection Fund (Surplus)/Deficit B/fwd	2,071	2,286
Reallocation of prior year balance – HBC	(828)	(828)
Reallocation of prior year balance – Other	(1,243)	(1,243)
Collection Fund (Surplus)/Deficit in year	-	166
Collection Fund (Surplus)/Deficit C/fwd	**-**	**381**
Allocation of (Surplus)/Deficit		
Government Share (50%)	-	191
HBC Share (40%)	-	152
Hampshire County Council Share (9%)	-	34
Hampshire Fire (1%)	-	4
Total	**-**	**381**
Havant Borough District Council		
Retained Business Rates		
Non-Domestic Rating income	13,973	13,907
S31 Grant Income	1,296	1,245
Tariff paid to Central Government	(9,167)	(9,259)
Levy/ safety net paid to/by Central Government	(1,441)	(1,174)
Payment of prior year's estimated surplus / (deficit)	(828)	(828)
Total 2018/19 business rates income	**3,833**	**3,891**

Medium Term Financial Strategy

The Council agreed its Medium Term Financial Strategy as part of its budget setting process for 2019/20. The summary projections demonstrate the Council's ambitions for maintaining council tax at current levels and generating income.

	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M
Director of Regeneration & Place					
Head of Planning	1.088	0.961	0.970	0.980	0.990
Head of Environmental Services	4.266	4.351	4.438	4.527	4.618
Head of Coastal Partnership	0.139	0.142	0.145	0.148	0.150
Director of Operations & Neighbourhoods					
Head of Commercial Development	0.118	0.120	0.123	0.125	0.128
Head of Community Engagement	0.933	0.882	0.900	0.918	0.936
Head of Development	0.092	0.094	0.096	0.098	0.100
Head of Housing	0.537	0.548	0.559	0.570	0.581
Head of Neighbourhood Support	(0.234)	(0.239)	(0.243)	(0.248)	(0.253)
Director of Corporate Services					
5 Councils Staff and Contract	0.326	0.213	0.217	0.221	0.226
Head of Property	(1.292)	(1.318)	(1.344)	(1.371)	(1.399)
Head of Communications	0.199	0.203	0.207	0.211	0.215
Head of Customer Services	3.438	3.507	3.577	3.648	3.721
Head of Finance	0.886	0.904	0.922	0.940	0.959
Head of Legal	0.352	0.359	0.366	0.374	0.381
Head of Organisational Development	0.803	0.819	0.835	0.852	0.869
Head of Programmes Redesign	2.794	2.850	2.907	2.965	3.024
Contribution (Surplus) / Deficit	**14.445**	**14.395**	**14.674**	**14.957**	**15.247**
Corporate Pension Costs	0.853	0.853	0.853	0.853	0.853
Movement in Reserves (Capital Charges)	(1.091)	(0.984)	(0.984)	(0.984)	(0.984)
TOTAL NET EXPENDITURE	**14.207**	**14.264**	**14.543**	**14.826**	**15.116**
Council Tax	(8.324)	(8.366)	(8.407)	(8.449)	(8.492)
Council Tax Surplus from Prior Year	(0.002)	-	-	-	-
Retained Business Rates	(1.951)	(1.738)	(1.773)	(1.808)	(1.844)
Business Rates Growth	(0.981)	(0.491)	(0.515)	(0.541)	(0.568)
Business Rates Deficit from Prior Year	0.206	-	-	-	-
S31 Grants - Small Business Rate Relief	(1.568)	(1.599)	(1.631)	(1.664)	(1.697)
New Homes Bonus	(1.587)	(0.848)	(0.337)	(0.092)	-
TOTAL FUNDING	**(14.207)**	**(13.041)**	**(12.663)**	**(12.554)**	**(12.601)**
BUDGET (SURPLUS)/DEFICIT	**0.000**	**1.223**	**1.879**	**2.272**	**2.515**

NARRATIVE STATEMENT

Explanation of accounting statements

The Statement of Accounts for 2018/19 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The purpose of the published Statement of Accounts is to give electors, local taxpayers, Councillors and other interested parties clear information about the Council's finances. The statements inform readers of the cost of services provided by the Council in the year 2018/19, how services were paid for and the Council's assets and liabilities at the year-end date of 31 March 2019.

The purpose of each of the main statements is explained below.

The following key statements are included:

The Movements in Reserves Statement

The Movements in Reserves Statement reconciles the balance on the Comprehensive Income and Expenditure Statement to the movement on the Council's reserves, both usable and unusable.

The Expenditure and Funding Analysis Statement

The Expenditure & Funding Analysis is designed to show how annual expenditure is used and funded from resources, including Government Grants, Council Tax and Business Rates, by local authorities, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practises. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates and Service Heads. Income and expenditure, accounted for under generally accepted accounting practises is presented more fully in the Comprehensive Income and Expenditure Statement.

The Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities of the Council.

The Cash Flow Statement

The Cash Flow Statement reconciles the movement in cash and cash equivalents to the surplus or deficit on the Provision of Services within the Comprehensive Income & Expenditure Statement.

Notes to the Core Financial Statements (including pensions disclosures)

The Collection Fund

This account records all transactions relating to Council Tax and Business Rates.

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 ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer (Section 151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Responsibilities of the Section 151 Officer:

The Section 151 Officer 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.

In preparing this Statement of Accounts, the Section 151 Officer 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 on Local Authority Accounting in the United Kingdom.

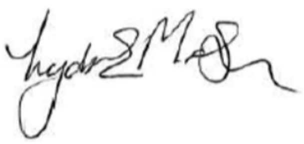
The Section 151 Officer also:

- has kept proper accounting records which were up to date.

- has taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts give a true and fair view of the financial position of the Council as at the 31 March 2019 and its income and expenditure for the year then ended.

Signed:



Lydia Morrison
Section 151 Officer

Date: 29/07/2020

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Certification of the Audited Statement of Accounts:

I confirm that the Statement of Accounts have been audited and, in accordance with the Accounts and Audit Regulations (amendment) 2015, I certify that the Audited Statement of Accounts give a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2019.

Signed:

Lydia Morrison
Section 151 Officer

Date: 29/07/2020

Certificate of approval by the Council:

I confirm that the Audited Statement of Accounts were approved at the Governance and Audit Committee meeting of Havant Borough Council.

Signed:

Cllr A Briggs
Chairman, Governance, Audit and Finance Board

Date: 29/07/2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVANT BOROUGH COUNCIL

Opinion

We have audited the financial statements of Havant Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- The related notes 1 to 43 and the Expenditure and Funding Analysis, and
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Havant Borough Council and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 42 of the financial statements, which describes the economic consequences the Council is facing as a result of COVID-19 which is impacting its operational and financial position and performance during 2019/20, 2020/21 and beyond.
Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Havant Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Certificate

We certify that we have completed the audit of the accounts of Havant Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Havant Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph

43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter.
Ernst + Young LLP

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2020

The maintenance and integrity of the Havant Borough Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Movements in 2018/19:

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Council Share of reserves of Associate £'000	Total Group Reserves £'000eserves
Balance at 31 March 2018 (*restated)	**(7,303)**	**(2,426)**	**(1,437)**	**(8,687)**	**(19,853)**	**(23,948)**	**(43,800)**	**(51)**	**(43,851)**
(Surplus) or deficit on the provision of services	(4,558)	-	-	-	(4,558)	-	(4,558)	-	(4,558)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(9,417)	(9,417)	-	(9,417)
Total Comprehensive Income and Expenditure	**(4,558)**	**-**	**-**	**-**	**(4,558)**	**(9,417)**	**(13,975)**	**-**	**(13,975)**
Adjustment between group and Authority Accounts - purchase of goods & Services from Associate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(31)**	**(31)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	4,592	-	53	(4,196)	(449)	(447)	-	-	-
Net (Increase) /Decrease before Transfers to Earmarked Reserves	**34**	**-**	**53**	**(4,196)**	**(4,109)**	**(9,864)**	**(13,975)**	**(31)**	**(14,006)**
Transfers (to)/from Earmarked Reserves (Note 10)	(134)	134	-	-	-	-	-	-	-
(Increase)/Decrease in 2018/19	(100)	134	53	(4,196)	(4,109)	(9,864)	(13,975)	(31)	(14,006)
Balance at 31 March 2019	**(7,403)**	**(2,292)**	**(1,384)**	**(12,883)**	**(23,962)**	**(33,814)**	**(57,776)**	**(82)**	**(57,858)**

MOVEMENT IN RESERVES STATEMENT

2017-18 MIRS (*restated):

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants and Other Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Council Share of reserves of Associate £'000	Total Group Reserves £'000eserves
Balance at 31 March 2017	**(7,137)**	**(3,156)**	**(1,313)**	**(4,464)**	**(16,070)**	**(17,276)**	**(33,346)**	**(26)**	**(33,372)**
(Surplus) or deficit on the provision of services	(318)	-		-	(318)	-	(318)	-	(318)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(10,135)	(10,135)	-	(10,135)
Total Comprehensive Income and Expenditure	**(318)**	**-**	**-**	**-**	**(318)**	**(10,135)**	**(10,453)**	**-**	**(10,453)**
Adjustment between group and Authority Accounts - purchase of goods & Services from Associate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25)**	**(25)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	884	-	(124)	(4,223)	(3,463)	3,463	-	-	-
Net (Increase) /Decrease before Transfers to Earmarked Reserves	**564**	**-**	**(124)**	**(4,223)**	**(3,782)**	**(6,672)**	**(10,453)**	**(25)**	**(10,478)**
Transfers (to)/from Earmarked Reserves (Note 10)	(730)	730	-	-	-	-	-	-	-
(Increase)/Decrease in 2017/18	**(166)**	**730**	**(124)**	**(4,223)**	**(3,782)**	**(6,672)**	**(10,453)**	**(25)**	**(10,478)**
Balance at 31 March 2018	**(7,303)**	**(2,426)**	**(1,437)**	**(8,687)**	**(19,853)**	**(23,948)**	**(43,800)**	**(51)**	**(43,851)**

*See note 7 for Prior Period Adjustments

EXPENDITURE & FUNDING ANALYSIS

The Expenditure & Funding Analysis is a note to the Financial Statements. However, it is presented here as it provides a link from the figures reported in the Narrative Statement to the Comprehensive Income & Expenditure Statement.

2017/18 (*restated)				2018/19		
Net Expenditure chargeable to the General Fund	**Adjustment between the Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**		**Net Expenditure chargeable to the General Fund**	**Adjustment between the Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Operations Directorate			
214	656	(442)	Head of Neighbourhood Support	(83)	1,588	**(1,671)**
806	(331)	1,137	Head of Planning	680	1,511	**(831)**
2,403	(88)	2,491	Head of Customer Services	2,955	(74)	**3,029**
161	176	(15)	Head of Coastal Partnership	111	-	**111**
498	(68)	566	Head of Housing	387	306	**81**
-	-	-	Head of Regeneration (South)	132	-	**132**
4,082	**345**	**3,737**	**Total Operations Directorate**	**4,182**	**3,331**	**851**
			Strategy & Governance Directorate			
1,110	(275)	1,385	Head of Finance & Property	517	(1,279)	**1,798**
990	(78)	1,068	Head of Organisational Development	946	(40)	**986**
743	(664)	1,407	Head of Communications	224	(25)	**249**
355	(40)	395	Head of Legal	290	(42)	**332**
3,148	(337)	3,485	Head of Programmes Redesign & Quality	2,776	(159)	**2,935**
1,411	(40)	1,451	Executive and 5c's	1,142	(211)	**1,353**
7,757	**(1,434)**	**9,191**	**Total Strategy & Governance Directorate**	**5,897**	**(1,756)**	**7,651**

This table is continued on the next page

EXPENDITURE & FUNDING ANALYSIS

2017/18 (*restated)				2018/19		
Net Expenditure chargeable to the General Fund	**Adjustment between the Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**		**Net Expenditure chargeable to the General Fund**	**Adjustment between the Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Commercial Directorate			
110	16	94	Head of Commercial Development	162	(27)	**189**
-	(148)	148	Head of Community Engagement	714	(46)	**761**
3,682	(498)	4,180	Head of Environmental Services	4,399	(369)	**4,768**
129	(51)	180	Head of Development	(105)	88	**(193)**
1,310	(375)	1,685	Head of Estates (Building Maintenance and Facilities)	506	(21)	**527**
5,231	**(1,056)**	**6,287**	**Total Commercial Directorate**	**5,676**	**(375)**	**6,052**
17,070	**(2,145)**	**19,215**	**Total Service Manager Spend**	**15,752**	**1,198**	**14,554**
(16,504)	3,029	(19,533)	Other Operating Income & Expenditure	(15,718)	3,392	**(19,111)**
566	**884**	**(318)**	**Total net expenditure**	**34**	**4,590**	**(4,557)**

*See note 7 for Prior Period Adjustments

EXPENDITURE & FUNDING ANALYSIS

The Expenditure & Funding Analysis is designed to show how annual expenditure is used and funded from resources, including Government Grants, Council Tax and Business Rates, by local authorities, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practises. It also shows how this expenditure is allocated for decision making purposes between the Council’s Directorates and Service Heads. Income and expenditure, accounted for under generally accepted accounting practises is presented more fully in the Comprehensive Income and Expenditure Statement.

The starting point for the production of the Expenditure and Funding Analysis is the internal Management reporting on outturn, as presented to the Council’s management team and Cabinet. Fuller disclosure of this report, including explanations of variances to budget, is provided in the Narrative Statement at the start of this document. The table below reconciles the Net expenditure to the reported surplus and the balance on the General Fund. A reconciliation of adjustments between the internally reported outturn and the statutory net expenditure shown in the Comprehensive Income and Expenditure Statement is provided on page 24.

Reconciliation of Net expenditure chargeable to the General Fund to the reported surplus for 2018/19:

2017/18 £'000		2018/19 £'000
566	**Net Expenditure chargeable to the General Fund**	**34**
(730)	Movement in Usable & Unusable reserves	(134)
(166)	**Closing General Fund balance**	**(100)**

Reconciliation of the reported surplus / deficit (-) to the General Fund balance

2017/18 £'000		2018/19 £'000
7,137	Opening General Fund balance	7,303
166	Surplus reported to Management	100
7,303	**Surplus / Deficit (-) reported to Management**	**7,403**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2017/18 (*restated)					2018/19			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Group Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Group Net Expenditure £'000
				Operations Directorate				
3,259	(3,701)	**(442)**	**(442)**	Head of Neighbourhood Support	3,789	(5,460)	**(1,671)**	**(1,671)**
2,237	(1,100)	**1,137**	**1,137**	Head of Planning	2,332	(3,163)	**(831)**	**(831)**
35,301	(32,810)	**2,491**	**2,491**	Head of Customer Services	36,061	(33,032)	**3,029**	**3,029**
1,080	(1,095)	**(15)**	**(15)**	Head of Coastal Partnership	827	(716)	**111**	**111**
779	(213)	**566**	**566**	Head of Housing	1,006	(925)	**81**	**81**
-	-	**-**	**-**	Head of Regeneration (South)	183	(51)	**132**	**132**
42,656	**(38,919)**	**3,737**	**3,737**	**Total Operations Directorate**	**44,198**	**(43,347)**	**851**	**851**
			-	**Strategy & Governance Directorate**				
1,394	(9)	**1,385**	**1,385**	Head of Finance & Property	2,078	(282)	**1,796**	**1,796**
1,098	(30)	**1,068**	**1,068**	Head of Organisational Development	1,064	(78)	**986**	**986**
1,685	(278)	**1,407**	**1,407**	Head of Communications	259	(10)	**249**	**249**
451	(56)	**395**	**395**	Head of Legal	470	(138)	**332**	**332**
3,740	(255)	**3,485**	**3,485**	Head of Programmes Redesign & Quality	3,439	(504)	**2,935**	**2,935**
1,636	(185)	**1,451**	**1,451**	Executive and 5 Councils	2,314	(961)	**1,353**	**1,353**
10,004	**(813)**	**9,191**	**9,191**	**Total Strategy & Governance Directorate**	**9,624**	**(1,973)**	**7,651**	**7,651**

This table is continued on the next page

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18 (*restated)					2018/19			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Group Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Group Net Expenditure £'000
				Commercial Directorate				
97	(3)	**94**	**94**	Head of Commercial Development	280	(91)	**189**	**189**
148	-	**148**	**148**	Head of Community Engagement	1,025	(264)	**761**	**761**
4,742	(562)	**4,180**	**4,180**	Head of Environmental Services	6,554	(1,786)	**4,769**	**4,769**
316	(136)	**180**	**180**	Head of Development	342	(535)	**(193)**	**(193)**
2,481	(796)	**1,685**	**1,685**	Head of Estates (Building Maintenance and Facilities)	1,011	(484)	**527**	**527**
7,784	**(1,497)**	**6,287**	**6,287**	**Total Commercial Directorate**	**9,212**	**(3,160)**	**6,149**	**6,149**
60,444	**(41,229)**	**19,215**	**19,215**	**Total Cost of Services**	**63,033**	**(48,480)**	**14,554**	**14,554**
-	-	**-**	**-**	Other Operating Income & Expenditure (Note 11)	173	-	**173**	**173**
1,381	(2,444)	**(1,063)**	**(1,063)**	Financing & Investment Income & Expenditure (Note 12)	1,470	(4,898)	**(3,428)**	**(3,428)**
-	(18,470)	**(18,470)**	**(18,470)**	Taxation and Non-Specific Grant Income (Note 13)	-	(15,857)	**(15,857)**	**(15,857)**
-	-	**-**	**(33)**	Share of Surplus (-) / Deficit of services by Associate	-	-	**-**	**(38)**
-	-	**-**	**8**	Tax expenses of Associate	-	-	**-**	**7**
61,825	**(62,143)**	**(318)**	**(343)**	**Surplus (-) / Deficit on Provision of Services**	**64,677**	**(69,236)**	**(4,558)**	**(4,589)**
		(11,359)	**(11,359)**	Surplus (-) / Deficit on revaluation of Property, Plant and Equipment Assets			**(3,636)**	**(3,636)**
		210	**210**	Remeasurement of the net defined benefit Liability/Asset			**(5,780)**	**(5,780)**
		(11,149)	**(11,149)**	**Other Comprehensive Income & Expenditure**			**(9,416)**	**(9,416)**
		(11,467)	**(11,492)**	**Total Comprehensive Income & Expenditure**			**(13,974)**	**(14,005)**

*See note 7 for Prior Period Adjustments

BALANCE SHEET

This Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Havant Borough Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Authority 31 March 2018 (*restated) £'000	**Group 31 March 2018 (*restated) £'000**		**Authority 31 March 2019 £'000**	**Group 31 March 2019 £'000**
62,159	62,159	Property, Plant and Equipment (Note 14)	64,717	64,717
22,476	22,476	Investment Property (Note 15)	26,055	26,055
226	226	Intangible Fixed Assets (Note 16)	4	4
-	51	Investment in Associate (Note 33)	-	82
472	472	Long Term Debtors (Notes 17 and 19)	351	351
85,333	**85,333**	**Total Long Term Assets**	**91,126**	**91,208**
7,845	7,845	Short Term Debtors (Note 19)	11,503	11,503
18,455	18,455	Cash & Cash Equivalents (Note 20)	21,921	21,921
26,300	**26,300**	**Total Current Assets**	**33,424**	**33,424**
(846)	(846)	Bank Overdraft (Note 20)	(106)	(106)
(90)	(90)	Short Term Borrowing (Note 17)	(93)	(93)
(8,737)	(8,737)	Short Term Creditors (Note 21)	(12,182)	(12,182)
(66)	(66)	Short Term Provisions (Note 22)	(63)	(63)
(9,739)	**(9,739)**	**Total Current Liabilities**	**(12,444)**	**(12,444)**
(248)	(248)	Long Term Finance Lease (Note 21 and 35)	(248)	(248)
(730)	(730)	Long Term Provisions (Note 22)	(516)	(516)
(3,538)	(3,538)	Long Term Borrowing (Note 17)	(3,350)	(3,350)
(50,068)	(50,068)	Liability related to defined benefit pension scheme (Note 38)	(47,040)	(47,040)
(3,509)	(3,509)	Capital Grants and Contributions Received in Advance (Note 31)	(3,175)	(3,175)
(58,093)	**(58,093)**	**Total Long Term Liabilities**	**(54,329)**	**(54,329)**
43,800	**43,851**	**NET ASSETS**	**57,776**	**57,858**
19,853	19,853	Usable Reserves (Note 23)	23,963	23,963
23,947	23,947	Unusable Financial Reserves (Note 24)	33,813	33,813
-	51	Share of Reserves of Associate (Note 33)	-	82
43,800	**43,851**	**TOTAL RESERVES**	**57,776**	**57,858**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Authority as at 31 March 2019 and its Comprehensive Income and Expenditure Statement for the year then ended.

Signed: Dated: 29/07/2020

CASHFLOW

The Cash Flow Statement (which is for the single entity only) shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	**2017/18 (*restated)**	**2018/19**
		£'000	**£'000**
Net surplus or (deficit) on the provision of services		**318**	**4,559**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	**2,546**	**442**
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	**(5,155)**	**(1,289)**
Net cash flows from Operating Activities		**(2,291)**	**3,712**
Investing Activities	26	**3,654**	**588**
Financing Activities	27	**(84)**	**(93)**
Net increase or (decrease) in cash and cash equivalents		**1,279**	**4,207**
Cash & cash equivalents at the beginning of the reporting period	20	**16,330**	**17,609**
Cash & cash equivalents at the end of the reporting period	20	**17,609**	**21,816**

*See note 7 for Prior Period Adjustments

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as amended in 2015, which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there is no accumulated gain in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

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

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is estimated for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Post-Employment Benefits

Employees of the Authority can be members of the Local Government Pension Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the authority.

The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on AA corporate bonds.

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Instruments.

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Classification and Measurement of Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

Expected credit losses for all of financial assets held at amortised cost are recognised either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables, and contract assets and trade receivables with a significant financing component.

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

For trade and contract receivables without a significant financing component the Council has applied a simplified approach consistently to calculate expected credit losses, under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition

In accordance with the Code of Accounting Practice, no impairment loss allowance is recognised for monies owed by Central and Local Government bodies.

Fair Values

Fair values are shown in note 17, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
    - For the Council's investments in externally managed pooled funds, fund values published by the fund manager have been used as these represent the prices in the principal market within which the Council would normally enter into a transaction to sell the asset.
    - For the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.

- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate corporate bond yield, except where it is judged that this is not appropriate.

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

ix. Government Grants and Contributions

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

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

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

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

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

Non-ring-fenced government grants are general grants allocated by central government directly to local authorities as additional revenue funding. These grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges are being used to fund revenue expenditure.

x. Heritage Assets

Heritage assets are defined as those assets that are held specifically to increase the knowledge, understanding and appreciation of the Authority’s history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority’s accounting policies on property, plant and equipment. However, some of the measurement rules may be relaxed in relation to heritage assets, where no reliable market value is available. The Authority currently has no asset meeting the definition of a heritage asset.

xi. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xii. Inventories

Stocks and stores held in the Council's depot and Tourist Information Centre stock at the year-end are included in the balance sheet at the latest purchase price. Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiv. Interests in Companies and Other Entities

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

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

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

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

xv. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvi. Overheads and Support Services

The costs of overheads and support services are reported under the relevant Service Head responsibility and not charged to front line services for the purposes of the Statutory Accounts.

Overhead apportionment is applied for statutory government reporting and where this is the case the total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale. These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

xvii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise expenditure below a de minimis of £15,000, or borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over the assessed useful life of the asset concerned (life between 3 and 20 years) as advised by a suitably qualified officer
- infrastructure – straight-line allocation over assessed useful life of the type of asset (life between 10 and 50 years) as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

xix. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 23.

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. VAT

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

xxii. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

xxiii. Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals

2. Accounting Standards that have been issued but have not yet been adopted

This note sets out information regarding the impact of an accounting change that will be required by any new accounting standards that have been issued but not yet adopted by the CIPFA Code of Practice

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

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

- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the accounts.

- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

3. Critical Judgements in applying accounting policies

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

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

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

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

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

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

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

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or regarding other uncertainties. Estimates are made considering historical experience, current trends and other relevant factors. However, due to this uncertainty, there is a risk that actual results could vary from the assumptions made. The items in the authority's balance sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming year are as follows.

Item	Uncertainties	Effect if results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns from pension fund assets. A firm of actuaries is engaged by the pension fund administrator to provide expert advice about the assumptions to be applied.	Further information on the impact of changes to assumptions can be found at note 37.
Property, Plant and Equipment	When calculating the fair value of assets, assumptions are made around useful lives, level of repairs, and the impact of the current economic climate. Changes in these assumptions may result in a material change to the depreciation charges applied. In the current economic climate, it is unlikely that the level of repairs and maintenance can be sustained and this would influence depreciation charges.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.
Provisions	At 31 March 2019, the authority had a balance of general fund sundry debtors of £3.65m (2017/18 £0.94m), and of overpaid housing benefits of £2.84m (£2.47m in 2017/18). The Authority has made allowances for doubtful debt on a sliding scale dependent on the age of debt.	If collection rates were to deteriorate or improve, an adjustment would be required to the bad debt provision. An increase or decrease to the bad debt provision of 5% equates to £0.14m (£0.11m 2017/18).
Business Rates appeal provision	The introduction of the Business rates retention scheme in April 2013 means that the Council has assumed some of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties. The estimate is based on the latest list of outstanding rating list proposals provided by the Valuation Agency, and considers changes to comparable properties, historic trends and the likelihood that a number of appeals will be unsuccessful.	The Council has provided £1.18m for appeals within the Collection Fund (2017/18 £1.48m), of which the Authority's share is £0.49m (2017/18 £0.59m). A 5% change in provision would require an adjustment of £27,500 (2017/18 £29,600).

5. Exceptional items

There are no exceptional items in 2018/19.

6. Material Items of Income and Expense

The council incurs significant expenditure through its delivery of services to the council tax payer and receives significant income from a number of sources to fund this. For example, the council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by government grants. This income and expenditure is reported in the Comprehensive Income and Expenditure Statement and is supported by notes within this section.

The council does not consider that there were material items of expense that weren't incurred and/or received in the normal day to day provision of the services.

7. Prior Period Adjustments

In closing the accounts for 2018/19 the Council discovered that the Property, Plant and Equipment assets had not had revised valuations for the financial years 2017/18 and 2018/19 processed. These all related to Other Land and Buildings assets. All valuations have now been processed in 2018/19 but, as a result, the prior year comparator figures, in relation to PPE and related notes have had to be amended by £5.715m. New controls have been put in place to ensure that this error does not occur in the future. The prior period adjustment affects all the primary statements (Balance Sheet, CIES, MIRS, Cashflow, EFA and various disclosure notes. The tables below show how each part of the statements have been affected with the balance prior to the adjustment, balance post adjustment and the value of the adjustment.

Effect on Balance Sheet 2017/18

Heading	Originally Stated 2017/18 £'000	Restated 2017/18 £'000	Amount of Restatement £'000
Property, Plant and Equipment	56,445	62,159	5,715
Net Assets	**38,086**	**43,801**	**5,715**
Unusable Financial Reserves	18,233	23,947	5,715
Total Reserves	**38,086**	**43,801**	**5,715**

Effect on Comprehensive Income and Expenditure statement 2017/18

	Originally Stated 2017/18 Gross Expenditure £'000	Restated 2017/18 Gross Expenditure £'000	Amount of Restatement Gross Expenditure £'000
Commercial Directorate			
Head of Community Engagement	-	148	148
Head of Environmental Services	4,470	4,742	272
Head of Estates	2,245	2,481	236
Total Commercial Directorate	**7,128**	**7,784**	**656**
Total Cost of Services	**59,788**	**60,444**	**656**
Surplus (-)/ Deficit on Provision of Services	**61,169**	**61,825**	**656**
Surplus (-)/ Deficit on revaluation of Property, Plant & Equipment	(7,564)	(10,345)	(2,780)
Other Comprehensive Income and Expenditure	**(7,354)**	**(10,135)**	**(2,780)**
Total Comprehensive Income and Expenditure	**(8,328)**	**(10,453)**	**(2,125)**

Effect on Movements in Reserves Statement 2017/18

	Originally Stated 2017/18 General Fund £'000	Originally Stated 2017/18 Unusable Reserves £'000	Restated 2017/18 General Fund £'000	Restated 2017/18 Unusable Reserves £'000	Amount of Restatement General Fund £'000	Amount of Restatement Unusable Reserves £'000
Surplus or (deficit) on the provision of services	(974)		(318)		656	
Other Comprehensive Income and Expenditure		(7,354)		(10,135)		(2,780)
Total Comprehensive Income and Expenditure	**(974)**	**(7,354)**	**(318)**	**(10,135)**	**656**	**(2,780)**
Adjustments between accounting basis and funding basis under regulations	1,540	2,807	884	3,463	(656)	656
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**566**	**(4,547)**	**566**	**(6,672)**	**-**	**(2,125)**

Effect on Expenditure and Funding Analysis 2017/18

Adjustment between the funding and accounting basis	Originally Stated 2017/18	Restated 2017/18	Amount of Restatement
	£'000	£'000	£'000
Commercial Directorate			
Head of Community Engagement	16	(132)	(148)
Head of Environmental Services	(226)	(498)	(272)
Head of Estates	(139)	(375)	(236)
Total Adjustments within Commercial Directorate	**(349)**	**(1,005)**	**(656)**

Effect on Cashflow Statement 2017/18	Originally Stated 2017/18	Restated 2017/18	Amount of Restatement
	£'000	£'000	£'000
Net surplus or (deficit) on the provision of services	974	318	(656)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**1,890**	**2,546**	**656**

Adjustments between the accounting basis and funding basis under regulations

	Originally Stated 2017/18	Restated 2017/18	Amount of Restatement
		General Fund	
	£'000	£'000	£'000
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	2,428	1,772	(656)

Property, Plant & Equipment

	Originally Stated 2017/18 Land & Buildings £'000	Restated 2017/18 Land & Buildings £'000	Amount of Restatement Land & Buildings £'000
Cost or Valuation			
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,664	6,151	487
As At 31 March 2018	**52,507**	**53,321**	**4,076**
Accumulated Depreciation and Impairment			
Depreciation written out to the Revaluation Reserve	1,899	3,540	1,641
As At 31 March 2018	**(1,560)**	**80**	**1,640**
Net Book Value as at 31 March 2018	**50,948**	**56,663**	**5,715**

Unusable Reserves

	Originally Stated 2017/18 £'000	Restated 2017/18 £'000	Amount of Restatement £'000
Revaluation Reserve	28,804	35,148	6,344
Capital Adjustment Account	40,351	39,722	(629)
Revaluation Reserve			
Upward revaluation of assets	8,271	16,379	8,108
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(707)	(6,060)	(5,353)
Capital Adjustment Account			
- Charges for depreciation and impairment of non-current assets	(1,167)	(1,824)	(657)

Net Cashflow from operating activities

	Originally Stated 2017/18 £'000	Restated 2017/18 £'000	Amount of Restatement £'000
Impairment and downward valuations	1,216	1,872	656

8. Notes to the Expenditure and funding analysis

The Expenditure and Funding Analysis provides financial information on each of the Council's reporting segments. However, adjustments are made to the reported position to comply with statutory accounting requirements. A reconciliation of the adjustments made is provided below.

2017/18 (*restated)		2018/19			
Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000		£'000	£'000	£'000	£'000
	Operations Directorate				
656	Head of Neighbourhood Support	1,754	(166)	-	1,588
(331)	Head of Planning	1,732	(221)	-	1,511
(88)	Head of Customer Services	-	(74)	-	(74)
176	Head of Coastal Partnership	-	-	-	-
(68)	Head of Housing	-	(63)	369	306
-	Head of Regeneration (South)	-	-	-	-
345	**Total Operations Directorate**	**3,486**	**(524)**	**369**	**3,331**
	Strategy & Governance Directorate				
(275)	Head of Finance & Property	-	(1,279)	-	(1,279)
(78)	Head of Organisational Development	-	(40)	-	(40)
(664)	Head of Communications	-	(25)	-	(25)
(40)	Head of Legal	-	(42)	-	(42)
(337)	Head of Programmes Redesign & Quality	(21)	(138)	-	(159)
(40)	Executive and 5c's	(96)	(115)	-	(211)
(1,434)	**Total Strategy & Governance Directorate**	**(117)**	**(1,639)**	**-**	**(1,756)**

This table is continued on the next page

2017/18 (*restated)		2018/19			
Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	Commercial Directorate				
16	Head of Commercial Development	-	(27)	-	(27)
(148)	Head of Community Engagement	-	(46)	-	(46)
(498)	Head of Environmental Services	(369)	-	-	(369)
(51)	Head of Development	144	(56)	-	88
(375)	Head of Estates (Building Maintenance and Facilities)	-	(21)	-	(21)
(1,056)	**Total Commercial Directorate**	**(225)**	**(150)**	**-**	**(375)**
(2,145)	**Total Service Manager Spend**	**3,144**	**(2,313)**	**369**	**1,200**
3,029	Other Operating Income & Expenditure	4,000	(486)	(121)	3,392
884	**Total net expenditure**	**7,144**	**(2,799)**	**248**	**4,592**

*See note 7 for Prior Period Adjustments

Adjustments for Capital Purposes

- For Services this column adds in depreciation, impairment and revaluations gains and losses.
- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year

Net change for the Pensions Adjustments

- Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure –the net interest on the defined benefit liability is charged to the CIES.

Other Differences

- Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
- For services this represents the change in the accumulated absences reserve attributable to each service.
- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

The Authority's income and expenditure can be analysed as follows:

Expenditure / Income type	**2017/18 (*Restated) £'000**	**2018/19 £'000**
Employee benefits and other staff costs	9,595	10,048
Direct Expenditure	47,841	51,416
Depreciation, Amortisation and Impairment	3,066	1,620
Interest payments	1,323	1,420
Gain (-) / loss on disposal of assets	-	173
Total Expenditure	**61,825**	**64,677**
Fees, Charges and Other service income	(40,773)	(41,374)
Interest & Investment income	(58)	(4,897)
Income from Council Tax and Business Rates	(12,245)	(11,501)
Government Grants & Contributions	(9,067)	(11,464)
Total Income	**(62,143)**	**(69,236)**
(Surplus) / Deficit on the Provision of Services	**(318)**	**(4,559)**

*See note 7 for Prior Period Adjustments

9. Adjustments between the accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2018/19	**General Fund £'000**	**Capital Grants Unapplied £'000**	**Usable Capital Receipts £'000**
Adjustments to the Revenue Resources			
Pensions Costs	2,721	-	-
Council Tax and NDR	(734)	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(6,406)	4,196	-
Total Adjustments to Revenue Resources	**(4,419)**	**4,196**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(13)	-	13
Statutory provision for the repayment of debt	(159)	-	-
Total Adjustments between Revenue and Capital Resources	**(172)**	**-**	**13**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(66)
Total Adjustments to Capital Resources	**-**	**-**	**(66)**
Total Adjustments	**(4,952)**	**4,196**	**(53)**

The comparative adjustments made between accounting basis and funding basis in 2017/18 are as follows:

2017/18 (*Restated)	**General Fund £'000**	**Capital Grants Unapplied £'000**	**Usable Capital Receipts £'000**
Adjustments to the Revenue Resources			
Pensions Costs	(1,549)	-	-
Council Tax and NDR	(263)	-	-
Holiday Pay	24	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	1,772	(4,905)	-
Total Adjustments to Revenue Resources	**(16)**	**(4,905)**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	250	-	(250)
Statutory provision for the repayment of debt	650	-	-
Total Adjustments between Revenue and Capital Resources	**900**	**-**	**(250)**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	126
Application of capital grants to finance capital expenditure	-	682	-
Total Adjustments to Capital Resources	**-**	**682**	**126**
Total Adjustments	**884**	**(4,223)**	**(124)**

*See note 7 for Prior Period Adjustments

10. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 31 March 2017 £'000	Transfers out 2017/18 £'000	Transfers in 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31 March 2019 £'000
General Fund - earmarked	965	(752)	22	235	-	973	1208
Legal Reserve	385	-	-	385	-	(385)	-
Insurance Reserve	653	-	-	653	-	-	653
Capital Reserve	348	-	-	348	(335)	-	13
Restructuring Reserve	597	-	-	597	(179)	-	418
Financial Management Reserve	208	-	-	208	(208)	-	-
Total	**3,156**	**(752)**	**22**	**2,426**	**(722)**	**588**	**2,292**

11. Other Operating Expenditure

Other Operating Expenditure, as shown in the Comprehensive Income & Expenditure Account, is made up of the following items of expenditure:

	2017/18 £'000	2018/19 £'000
Loss / (Surplus) on impairment of non-current assets	-	173
Total	**-**	**173**

12. Financing and Investment Income and Expenditure

Financing and Investment income and Expenditure, as shown in the Comprehensive Income & Expenditure Account, is made up of the following items of expenditure:

	2017/18 £'000	2018/19 £'000
Pensions Interest Expenditure	1,180	1,270
Property Investment Expenditure	58	50
Interest Payable and similar charges	143	150
Total Financing and Investment Expenditure	**1,381**	**1,470**
Property Investment Income	(1,522)	(1,248)
Change in the fair value of investment properties	(864)	(3,579)
Cash Investment Income	(58)	(71)
Total Financing and Investment Income	**(2,444)**	**(4,898)**
Total Financing and Investment Income and Expenditure	**(1,063)**	**(3,428)**

13. Taxation and non-specific grant income

Taxation and non-specific grant income, as shown in the Comprehensive Income & Expenditure Account, is shown in the table below. Specific revenue grants have been credited to the relevant service line in the Net Cost of Services. Specific grants received are disclosed in note 31.

	2017/18 £'000	2018/19 £'000
Council Tax Income	(7,786)	(8,060)
Business Rates retention income	(4,459)	(3,441)
New Homes Bonus	(2,044)	(1,788)
Revenue Support Grant	(771)	(290)
Other Non-Specific general grants	-	(1,170)
Capital grants and contributions	(3,410)	(1,108)
Total Taxation & Non-Specific Grant Income	**(18,470)**	**(15,857)**

14. Property, plant and equipment

The table below analyses the movements in property, plant and equipment for the year. Further information on additions and enhancements to fixed assets can be found at note 34.

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation:					
At 1 April 2018 (restated)	56,583	7,332	1,982	4,7537	70,650
Additions	145	34	17	306	502
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,268	-	-	-	3,268
Revaluation decreases recognised in the Comprehensive Income & Expenditure Statement	(222)	-	-	-	(222)
At 31 March 2019	**59,774**	**7,366**	**1,999**	**5,059**	**74,198**
Accumulated Depreciation and Impairment:					
At 1 April 2018 (restated)	80	(6,878)	(412)	(1,280)	(8,490)
Depreciation Charge	(1,199)	(106)	(33)	(26)	(1,364)
Depreciation written out to the Revaluation Reserve	368	-	-	-	368
Depreciation written out to the Comprehensive Income & Expenditure Statement on revaluation decreases	4	-	-	-	4
At 31 March 2019	**(747)**	**(6,984)**	**(445)**	**(1,306)**	**(9,482)**
Net Book Value:					
as at 31 March 2019	**59,027**	**382**	**1,554**	**3,753**	**64,717**
as at 31 March 2018 (*restated)	**56,663**	**454**	**1,570**	**3,473**	**62,159**

Movements in 2017/18:

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Property, Plant & Equipment ** £000
Cost or Valuation:					
At 1 April 2017	49,400	9,876	1,709	3,406	64,391
Additions			103	1,347	1,450
Reclassifications	2,669	(2,544)	-	-	125
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,151	-	-	-	6,151
Revaluation increases/(decreases) recognised in the Comprehensive Income & Expenditure Statement	(1,216)	-	-	-	(1,216)
Derecognition - disposals	(250)	-	-	-	(250)
Other movements in cost or valuation	(170)	-	170	-	-
At 31 March 2018 (*restated)	**56,583**	**7,332**	**1,982**	**4,753**	**70,650**
Accumulated Depreciation and Impairment:					
At 1 April 2017	(2,011)	(7,288)	(358)	(1,206)	(10,863)
Depreciation Charge	(896)	(139)	(56)	(76)	(1,167)
Depreciation written out to the Revaluation Reserve	3,540	-	-	-	3,540
Depreciation on consolidation	(553)	553	-	-	-
Depreciation on other movements	-	(4)	2	1	(1)
At 31 March 2018 (*restated)	**80**	**(6,878)**	**(412)**	**(1,281)**	**(8,491)**
Net Book Value:					
as at 31 March 2018 (*restated)	**56,663**	**454**	**1,570**	**3,472**	**62,159**
as at 31 March 2017	**47,389**	**2,588**	**1,351**	**2,200**	**53,528**

*See note 7 for Prior Period Adjustments

** There was no PFI asset included in Property, Plant and Equipment in 2017/18 or 2018/19

Depreciation:

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings - 5-50 years
- Vehicles, Plant, Furniture and Equipment - 3-20 years
- Infrastructure - 10-50 years
- Community Assets - 4-30 years

Capital Commitments:

There were no capital commitments outstanding as at 31 March 2019.

Effects of changes in estimates:

The Authority's Accounting Policy requires the componentisation of properties valued at over £5,000,000. The purpose of componentisation is to identify the value of plant, equipment and engineering services within a building and depreciate these separately. Reconsideration of the useful lives and fair value of each component is required when an asset is subject to enhancement expenditure.

Revaluations:

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured by the appropriate valuation basis (current value, fair value or historical cost) at least every five years. All Property Plant and Equipment valuations were carried out internally in 2017/18. Investment property valuations have been carried out by Vail Williams LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and the accounting policies set out in Note 1 (xvii).

	Other Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Total £'000
Carried at historical cost:	-	7,366	**7,366**
Valued at fair value as at:			
31-Mar-19	24,445	-	24,445
31-Mar-18	23,766	-	23,766
31-Mar-17	9,630	-	9,630
31-Mar-16	1,320	-	1,320
31-Mar-15	611	-	611
Total cost or valuation	**59,774**	**7,366**	**67,140**

15. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Investment property income forms part of the Council's investment income and expenditure, which is detailed in note 12.

	2017/18 (*restated) £'000	2018/19 £'000
Rental income from investment property	(1,522)	(1,245)
Direct operating expenses arising from investment property	58	50
Total direct income and expenditure	**(1,464)**	**(1,195)**
Change in fair value of investment property	(864)	(3,579)
Net (gain)/ loss	**(2,328)**	**(4,774)**

There is no restriction on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligation to purchase, construct, develop or enhance investment property. The following table summarises the movement in the fair value of investment properties over the year:

	2017/18 (*restated) £'000	2018/19 £'000
Balance at the start of the year	21,737	22,476
Reclassification of investment property	(125)	-
Net gains from fair value adjustments	864	3,579
Balance at the end of the year	**22,476**	**26,055**

16. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences but not internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 4-6 years.

The carrying value of intangible assets is cost less any accumulated amortisation and any accumulated impairment loss. The cost is amortised on a straight-line basis. The amortisation of £36,000 charged to revenue in 2018/19 was attributed to the Service Head for Finance (£34,000) and to the Head of Organisational Development (£2,000) within Net Expenditure.

The movement on Intangible Asset balances during the year is as follows:

	2017/18 £'000	2018/19 £'000
Balance at the start of the year:		
Gross carrying amounts	856	878
Accumulated amortisation	(625)	(652)
Net carrying amount at the start of the year	**231**	**226**
Additions in the year	23	-
Amortisation for the period	(27)	(36)
Impairment	-	(186)
Net carrying amount at 31st March	**226**	**4**

The impairment of £186k relates to one item of capitalised software, namely the Civica finance system.

17. Financial Instruments

2018/19 saw the introduction of IFRS 9 a movement away from IAS 39. With the introduction of a new standard the Council has had to assess whether this makes any changes to the valuation methodology of its financial instruments or the classifications. The impact on Havant Borough Council is that there is no change to valuation methodologies and all financial assets and liabilities are now classified as amortised assets and liabilities.

Where financial assets are solely payments of principal and interest, these will be categorised at Amortised cost. Financial liabilities will be accounted for at amortised cost unless they are held for trading. The Council does not hold any such debt instruments.

The following categories of financial instruments are carried in the Balance Sheet. This note has been revised to incorporate all financial instruments.

Note 17.1 Financial Assets	**Current 2017/18 £'000**	**Non-Current 2017/18 £'000**	**Current 2018/19 £'000**	**Non-Current 2018/19 £'000**
Investments				
Amortised Cost	17,609	-	21,815	-
Debtors				
Amortised Cost	2,080	472	5,064	351
Total Financial Assets	**19,689**	**472**	**26,879**	**351**

Note 17.2 Financial Liabilities	**Current 2017/18 £'000**	**Non-Current 2017/18 £'000**	**Current 2018/19 £'000**	**Non-Current 2018/19 £'000**
Borrowings				
Amortised Cost	(90)	(3,786)	(93)	(3,598)
Creditors				
Amortised Cost	(2,141)	-	(5,959)	-
Total Financial Liabilities	**(2,231)**	**(3,786)**	**(6,052)**	**(3,598)**

Material Soft Loans

The authority makes loans for car purchases to employees in the authority who are in posts that require them to drive regularly on the authority's business. None of these loans are considered material for the purposes of this note.

Gains and Losses in the Comprehensive Income and Expenditure Statement

The gains and losses recognised in the Comprehensive Income & Expenditure Statement in relation to financial instruments are made up as follows:

	2017/18		2018/19	
	Financial Assets – Amortised Assets £'000	**Financial Liabilities at Amortised Cost £'000**	**Financial Assets – Amortised Assets £'000**	**Financial Liabilities at Amortised Cost £'000**
Interest expenditure	141	-	149	-
Fee Expenditure	3		1	-
Total Expense	144	-	150	-
Interest income (Cash)	(79)	-	(78)	-
Interest income (Accrued)	-	-	-	-
Total Income	(79)	-	(78)	-
Net Gain / Loss (-) for the year	**65**	**-**	**72**	**-**

Fair Value of Assets & Liabilities

Financial Assets & Liabilities (recognised by amortised assets and liabilities) and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates, based on new lending rates.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value.
- The fair value of trade and other receivables is taken to be invoiced or billed amount.

Note 17.3 Fair Value disclosures – Financial Assets	31 March 18		31 March 19	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Financial Assets held at amortised cost	17,609	17,609	21,815	21,815
Debtors	2,552	2,552	5,415	5,415
Total Financial Assets	**20,161**	**20,161**	**27,230**	**27,230**

Note 17.4 Fair Value disclosures – Financial Liabilities	31 March 18		31 March 19	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Financial Liabilities held at amortised cost	(3,628)	(3,628)	(3,443)	(3,443)
Creditors	(2,141)	(2,141)	(5,959)	(5,959)
Finance Lease Liabilities	(248)	(248)	(248)	(248)
Total Financial Liabilities	**(6,017)**	**(6,017)**	**(9,650)**	**(9,650)**

18. Inventories

The Council did not hold stock of a material value at 31 March 2019.

19. Debtors

Long term debtors are amounts owed to the authority that are due after 12 months or more. Current debtors are amounts that are owed to the authority that are due during the next financial year.

	Balance at 31 March 2018 £'000	Balance at 31 March 2019 £'000
Amounts falling due within one year		
Prepayments and accrued income	3,211	3,437
HM Revenue and Customs (Value Added Tax)	422	-
Other Local Authorities	265	2,454
Collection Fund - Havant Borough Council	3,220	2,265
Partnership Companies	478	307
Debtors for services	451	1,446
Community Infrastructure Levy Debtor S/T	1,401	1,658
Housing Benefit Debtors	2,471	2,842
Debtors due within one year	**11,919**	**14,409**
Doubtful debts allowance		
General Fund	(2,243)	(2,572)
Collection Fund	(1,831)	(334)
Total Debtors due within 1 year	**7,845**	**11,503**

Long Term Debtors		
Employee Car Loans	77	51
Loans to Local Organisations	10	10
Community Infrastructure Levy Debtor L/T	385	290
Total Long-Term Debtors	**472**	**351**

20. Cash and cash equivalents

The authority defines cash equivalents as any financial instrument that can be immediately converted into a known amount of cash without incurring any penalty. Cash Equivalents were made up of the following elements:

	31 March 2018 £’000	31 March 2019 £’000
Bank current accounts	402	142
Short term deposits	18,053	21,779
Total cash and cash equivalents	**18,455**	**21,921**
Bank overdraft	(846)	(106)
Total cash, cash equivalents and bank overdraft	**17,609**	**21,815**

21. Creditors

Creditors are amounts owed by the authority at 31 March.

	Balance 31 March 2018 £'000	Balance 31 March 2019 £'000
Amounts falling due within one year		
Accruals and income in advance	4,335	8,114
Government departments	2,675	1,313
Her Majesty's Revenues and Customs (Income Tax)	198	265
Collection Fund balance due from Central Government and Major Preceptors	214	1,426
Other Local Authorities	-	10
Collection Fund - Havant Borough Council	668	238
Creditors for goods and services	647	816
Total Creditors payable within 1 Year	**8,737**	**12,182**
Amounts falling due over one year		
Finance Lease - Regional Business Centre (Note 35)	248	248
Total Creditors payable after 1 year	**248**	**248**

22. Provisions

Provisions at 31 March 2019 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: Employer's Liability; Third Party Claims; Property; Motor Vehicles; Engineering; Terrorism; Officials Indemnity and Professional Indemnity within agreed excess levels.

Businesses in the Havant Borough Council area are entitled to appeal against the rating valuation of their property. The Council bears 40% of the cost of business rates appeals. The provision is created based on known appeals that have yet to be settled.

Municipal Mutual Insurance (MMI) was a local authority owned mutual providing insurance to the Council which ceased business in 1992. However, MMI is still liable for certain insurance claims which, if not covered by MMI's remaining assets, will be apportioned between the member authorities. A Supreme Court ruling in March 2012 gave certainty that MMI will incur full liability for Mesothelioma claims, significantly increasing the likelihood that costs will be incurred by the Council. The latest estimate of potential liability is £5,000 and the prior year provision of £100,000 has been released.

	Insurance Fund £'000	Business Rates Backdated Appeals £'000	S106 Interest £'000	MMI £'000	Total £'000
Balance outstanding at 1 April 2018	92	592	13	100	797
Additional provisions made during the year	-	-	-	-	-
Unused amounts reversed in the year	-	-	-	(95)	(95)
Amounts used in the year	(3)	(107)	(13)	-	(123)
Balance outstanding at 31 March 2019	**89**	**485**	**-**	**5**	**579**

Under one year	63	-	-	-	63
One year and over	26	485	-	5	516
Balance outstanding at 31 March 2019	**89**	**485**	**-**	**5**	**579**

23. Usable reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement and Note 10.

	Balance at 31 March 2018 £'000	Movement in year £'000	Balance at 31 March 2019 £'000
General Fund Balance	7,303	100	7,403
Earmarked Reserves	2,426	(134)	2,292
Capital Receipts Reserve	1,437	(53)	1,385
Capital Grants and other contributions unapplied	8,687	4,196	12,883
Total	**19,853**	**4,109**	**23,963**

24. Unusable reserves

	31 March 2018 (*Restated) £'000	31 March 2019 £'000
Revaluation reserve	35,148	37,582
Capital adjustment account	39,722	43,361
Pensions reserve	(49,989)	(46,930)
Collection fund adjustment account	(853)	(119)
Accumulated absences account	(80)	(80)
Total unusable reserves	**23,948**	**33,814**

*See note 7 for Prior Period Adjustments

Revaluation reserve:

The revaluation reserve contains the gains made by the Authority arising from the increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gain is realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance of the

Revaluation Reserve

	31 March 2018 (*restated)		31 March 2019	
	£'000	**£'000**	**£'000**	**£'000**
Balance outstanding at start of year		25,309		35,148
Upward revaluation of assets	16,379		5,357	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,060)		(1,612)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		10,319		3,638
Difference between fair value depreciation and historical cost depreciation		(480)		(1,204)
Balance outstanding at end of year		**35,148**		**37,582**

Capital adjustment account:

	31 March 2018 (* restated) £'000		31 March 2019 £'000	
Balance outstanding at start of year		40,892		39,772
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(1,824)		(1,366)	
- Amortisation of intangible assets	(27)		(36)	
- Revenue expenditure funded from capital under statute	(653)		(974)	
- Revaluation losses on Property, Plant and Equipment	(1,188)		(219)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(250)		(186)	
		(3,942)		(2,781)
Adjusting amounts written out of the Revaluation Reserve		480		1,204
Net written out amount of the cost of non-current assets consumed in the year		(3,462)		(1,576)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	126		66	
- Capital grants and contributions applied to capital financing	653		-	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-		1,411	
- Statutory provision for the financing of capital investment charged against the General Fund	650		159	
		1,429		1,636
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		864		3,579
Balance outstanding at end of year		**39,772**		**43,361**

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Pensions reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2018 £'000	**31 March 2019 £'000**
Balance outstanding at start of year	(48,230)	(49,989)
Actuarial gains or (losses) on pensions assets and liabilities	(210)	5,780
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,290)	(4,620)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,741	1,899
Balance outstanding at end of year	**(49,989)**	**(46,930)**

Collection Fund adjustment account

The Collection Fund adjustment account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2018 £'000	31 March 2019 £'000
Balance outstanding at start of year	(590)	(853)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(7)	(28)
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(256)	762
Balance outstanding at end of year	**(853)**	**(119)**

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account

		31 March 2018 £'000		31 March 2019 £'000
Balance outstanding at start of year		(105)		(80)
Settlement or cancellation of accrual made at the end of the preceding year	105		80	
Amounts accrued at the end of the current year	(80)		(80)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		24		-
Balance outstanding at end of year		**(80)**		**(80)**

25. Net cash flow from operating activities

The cash flows for operating activities include the following items.

	31 March 2018 (*Restated) £'000	31 March 2019 £'000
Net Surplus / Deficit (-) on the Provision of Services	**318**	**4,559**
Adjustments to net surplus / deficit on the provision of services for non-cash movements		
Depreciation and amortisation of fixed assets	1,173	1,402
Impairment and downward valuations	1,872	218
Net book value of disposed assets	250	186
Increase / (-) Decrease in capital grants in advance	11	(335)
Increase (-) / Decrease in debtors	(3,233)	(3,537)
Increase / (-) Decrease in creditors	1,762	3,445
Increase / (-) Decrease in provisions	(105)	(216)
Movement in pension liability	1,629	3,028
Change in fair value of investment properties	(864)	(3,579)
Other non-cash items charged to the net surplus or deficit on the provision of services	51	(170)
Total adjustments for non-cash movements	**2,546**	**442**
Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(250)	(186)
Any other items for which the cash effects are investment or financing cash flows	(4,905)	(1,103)
Total adjustments for investing and financing activities	**(5,155)**	**(1,289)**
Total Operating Activities	**(2,291)**	**3,712**

26. Net cash flow from investing activities

	31 March 2018 £000	31 March 2019 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,473)	(502)
Other payments for investing activities	(28)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	250	(13)
Other receipts for investing activities	4,905	1,103
Net cash flows from investing activities	**3,654**	**588**

27. Net cash flow from financing activities

	2017/18 £'000	**2018/19 £'000**
Cash repayments of short and long-term borrowing	(84)	(93)
Net cash flows from financing activities	**(84)**	**(93)**

28. Officers' Remuneration

The remuneration paid to the Authority's senior employees* is as follows:

Post Holder information	Year	Salary, fees and allowances £	Employers' pension contributions £	Net cost to Havant Borough Council £	Net cost to East Hampshire District Council £
Chief Executive (until December 2018)	2018/19	101,030	16,169	58,600	58,600
	2017/18	132,066	18,621	75,344	75,344
Chief Executive (From January 2019)	2018/19	31,586	4,769	18,178	18,178
	2017/18	-	-	-	-
Executive Director - Operations (Agency fee June to October 2017, employed from November 2017, Left November 2018)	2018/19	84,150	12,642	48,396	48,396
	2017/18	110,000	2,585	56,293	56,293
Executive Director - Governance (left 19/03/18)	2018/19	-	-	-	-
	2017/18	104,421	13,743	59,082	59,082
Executive Director - Place (until December 2018)	2018/19	78,878	11,911	45,394	45,394
	2017/18	103,109	13,133	58,121	58,121
Chief Finance Officer S151 (employed from December 2017)	2018/19	88,005	13,289	50,647	50,647
	2017/18	50,859	3,871	27,365	27,365
Executive Director - Operations (From January 2019)	2018/19	17,763	2,483	10,123	10,123
	2017/18	-	-	-	-
Executive Director - Place (From January 2019)	2018/19	22,740	3,397	13,069	13,069
	2017/18	-	-	-	-
Total cost of senior officers	**2018/19**			**244,407**	**244,407**
Total cost of senior officers	**2017/18**			**276,205**	**276,205**

*A senior employee is defined as an officer who earns a salary of more than £150,000 per annum, or is the designated head of the paid service, or is a statutory chief officer, or is any person having responsibility for the strategic management of the council, to the extent that the officer has power to direct or control the major activities of the council activities involving the expenditure of money, whether solely or collectively with other officers. The Council shares its management team 50/50 with East Hampshire District Council. The remuneration disclosed excludes any payments for secondary employment in respect of election duties.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts, based on pro rata salary rather than actual payments:

Bands	Number of Employees			
	2018/19 excl termination benefits	2018/19 inc termination benefits	2017/18 excl termination benefits	2017/18 inc termination benefits
£50,000 - £54,999	4	4	-	-
£55,000 - £59,999	2	3	2	2
£60,000 - £64,999	1	1	-	-
£65,000 - £69,999	-	-	4	5
£70,000 - £74,999	4	4	-	-
£75,000 - £79,999	1	1	2	2
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	-	-	1	1
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	1	-	-
	12	**14**	**9**	**10**

The numbers of exit packages with total cost per band are set out in the table below.

Cost band	Number of compulsory redundancies		Total cost of exit packages £	
	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	3	2	26,500	7,477
£20,001 - £40,000	-	1	-	22,502
£40,001 - £60,000	1	-	41,848	
£60,001 - £80,000	-	-	-	
£80,001 - £100,000	-	1	-	87,120
Total	**4**	**4**	**68,348**	**117,099**

29. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2017/18 £'000	2018/19 £'000
Allowances	315	312
Expenses	6	8
Total	**321**	**320**

30. External audit costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2017/18 £'000	2018/19 £'000
Fees payable regarding external audit services carried out by the appointed auditor for the year	46	79
Fees payable for the certification of grant claims and returns for the year	9	28
Total	**55**	**107**

31. Grant Income

The Authority credited the following grants, subsidies and contributions to the Net Cost of Services in 2018/19:

Credited to services	**2017/18 (*restated) £'000**	**2018/19 £'000**
Disabled Facilities Grants	1,490	2,720
CIL Contributions	-	1,739
Department for work and pensions: Housing Benefits Subsidy	30,734	29,444
Housing Benefit - Discretionary Housing Grant	268	229
Housing Benefit Rent Rebate Subsidy	-	62
Housing Benefit - Administration Grant	364	340
Public Health Grant	12	12
Mend Grant	7	7
Older People Grant	3	3
Hants & Local Welfare Assistance Grant	10	-
EA P2P	29	-
Community Housing Grant	48	47
Burden Housing	18	77
Coastal Community Team	50	5
HCC Elections	115	30
Sport & Physical Activity	15	15
S106 Funding	40	-
Homelessness Support Grant	39	475
CT Flood Grant	169	342
Total	**33,411**	**35,547**

*See note 7 for Prior Period Adjustments

The Authority also credited the following general grants and contributions to the Comprehensive Income and Expenditure Statement, as outlined at note 13:

Credited to taxation and non-specific grant income	**2017/18 £'000**	**2018/19 £'000**
Council Tax Family Annex grant	1	-
New Homes Bonus	2,044	1,788
Revenue support grant	771	290
Total General Grants	**2,816**	**2,078**

Capital Grants & Contributions	**2017/18 £'000**	**2018/19 £'000**
CIL Contributions	2,333	917
Other external contributions	1,076	191
Total Capital Grants	**3,409**	**1,108**

Capital Grants and Contributions in advance	**2017/18 £'000**	**2018/19 £'000**
Havant Borough Council Plaza	1,780	1,702
Other S106 Developers Contributions	1,669	1,473
Total Capital Grants and Contributions in advance	**3,449**	**3,175**

The Authority is holding a balance of £3.17m on the Balance Sheet in respect of Capital Grants and Contributions received in advance. This balance includes both developers' contributions and a contribution from Hampshire County Council.

The Council received a contribution of £1.70m from Hampshire County Council towards the cost of the refurbishment of the Public Service Plaza. With effect from 1 June 2012 the Council agreed that Hampshire County Council could occupy a proportion of the Public Service Plaza for 25 years. The contribution is held in the Balance Sheet as a receipt in advance to be amortised in equal annual instalments to the Comprehensive Income and Expenditure Account (CI&E) over the term of the occupancy agreement.

32. Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides a significant amount of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties, for example council tax bills and housing benefits. Grants received from government departments are detailed in Note 31.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 29. There was no known material related party transaction with councillors for 2018/19 or for 2017/18.

Officers

There was no known material related party transaction with officers for 2018/19 or for 2017/18.

Entities Controlled or Significantly influenced by the Authority

The Authority provided material assistance to Havant & District Citizens Advice Bureaux of £114,000 (£114,372 in 2017/18) and to Community First (Havant & East Hampshire) of £21,309 (£44,904 in 2017/18).

As part of the partnership with Norse South East, two Council representatives are named as a director of Norse South East Ltd due to her representation of Council interests through the Management Board. These are, Gill Kneller (Interim Chief Executive), and Councillor Tony Briggs.

33. Interests in Other Entities

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

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

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have been prepared. These incorporate only the results of Norse South East Ltd, an Associate of which the Council owns a 20% share.

Norse South East Ltd

In 2016/17 the Council entered into an agreement with Norse Commercial Services Ltd for the provision of services including Refuse and recycling collection and Grounds Maintenance. A new company, Norse South East Ltd, was formed to deliver this service.

Group Accounts have been prepared as the Council has the power to participate in operating decisions, and because transactions between Norse South East Ltd and the Council are material. The Group Accounts incorporate the Council's share of net assets and surplus of Norse South East Ltd, as an associate, using the Equity method.

Norse South East Ltd prepared its accounts to 31 March 2019. The group accounts are included in this document as additional columns to the Council's Primary Statements, showing the extent of the Council's 20% interest in the Company.

In addition, the following information is disclosed to aid understanding of the nature of the group relationship and the impact of the arrangement on the Council's Statutory Accounts.

a) The registered name of the Company is Norse South East Ltd
b) Nature of the business. The principal activities of the Company are those of refuse and recycling collection and grounds maintenance services.
c) The immediate parent undertaking is Norse Commercial Services Ltd
d) The ultimate parent is Norse Group Ltd
e) The Company's ultimate controlling entity is Norfolk County Council, who own 100% of the ordinary share
f) The Council holds a 20% share of the company and receives a 50/50 profit/loss share at year end.
g) The Company's contribution to its pension scheme is treated as if they are contributions to a defined contribution scheme. The Company pays a set contribution over the life of the agreement, with any increase or decrease met by the Council.
h) Payments made to Norse South East Ltd in respect of refuse, recycling, cleansing and maintenance services are included in the Net cost of Services in the Comprehensive Income & Expenditure Statement. Total payments in 2018/19 amounted to £5,058,449
i) Details of the Company's annual financial results at 31 March 2019 are set out below.

Norse South East Ltd 2018/19 Balance Sheet

	Norse South East Ltd 2018/19 £	Havant Borough Council 20% Investment 2018/19 £
Non-current assets		
Inventories	101,745	20,349
Trade and other receivables	1,155,611	231,122
Cash and cash equivalents	759,373	151,875
Deferred tax asset	-	-
Total current Assets	2,016,729	403,346
Total assets	**2,016,729**	**403,346**
Current liabilities		
Trade & other creditors	(1,376,142)	(275,228)
Accruals and deferred income	(231,771)	(46,354)
Total current liabilities	(1,607,912)	(321,582)
Total liabilities	(1,607,912)	(321,582)
Net assets	**408,817**	**81,764**
Total equity/retained earnings	**408,817**	**81,764**

Norse South East Ltd Profit & Loss Account

	Norse South East Ltd 2018/19 £	HBC 20% Investment 2018/19 £
Group revenue	6,650,997	1,330,199
Cost of sales - recurring	(4,872,322)	(974,464)
Gross profit	**1,778,675**	**355,735**
Administrative expenses	(1,590,011)	(318,002)
Operating profit	**188,664**	**37,733**
Finance costs	-	-
Profit before taxation	**188,664**	**37,733**
Taxation	(36,160)	(7,232)
Profit for the financial year	**152,504**	**30,501**

Other Partnerships

The Council has an interest in Portchester Crematorium Joint Committee which manages the operations of Portchester Crematorium. The Joint Committee is represented equally by the four constituent authorities, Fareham Borough Council, Havant Borough Council, Gosport Borough Council and Portsmouth City Council. Further information can be obtained from: The Treasurer to the Joint Committee, Civic Centre, Civic Way, Fareham. The accounts of this entity have not been consolidated into the financial statements of the Council. Havant Borough Council's share of the net assets of Portchester Crematorium Joint Committee is £1,974,615 *(*£1,990,339 in 2017/18*).* During 2018/19 the Council received £150,000 from the Portchester Crematorium Joint Committee (£145,000 in 2017/18) being its share of the distributable surpluses.

34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18 £'000	2018/19 £'000
Opening capital financing requirement	9,084	9,781
Capital investment:		
- Property, plant and equipment	1,473	503
Revenue expenditure funded from capital under statute	653	974
Sources of finance:		
- Usable Capital receipts	(126)	(510)
- Government grants and other contributions	(653)	(967)
Sums set aside from revenue:		
- MRP	(650)	(159)
Closing capital financing requirement	**9,781**	**9,622**

	2017/18 £'000	2018/19 £'000
Explanation of movements in year:		
Increase / (decrease) in underlying need for borrowing (unsupported by government financial assistance)	697	(159)
Increase/(decrease) in capital financing requirement	**697**	**(159)**

35. Leases

Authority as Lessee

Finance Leases

The Council has acquired a 98-year interest in a regional business centre under a finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet at £75,000 (2017/18 £248,000).

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the property acquired by the Authority, and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2018 £'000	**31 March 2019 £'000**
Finance lease liabilities:		
- current	-	-
- non-current	248	248
Finance costs payable in future years	2,726	2,692
Minimum lease payments	2,974	2,940

The minimum lease payments will be payable over the following periods:

	Finance Lease Liabilities		**Minimum Lease Payments**	
	31 March 2018 £'000	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'000**
Not later than one year	-	-	34	34
Later than one year and not later than five years	-	-	136	136
Later than five years	248	248	2,556	2,522
	248	**248**	**2,726**	**2,692**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £19,078 contingent rents were payable by the Authority (2017/18 £14,000).

Operating Leases

The Authority leases land and property under operating leases for a number of purposes. These include the CCTV Control Room at the Meridian Centre, some recreation land and a car park.

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

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	10	-
Later than one year and not later than five years	25	36
Later than five years	140	138
	175	**174**

The minimum lease payments receivable do not include amounts that are contingent on future events, such as adjustments arising from rent reviews.

Expenditure on Operating Leases was charged to the following services on the Comprehensive Income and Expenditure Statement as follows:

The Council had no rental obligation as lessee under operating leases during 2018/19.

Service Heading	31 March 2018 £'000	31 March 2019 £'000
Cultural Services	8	8
Environmental & Regulatory Services	2	-
	10	**8**

Authority as Lessor

Finance Leases

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

Operating Leases

The Authority leases out property and equipment under operating leases for a number of purposes. These include the generation of income from investment properties, and the provision of community services including sports facilities and economic development purposes.

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

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	1,892	1,953
Later than one year and not later than five years	6,843	7,274
Later than five years	74,190	74,531
	82,925	**83,758**

The minimum lease payments receivable do not include amounts that are contingent on future events, such as adjustments arising from rent reviews.

36. Impairment losses

The impairment of £186k relates to one item of capitalised software, namely the Civica finance system.

37. Termination Benefits

The Authority terminated the contracts of four employees in 2018/19, incurring liabilities of £117,099 (£68,348 in 2017/18), in the form of compensation for loss of office. There were no costs relating to enhanced pension benefits.

38. Defined benefit pension schemes

The disclosures below relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme (the "LGPS"). The LGPS is a funded defined benefit plan, with benefits earned up to 31st March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in the Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) regulations 2014. The funded nature of the LGPS requires Havant Borough Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions is set out in LGPS regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2018 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. The Fund Administering Authority, Hampshire County Council, is responsible for governance of the Fund.

The assets allocated to Havant Borough Council in the Fund are notional and assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the Accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures. The administering Authority may invest a small proportion of the Fund's assets in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Financial Assumptions	31st March 2017	31st March 2018	31st March 2019
Discount rate	2.5%	2.6%	2.4%
RPI Inflation	3.1%	3.2%	3.3%
CPI Inflation	2.0%	2.1%	2.2%
Pension Increases	2.0%	2.1%	2.2%
Pension Accounts revaluation rate	2.0%	2.1%	2.2%
Rate of general increase of salaries	3.5%	3.6%	3.7%

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

Post Retirement Mortality	**31 March 2018**	**31 March 2019**
Male		
Member aged 65 at accounting date	24.1	23.3
Member aged 45 at accounting date	26.2	24.9
Female		
Member aged 65 at accounting date	27.2	26.1
Member aged 45 at accounting date	29.4	27.8

Asset Allocation

The approximate split of assets for the Fund (based on data supplied by the Fund Administering Authority) are shown in the table below.

	Asset split as at 31/3/2018	**Asset split as at 31/3/2019**		
	(% pa)	**Quoted (%)**	**Unquoted (% pa)**	**Total (%)**
Equities	62.6	**54.0**	**6.4**	**60.4**
Property	7.0	**0.7**	**6.9**	**7.6**
Government Bonds	23.7	**22.6**	**0.1**	**22.7**
Corporate Bonds	1.0	**1.1**	**4.1**	**5.2**
Cash	2.6	**2.3**	**0.0**	**2.3**
Other**	3.1	**0.1**	**1.7**	**1.8**
Total	100.0	**80.8**	**19.2**	**100.0**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows;

Active members	26%
Deferred Pensioners	15%
Pensioners	59%

Reconciliation of funded status to the Balance Sheet

	Value as at 31 March 17		Value as at 31 March 18		Value as at 31 March 19	
	Funded £m	Unfunded £m	Funded £m	Unfunded £m	Funded £m	Unfunded £m
Fair value of assets	101.44	-	101.47	-	108.25	
Present value of defined benefit obligation	-148.82	-0.85	-150.62	-0.84	-154.41	-0.81
Funded status	-47.38	-0.85	-49.15	-0.84	-46.16	-0.81
Impact of minimum funding requirement / asset ceiling	-	-	-	-	-	-
Asset / (liability) recognised on the balance sheet	-47.38	-0.85	-49.15	-0.84	-46.16	-0.81

Breakdown of amounts recognised in the Surplus or Deficit on the Provision of Services and Other Comprehensive Income.

	Year Ending 31 March 18 £m		Year Ending 31 March 19 £m	
	Funded	Unfunded	Funded	Unfunded
Operating Costs				
Current Service Cost (including allowance for administration £0.02m)	2.11	-	2.08	-
Past Service Costs (including curtailments)	0.02	-	1.27	-
Financing Costs				
Interest on net defined benefit liability / (asset)	1.16	0.02	1.25	0.02
Pension expense recognised in Income & Expenditure	3.29	0.02	4.6	0.02
Re-measurements in Other Comprehensive Income				
Return on plan assets (in excess of) / below that recognised in net interest	-0.57	-	-7.12	-
Actuarial (gains) / losses due to changes in financial assumptions	-0.16	-	7.27	0.02
Actuarial (gains) / losses due to changes in demographic assumptions	0	-	-6.2	-0.03
Actuarial (gains) / losses due to liability experience	0.93	0.01	0.28	-
Total amount recognised in Other Comprehensive Income	0.2	0.01	-5.77	-0.01
Total amount recognised	3.49	0.03	-1.17	0.01

Changes to the Present Value of defined benefit obligation during the accounting period

This table reconciles the movement in the overall pension liability for the year.

	Year Ended 31 March 18 £m		Year Ended 31 March 19 £m	
	Funded	Unfunded	Funded	Unfunded
Opening defined benefit obligation	148.82	0.85	150.62	0.84
Current service cost	2.11	-	2.08	-
Interest expense on defined benefit obligation	3.66	0.02	3.85	0.02
Contributions by Participants	0.48	-	0.48	-
Actuarial Gains (-) / Losses - financial assumptions	-0.16	-	7.27	0.02
Actuarial Gains (-) / Losses - demographic assumptions	-	-	-6.2	-0.03
Actuarial Gains (-) / Losses - experience	0.93	0.01	0.28	-
Net Benefits Paid out	-5.24	-0.04	-5.24	-0.04
Past Service Cost	0.02	-	1.27	-
Closing defined benefit obligations	150.62	0.84	154.41	0.81

Changes to the Fair Value of Assets during the Accounting Period

This table reconciles the movement in the fair value of pension assets for the year.

	Year Ended 31 March 18 £m		Year Ended 31 March 19 £m	
	Funded	Unfunded	Funded	Unfunded
Opening Fair Value of Assets	101.44	-	101.47	-
Interest return on Assets	2.5	-	2.6	-
Actuarial Gains / (-) Losses on assets	0.57	-	7.12	-
Contributions by the Employer	1.72	0.04	1.82	0.04
Contributions by Participants	0.48	-	0.48	-
Net Benefits Paid out	-5.24	-0.04	-5.24	-0.04
Closing Present Value of Assets	101.47	-	108.25	-

Actual Return on Assets

This table shows the total return on pension fund assets. This includes the impact of any changes in assumptions made by the actuary.

	Year Ended 31 March 2018 £m	Year Ended 31 March 2019 £m
Interest income on Assets	2.50	2.60
Re-measurement Gains / (-) Losses	0.57	7.12
Actual Return on Assets	3.07	9.72

Sensitivity Analysis

The results shown in the Accounts are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2019 and the projected service cost for the year ending 31 March 2020 is set out below. In each case, the only assumption mentioned is altered; all other assumptions remain the same. Sensitivity on unfunded benefits are excluded on grounds of materiality.

Funded LGPS Benefits	+0.1% pa	Base Figure	-0.1% pa
Discount rate assumptions			
Present value of total obligation (£m)	151.85	154.41	157.01
% change in present value of total obligation	-1.70%		1.70%
Projected service costs (£m)	2.15	2.21	2.28
Approximate % change in service cost	-2.90%		3.00%
Rate of general increases in salaries			
Present value of total obligation (£m)	154.80	154.41	154.02
% change in present value of total obligation	0.30%		-0.30%
Projected service costs (£m)	2.21	2.21	2.21
Approximate % change in service cost	0.00%		0.00%
Rate of general increases in pensions in payment			
Present value of total obligation (£m)	156.62	154.41	152.24
% change in present value of total obligation	1.40%		-1.40%
Projected service costs (£m)	2.28	2.21	2.15
Approximate % change in service cost	3.00%		-2.90%
Post retirement mortality assumptions	-1 Year	Base Figure	+1 Year
Present value of total obligation (£m)	159.31	154.41	149.54
% change in present value of total obligation	3.20%		-3.20%
Projected service costs (£m)	2.30	2.21	2.12
Approximate % change in service cost	3.90%		-3.90%

Estimated Surplus or Deficit on the Provision of Services in future periods

Estimates of charges to the Comprehensive Income and Expenditure Account in future periods are based on assumptions in place as at 31 March 2019, plus an additional assumption to reflect that the projected cost is based on benefits being earned under a CARE scheme.

	2019/20	
	Funded £m	**Unfunded £m**
Projected Service Cost	2.21	-
Past Service Costs	-	-
Net interest on the net defined liability / (asset)	1.05	0.02
Total	3.26	0.02

Pension costs in future periods

The pension costs shown in the next accounting period's accounts will be different to that shown above. Although it is not possible to give a reliable indication of the impact, the figures shown are subject to change. Reasons why the pension cost may change include:

1. Actual increase in payroll being different to that used in the calculations. The projected payroll figure is estimated from the implied payroll over the current accounting period. A figure of £7,518,000 has been used in the estimate (£7,160,000 in 2017/18). A difference in payroll will particularly affect current service costs.

2. Past service costs may not be zero. This cost is that resulting from benefit augmentations or early retirements before age 60 or on the grounds of efficiency.

3. Curtailment / settlement events may occur (for example, outsourcing, redundancy exercises, or bulk transfers)
4. Actual cash flows over the next accounting period may differ from those assumed.
5. The expected employer contributions in 2018/19 are £1,998,000 (£1,870,000 in 2017/18).

McCloud judgement

When the LGPS was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government has requested leave to appeal to the Supreme Court and is expected to hear later in 2019 if this will be granted. The impact is therefore still highly uncertain, as two opposing outcomes are possible:

1. The Supreme Court overturns the previous ruling and benefits remain as they are, with the underpin only applying to a small group of members.

2. The Government's request for appeal is rejected, or the Supreme Court upholds the existing judgement, and benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that younger members would see an enhanced benefit rather than older members losing their existing protections.

Quantifying the impact of outcome 2 is very difficult because it will depend on members' future salary increases, length of service and retirement age. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

These numbers are high level estimates based on fund level calculations and depend on several key assumptions. The possible range is based on different salary growth and retirement age scenarios and illustrates the level of uncertainty in the figures. The upper end of the range shown is not a definitive limit and the true impact could be higher. A full description of the data, methodology and assumptions underlying these estimates can be provided on request.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place, specifically the 'stabilisation' mechanism which slows down changes in contribution rates. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

39. Contingent liabilities and contingent assets

At 31 March 2019 the authority determined no material contingent liabilities or assets.

40. Nature and extent of risks arising from financial instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central finance team, under policies approved by the council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Sector Treasury Services. This service also uses a number of overlays such as credit watches and credit outlooks to enhance the credit ratings of counterparties. The Council's priority when making these deposits is security of capital and liquidity of investments. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum category green in the Sector credit rating system. The approved list of counterparties is amended immediately if any change in sector rating occurs.

Limits for investment with these counterparties are in place; the maximum investment up to 364 days deposited with any one institution in the highest rated category was £4,000,000. No more than £2,000,000 can be invested for a period of more than 365 days without councillor involvement. No investment is to be made in an institution where it could be expected, at the time of investment, that the amount invested with that institution would at any time exceed 50% of the Authority's investments unless the total investments are below £3,000,000 and with authority from the Head of Governance and Logistics.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Risks relating to recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise. The Council has experienced no loss arising from defaults on its investments during the last five years.

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

No credit limit was exceeded during the reporting period. The Council's sundry debt profile was as follows:

Aged Debt **Age**	**2018/19 Total £'000**
0-30 Days	2,028
31-90 Days	372
91-180 Days	413
Over 180 Days	838
Grand Total	**3,651**

Liquidity Risk

The Council has £3.44m outstanding with the Public Works Loans Board at a fixed rate of 4.04% for 30 years. The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowing such that a rise in interest rates will lead to the fair value of the borrowing falling. In addition, borrowings take place exceptionally to meet short term cash flow needs. In the event of an unexpected cash requirement the authority has ready access to borrowings from the money markets to cover any day to day cash flow need.

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

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 70% of its borrowings in variable rate loans. Due to the nature of the investments held at 31 March, the authority was not exposed to significant interest rate risk.

Price Risk

The Authority does not invest in equity shares.

Foreign Exchange Risk

The Authority has no financial asset or liability denominated in a foreign currency and thus has no exposure to loss arising from movements in exchange rates.

41. Agency Services

The Council is responsible for aspects of highway maintenance within the borough on behalf of Hampshire County Council. The Council spent £233,396 in respect of highway revenue works (£330,000 in 2017/18). 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 Comprehensive Income and Expenditure Account but administration costs and the associated County Council reimbursement are included. These grants have been reduced for the current year due to HCC reviewing their spend.

The Council has entered into an agency agreement with Hampshire County Council for the enforcement of On Street parking control. The net cost of this service was £67,000 during 2018/19 (£24,000 in 2017/18); all net costs are included within the Comprehensive Income and Expenditure Account.

The County Council does not reimburse Havant Borough Council for these net costs; however, any cumulative net costs can be reimbursed from any future surplus of income arising from parking enforcement.

42. Events after the Balance Sheet Date

The valuation of the Authority's pension fund has been subject to a post balance sheet revaluation, caused by a court case referred to as 'McCloud'. The Government were appealing against this judgement but their right to appeal was refused in July 2019. As a result, there has been a subsequent revised pensions estimation, undertaken by the Authority's actuaries, resulted in a change in the pension values and disclosures in the accounts. Further detail can be found in Note 38.

The Council made a decision on 20 March 2019 granting authority to bid up to £4.1m excluding costs to acquire the Meridian Shopping Centre. Havant BC already own the freehold of the site and therefore the marriage of the freehold and leasehold secure full control of the site. The independent valuation undertaken by Wilks Head and Eve during Sept 2019 valued the long leasehold interest at £5.740m (excl. any increase in value associated with any special assumptions e.g. special purchaser, marriage value etc) The Council agreed to enter into this acquisition on the basis that Havant BC must intervene to regenerate key areas within the Borough, particularly Havant Town Centre as the private sector has failed to deliver positive change. The opportunity to acquire a 3.35 acre site within the boroughs major town centre fulfils a significant positive move forward in implementing the Council's adopted Regeneration Strategy. The acquisition was made in December 2019.

Covid-19

The current coronavirus outbreak has presented a significant challenge internationally ever since the new strain was first identified in Wuhan City, China in December 2019. On 30 January 2020, the World Health Organisation (WHO) declared the outbreak of coronavirus a 'Public Health Emergency of International Concern. On 31 January 2020 the first confirmed case of Covid-19 was recorded in the UK.

Following a series of measures enacted by the UK Government in early 2020 to tackle the virus, on 23rd March 2020, the Prime Minister announced a wider lockdown of society to limit the spread of Covid-19. Individuals were asked to stay at home and where possible work from home and only make essential journeys. The result was that a significant portion of UK businesses became unable to carry on operating and many employees were "furloughed" on 80% of their existing salary paid by central Government.

The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy.

As the condition did not exist at the 31 March 2019 this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019. We note that the future financial impact for 2019/20 and subsequent financial years may be greater and that there will be further implications and considerations for our Balance Sheet in relation to asset impairments and pension fund liability valuations, as at their respective balance sheet dates.

Whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council tax payer.

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

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

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

Our most recent balances compared to the year end reported in these statements is as follows.

Date	General Fund	Earmarked reserves
31 March 2018	£7,303	£2,426
31 March 2019	£7,403	£2,292

We have carried out an assessment of the impact of Covid-19 on our finances and identified that we expect:

In respect of 2019/20
A provisional outturn has indicated that additional expenditure and lost revenue had minimum impact on the 2019/20 financial position as the provisional outturn position was favourable. Where there were services that had income impacted this was covered from underspends within other services.

The main income reductions in revenue for 2019/20 relate to forecast parking income and Penalty Charge Notices of approximately £0.050M for the final two weeks of March.

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

- Reductions in revenue relate to a 30% reduction in income fees across a range of services for the entire year including Building Control, Planning, Licensing, Off-Street and On-Street Parking, Property and income from Norse South East covering Beach Huts, Bulky waste and garden waste.

Therefore, we expect our income to be £2.5M below that which we planned for within our 2020/21 budget.

- Additional costs relating to Covid-19 assumed at £138,500 based on spend to date and the assumption that further spending will be controlled within existing budgets

We therefore expect the total financial impact of Covid-19 to be £0.138M plus £2.5M for 2020/21.

We recognise that there remains uncertainty over how long lockdown arrangements will remain and the impact that will have on our assumptions. The assumption for a 30% is based on impact of the first quarter of 2020-21 being affected by lockdown and that a recession will likely follow from Q2 onwards and there could be possible further lockdowns if a second wave hits later in the year over winter. We have not assumed any additional central government grants within in our assumptions.

We have received government grant funding of £1.32M and have also identified in year budget savings as a result of delayed projects and reduced expenditure of £0.46M giving a total of £1.76M. Therefore we have expect our 2020/21 outturn to show a revised deficit approximately £0.391M. This would be funded from the General Fund balance – which would then have a predicted balance £2.628M at 31 March 2021.

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

Summary of expected General Fund Balance in future years (unaudited):

General Fund Balance

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

*The MTFS is built on assumptions of achieving in-year savings going forward of £2M in 2021/22 and £3M in 2022/23 and work has already started to identify those savings

The General Fund balance will remain above the 'minimum level of GF balances' set by our s151, which is £2m, across this timeline.

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

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

43. Authorisation of the statement of accounts

The Statement of Accounts was authorised by the Responsible Finance Officer on 29 July 2020.

COLLECTION FUND

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2017/18		**2018/19**	**2018/19**	**2018/19**
Total		**Business Rates**	**Council Tax**	**Total**
£'000	**Income**	**£'000**	**£'000**	**£'000**
(63,046)	Income from Council Tax		(67,097)	(67,097)
(34,618)	Income collectable from Business Ratepayers	(35,608)	-	(35,608)
(97,664)		**(35,608)**	**(67,097)**	**(102,705)**
	Expenditure			
62,110	Precepts paid to Police and Crime Commissioner, Fire Authority, County and Borough Councils	-	66,864	66,864
(557)	Distribution of previous year's estimated surplus	(2,071)	52	(2,019)
34,701	Business rates payable to central govt and Major Preceptors	34,933	-	34,933
(183)	Provision for Business rates appeals	(267)	-	(267)
1,056	Transitional Relief due to/from (-) Central Government	868	-	868
138	Costs of collection	138	-	138
1,081	Net contribution to Bad Debt Provision	102	418	520
98,346		**33,703**	**67,334**	**101,037**
	Movement on Fund Balance			
1,096	Surplus (-) / Deficit brought forward	2,286	(509)	1,778
682	Surplus (-) / Deficit for the year	(1,905)	236	(1,668)
1,778	Surplus (-) / Deficit carried forward	**381**	**(273)**	**110**

NOTES TO THE COLLECTION FUND

1. Calculation of the council tax base

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 2018/19 was £1,642.70 (£1,555.18 in 2017/18). The Council Tax base was as follows:

2018/19

Property Value	Tax Band	Dwellings	Band D Equivalents	Weighting
Disabled Relief	AR	-	5	5/9
Up to £40,000	A	4,365	2,910	6/9
Over £40,000 & up to £52,000	B	10,482	8,153	7/9
Over £52,000 & up to £68,000	C	9,511	9,511	8/9
Over £68,000 & up to £88,000	D	8,858	8,858	9/9
Over £88,000 & up to £120,000	E	5,213	6,371	11/9
Over £120,000 & up to £160,000	F	2,328	3,362	13/9
Over £160,000 & up to £320,000	G	893	1,488	15/9
Over £320,000	H	24	49	18/9
		41,674	**40,707**	

2. Non-Domestic Rateable Value and Rate Multiplier

The total non-domestic rateable value at the 31 March 2019 was £85,364,098 (£84,915,304 at 31 March 2018). The national non-domestic rate multiplier for the year was 49.3p (47.9p at 31 March 2018) and 48p for small businesses (46.6p at 31 March 2018).

3. Precepts and Demands on the Collection Fund

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

2017/18		--------------2018/19--------------		
Total	**Council tax**	**Precept / Demand**	**Share of Deficit/ Surplus**	**Total**
£'000		**£'000**	**£'000**	**£'000**
45,394	Hampshire County Council	48,884	37	48,921
6,629	Hampshire Police Authority	7,223	6	7,229
2,558	Hampshire Fire & Rescue Service	2,676	2	2,678
7,725	Havant Borough Council	8,081	7	8,088
62,306		**66,864**	**52**	**66,916**

2017/18		---------------2018/19---------------		
			Share of	
		Precept /	Deficit/	
Total	Business Rates	Demand	surplus	Total
£'000		£'000	£'000	£'000
16,974	Central Government	17,467	(1,036)	16,431
3,116	Hampshire County Council	3,144	(186)	2,958
279	Hampshire Fire & Rescue Service	349	(21)	328
13,579	Havant Borough Council	13,973	(828)	13,145
33,948		**34,933**	**(2,071)**	**32,862**

GLOSSARY OF TERMS

Accrual
This concept means that income and expenditure is accounted for as it is earned or incurred, not as the money is received or paid (cash basis).

Asset
A tangible or intangible item, that is of value to the Authority. Tangible assets include land and buildings, plant and machinery, vehicles, fixtures and fittings. Intangible assets include computer software licenses and in-house software development.

Actuarial Gains & Losses (Pensions)
Over reporting period, these consist of:
• Experience gains and losses are the effects of differences between previous assumptions made when calculating overall pension liability, and what has actually occurred, and
• The effects of changes in actuarial assumptions such as salary inflation and life expectancy on the pension liability.

Billing Authority
The Council responsible for collecting Council Tax from residents. Havant Borough Council is a billing authority.

Business Rates Retention Scheme
A government funding scheme launched in 2013/14 which allows the Council to retain a share of the Business Rates collected in the Borough.

Capital Expenditure
Expenditure on the acquisition or construction of assets, or expenditure that enhances an existing asset that has a long-term value to the authority, particularly land and buildings.

Capital Adjustment Account (CAA)
An accounting reserve which forms part of the capital accounting system and is not available for use. It represents amounts that have been set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.

Capital Programme
The authority's plan of capital projects and spending over future years. Included in this category is the purchase or enhancement of land and buildings, vehicle purchases and other major items of equipment.

Capital Receipts
Income from the sale of land or buildings which can be used to finance new capital expenditure, or to repay outstanding debt on assets originally financed through loans.

Carrying Amount
The cost or value of an asset, less depreciation incurred against that asset.

Cash and Cash Equivalents
Cash relates to the Council's bank balance or overdraft, petty cash and change floats as at 31 March. Cash equivalents relate to cash deposits that are readily convertible into cash at any given time, for example, balances held in the Council's overnight investment account.

Central Services to the Public
This covers services to the public that are often provided by central departments and includes Local Tax Collection, Elections, Emergency Planning, and Local Land Charges.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

GLOSSARY OF TERMS

Collection Fund
Income and expenditure relating to the collection and distribution of Council Tax and National Non-Domestic Rates.

Community Assets
Assets that the Council intend to hold in perpetuity for the benefit of the Community, that have no determinable useful life and that may have restrictions on their disposal. Havant Borough Council's community assets relate mainly to open spaces.

Contingent Assets and Liabilities
A liability that, at the balance sheet date, can be anticipated to arise if a particular event occurs. A typical example is a court case pending against the Council, the outcome of which is uncertain, but if the judgement were to be awarded against the Council, could result in a financial cost being incurred (liability) or an award of income to the council (asset).

Creditors
A creditor is an organisation, body or individual from whom the Council has purchased goods or services but the payment for which has not yet been made.

Current Replacement Cost
The cost of replacing an asset, reduced to reflect obsolescence. This cost is often used to value assets where market values or existing use values are not available.

Current Service Cost
The present value of pension benefits accrued to employees in the period of account.

Curtailment
Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors
Organisations, bodies or individuals who have received goods or services from the Council for which the payment has not yet been received.

Deferred Credit
This is income that has been received before the period or periods to which it relates. Deferred income is shown in the Balance Sheet.

Deficit
A deficit arises where expenditure exceeds income. A deficit can be financed by reserves.

Depreciation
An annual charge made in the Council's revenue account reflecting the reduction in value of an asset caused by the day to day operation of that asset.

Expected Rate of Return on Assets (Pensions)
The expected increase in the value of pension fund assets, based on valuations and long-term expected returns as at the start of the accounting period.

Existing Use Value
This is a method of valuing property that achieves a valuation based on the current use of the asset.

Fair Value
A methodology used to determine the value of Council assets. For land and buildings, it is the amount that would be paid for an asset in its existing use or, where this is not available, the cost of replacing the asset in its existing use.

Financial Instruments
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial Instruments include trade debtors and trade creditors, and treasury management transactions, for example, cash deposits, swaps, and embedded derivatives.

General Fund
The main revenue fund of the Council which contains the income and expenditure of all services provided by the Borough Council. The General Fund Balance represents the Council's minimum reserve balance to cover emergency expenditure.

Gross Book Value (GBV)
The GBV of a fixed asset is the value of the asset before depreciation has been applied.

Historic Cost
The historic cost of an asset Is deemed to be the carrying amount of an assets as at 1 April 2007 (the date the revaluation reserve was created) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IFRS
International Financial Reporting Standards

Impairment Loss
A significant decline in the value of an asset that is specific to that asset which is caused through deterioration rather than a reduction in market value of the asset.

Interest Cost (Pensions)
Increase in present value of pension benefit obligations, which arise because the benefits are one year closer to payment.

Market Value
The Market Value of an asset is the value that could be achieved if the asset were offered for sale with no restrictions that could affect its value.

National Non-Domestic Rates (NNDR)
Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government. The proceeds are pooled nationally and are redistributed on the basis of a fixed amount per head of population.

Net Book Value
The value of an asset, less the depreciation that has been applied to the asset since its purchase or revaluation.

Net Realisable Value
The existing use value of an asset, less any additional costs likely to be incurred to bring the asset into use.

Non-Current Assets
Tangible and intangible assets that yield benefits to the authority for a period of more than one year, for example, land and buildings.

Past Service Cost
The increase in the present value of pension benefits for employee service before the year of account, which result in the current period from the introduction of, or changes to, post-employment benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

GLOSSARY OF TERMS

Precept
The levy (demand) made by the County Council, Parish and Town Councils, on the District Council's Collection Fund for their net expenditure requirements.

Present value of defined benefit obligation
The value, in today's money, of expected future payments required to settle the pension obligation resulting from employee service.

Provisions
Amounts set aside to meet liabilities or losses which are likely to occur, or certain to occur in the future, but where the exact amounts and/or dates are uncertain.

Reserves
Amounts set aside to meet planned future capital or revenue expenditure, particularly projects.

Revenue Expenditure
Day to day income and expenditure, relating to the provision of the Council's services.

Revaluation Reserve
An unusable reserve, that represents the amount by which the Council's assets have been revalued since April 2007.

Revenue Support Grant (RSG)
A general government grant in support of local authority expenditure. The grant is calculated by Central Government and is based on the relative needs of the district.

Settlement (Pension)
Settlement occurs when the council enters into a transaction that eliminates all further obligation for part or all of the benefits provided under a defined benefit pension, for example, when a lump-sum cash payment is made to, or on behalf of, participants in exchange for their rights to receive specified post-employment benefits.

Surplus
A surplus occurs where income exceeds expenditure. In some cases, a surplus will be transferred to an appropriate reserve.