



**GOSPORT**  
Borough Council

# **STATEMENT OF ACCOUNTS**

**2015/16**



## **STATEMENT OF ACCOUNTS 2015/16**

<b>CONTENT</b>	<b>PAGE</b>
1 NARRATIVE REPORT	5
2 STATEMENT OF RESPONSIBILITIES	12
3 THE FINANCIAL STATEMENTS	
1. Movement in Reserves Statement	13
2. Comprehensive Income and Expenditure Statement	15
3. Balance Sheet	16
4. Cash Flow Statement	17
4 NOTES TO THE FINANCIAL STATEMENTS	
1. Accounting Policies	18
2. Accounting Standards issued, not adopted	34
3. Critical Judgements in applying Accounting Policies	34
4. Uncertainties relating to Assumptions and Estimates used	35
5. Events after the Reporting Period	37
6. Other Operating Expenditure	38
7. Financing and Investment Income and Expenditure	38
8. Taxation and Non Specific Grant Income and Expenditure	38
9. Adjustments between Accounting Basis and Funding Basis under Regulations	39
10. Property, Plant and Equipment and Impairments	42
11. Heritage Assets	46
12. Investment Properties	46
13. Intangible Assets	47
14. Financial Instruments	48
15. Nature and Extent of Risks Arising from Financial Instruments	50
16. Debtors	53
17. Cash and Cash Equivalents	53
18. Creditors	54
19. Provisions	54
20. Agency Services	54
21. Usable Reserves	55

22. Unusable Reserves	57
23. Reconciliation with amounts reported internally	61
24. Members Allowances	63
25. Officers Remuneration	63
26. External Audit Costs	65
27. Grant Income	66
28. Related Parties	67
29. Capital Expenditure and Capital Financing	69
30. Leases	70
31. Pensions	72
32. Contingent Liabilities	78
33. Contingent Assets	79
34. Cash Flow Statement Notes	79
35. Certification and authorisation of the Accounts	81
5 SUPPLEMENTARY FINANCIAL STATEMENTS	
1. Housing Revenue Account	82
2. Collection Fund	88
6 ANNUAL GOVERNANCE STATEMENT	93
7 AUDIT OPINION	101
8 GLOSSARY OF TERMS	104

## NARRATIVE REPORT

### 1. Introduction

The Statement of Accounts provides an overview of the Council's financial position at 31 March 2016 and a summary of its income and expenditure in the year to 31 March 2016. It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial Reporting Standards. It meets the reporting and accounting requirements of the CIPFA Code of Practice on Local Authority Accounting 2015/16 (the Code) which is based on and compliant with International Financial Reporting Standards (IFRS).

### 2. The main financial statements

#### Statement of Responsibilities

This sets out the Council's and the Chief Financial Officer's responsibilities in relation to the administration of the Council's affairs.

#### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council'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 and Housing Revenue Account for council tax setting and rent setting purposes. The 'net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

#### 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. The Council raises 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.

#### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. These are Usable Reserves - ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use - and Unusable Reserves - ie those that the Council is not able to use to provide services. The latter category includes reserves that hold unrealised gains and losses (ie revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

#### Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents to the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

### Notes to the accounts including accounting policies

The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.

The notes to the accounts provide further analysis and background to assist in interpreting and understanding the core financial statements.

### Housing Revenue Account and notes

The Housing Revenue Account (HRA) reflects the statutory obligation to maintain a separate revenue account for income and expenditure on council housing and related activities in accordance with the Local Government and Housing Act 1989. This specifies the credit and debit items to be taken into account in determining the surplus or deficit on the HRA for the year. The notes provide further explanation about the HRA.

### Collection Fund and notes

The Collection Fund is the statutory account that billing authorities must maintain separately from the rest of their accounts. It summarises council tax and business rate transactions for the Borough, County Council, Police and Crime Commissioner, Fire and Rescue Authority and Central Government. The notes provide further explanation about the Collection Fund.

### Annual Governance Statement

The Accounts and Audit Regulations 2015 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with the Statement of Accounts.

## **3. Financial summary**

### **General Fund**

The Council's revenue budget for 2015/16 before transfers to or from reserves was £9,582,980, the actual net expenditure for the year was £8,962,251 giving an under spending of £620,729. The underspend reflects, in part, revenue budget carry forwards totalling £421,729 - the net underspending excluding these being £199,000 (approximately 0.3% of the gross budget).

General Fund main budget points include

- The main areas of underspend and additional income include Leisure and Culture £105,000, Homelessness £64,000, Economic Prosperity £131,000, Local Development Framework £68,000, Benefits (subject to audit of the subsidy claim) £74,000, Planning Fees £93,000 and Administration Costs including Salaries and Overheads £194,000.
- A revenue contribution towards funding the capital programme of £185,000 was made
- General fund overall net interest paid was £77,434 (budget £85,880)
- The revenue charge for the repayment of debt was £829,375, against a budget of £644,400

The table below summarises the 2015/16 budget outturn, including how it is financed and the main reserves, in the same way that it is presented in the Budget Book, as opposed to the statutory reporting format in these financial statements.

The Council has three main General Fund revenue reserves which are shown below. Budgeted transfers of £164,120 from the Revenue Financing Reserve (RFR) and £1,047,390 to the Stability and Resilience Reserve (SRR) were made as planned. Additionally, a further £566,087 was added to the RFR as set out below.

<b>GENERAL FUND - OUTTURN</b>		<b>REVISED 2015/16</b>	<b>ACTUAL 2015/16</b>	<b>VARIANCE</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	
Net Expenditure of Boards		9,582,980	8,962,251	(620,729)	
Transfer to Revenue Financing Reserve (RFR)		(164,120)	401,967	566,087	
Transfer to Stability & Resilience Reserve (SRR)		1,047,390	1,047,390	0	
Budget Total		<u>10,466,250</u>	<u>10,411,608</u>	<u>(54,642)</u>	
<b>Financed by</b>					
Gosport Council Tax		(5,297,610)	(5,297,605)	5	
Revenue Support Grant		(1,824,610)	(1,824,612)	(2)	
Business Rates Retention		(3,344,030)	(3,289,391)	54,639	
		<u>(10,466,250)</u>	<u>(10,411,608)</u>	<u>54,642</u>	
<b>GENERAL FUND - MAIN REVENUE RESERVES</b>		<b>ACTUAL 01-Apr-15</b>	<b>REVISED 31-Mar-16</b>	<b>ACTUAL 31-Mar-16</b>	<b>VARIANCE</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
General Fund Balance		(889,999)	(889,999)	(889,999)	0
Revenue Financing Reserve		(2,665,455)	(2,501,340)	(3,067,422)	(566,082)
Stability & Resilience Reserve		(291,440)	(1,338,830)	(1,338,830)	0
		<u>(3,846,894)</u>	<u>(4,730,169)</u>	<u>(5,296,251)</u>	<u>(566,082)</u>

### Housing Revenue Account

The Housing Revenue Account was forecast to have a surplus of £1,067,000 with revised revenue account balances totalling £3.68 million at 31 March 2016. The actual surplus was £1,370,165 with revenue account balances of £3,984,091 being carried forward into 2016/17.

<b>HOUSING REVENUE ACCOUNT (HRA) - OUTTURN</b>		<b>REVISED 2015/16</b>	<b>ACTUAL 2015/16</b>	<b>VARIANCE</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	
Net Surplus		(1,067,000)	(1,370,165)	(303,165)	
<b>HRA - REVENUE RESERVES</b>		<b>ACTUAL 01-Apr-15</b>	<b>REVISED 31-Mar-16</b>	<b>ACTUAL 31-Mar-16</b>	<b>VARIANCE</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Revenue Account Balance		(991,738)	(991,738)	(991,738)	0
Major Repairs, New Build & Loan Repayment Reserve		(1,622,188)	(2,689,188)	(2,992,353)	(303,165)
		<u>(2,613,926)</u>	<u>(3,680,926)</u>	<u>(3,984,091)</u>	<u>(303,165)</u>

The main underspend was a saving of £608,727 on the revenue funding of the HRA capital programme due to programme slippage and a larger amount being utilised from reserves.

### **Capital**

A summary of capital expenditure and financing for 2015/16 is shown below. This shows material schemes, additions and enhancements to the council's fixed assets together with scheme slippage into 2016/17.

<b>SCHEME</b>	<b>REVISED 2015/16 £</b>	<b>ACTUAL 2015/16 £</b>	<b>SLIPPAGE £</b>
<b>BY BOARD</b>			
Community Board - Housing (HRA)	4,960,000	4,477,678	(600,797)
Community Board - Housing (GF)	604,000	480,819	(123,181)
Community Board - Non Housing	2,706,000	519,206	(2,104,045)
Economic Development Board	87,000	60,230	(26,610)
Policy & Organisation Board	583,000	349,493	(224,434)
	<b>8,940,000</b>	<b>5,887,426</b>	<b>(3,079,067)</b>
<b>BY MAJOR SCHEME</b>			
Council Dwellings	3,560,000	3,260,921	0
St Vincent Road Development	1,400,000	799,203	(600,797)
Purchase of Properties	0	417,554	0
Recreation, Sport & Play Area schemes	920,000	25,916	(861,932)
Disabled Facilities	493,000	426,287	(66,713)
Alver Valley Country Park	966,000	213,876	(752,124)
Information Technology	219,000	137,379	(81,621)
Town Hall Major Repairs	334,000	191,187	(142,813)
River Hamble to Portchester. CFERM Strategy	77,000	134,446	(11,876)
Lighting in Parks	174,000	4,594	(169,406)
Car Park resurfacing	135,000	67,794	(67,206)
Public Conveniences refurbishment	142,000	66,039	(75,961)
Essential Paving Improvements & Upgrades	90,000	4,994	0
Ice Rink refurbishment	100,000	0	(100,000)
Stokes Bay Golf Club	35,000	0	(35,000)
All other schemes	295,000	137,236	(113,618)
	<b>8,940,000</b>	<b>5,887,426</b>	<b>(3,079,067)</b>
<b>FINANCED BY</b>			
HRA - Major Repairs Reserve	2,400,000	2,407,353	
HRA - Revenue & Reserves	2,560,000	2,070,324	
GF - Capital Receipts	710,000	123,238	
GF - Developer Contributions - Open Spaces	866,000	4,594	
GF - Other Grants & Contributions	743,000	375,477	
GF - Capital Grants - Disabled Facilities	493,000	426,141	
GF - Revenue Contribution	0	185,000	
GF - Borrowing	1,168,000	295,298	
	<b>8,940,000</b>	<b>5,887,426</b>	

Two properties were purchased for the Housing Revenue Account (HRA) which will be added to the Council's housing stock. This was undertaken to utilise 1-4-1 retained right to buy receipts by the deadline for their use and was reported to Community Board in February 2016.

### Pensions liability

The Statement of Accounts complies with International Accounting Standard (IAS)19 – the financial reporting standard on Retirement Benefits. This is expanded on in Note 31 to the financial statements. The reported figures are supplied by independent actuaries to the Hampshire County Council administered pension fund.

The Balance Sheet and note show an improved position compared to last year's net pension deficit by £2.1 million (£37.65 million to £35.55 million) mainly due to changes in actuarial assumptions in measuring fund liabilities. This is a volatile figure and has a tendency to vary by several millions from year to year depending on actuarial assumptions and government guidance.

31-Mar-15 £'000	31-Mar-16 £'000
<b>(37,650) Net Pension Liability</b>	<b>(35,550)</b>

### Borrowing and Cash

The table below summarises the Council's net borrowing position

31-Mar-15 £'000	31-Mar-16 £'000
8,918 Short Term Investments	8,027
6,032 Cash and Cash Equivalents	3,902
<b>(3,433) Short Term Borrowing</b>	<b>(3,456)</b>
<b>(72,825) Long Term Borrowing</b>	<b>(71,490)</b>
<b>(61,308) Net Borrowing position</b>	<b>(63,017)</b>

The Council's capital financing requirement (or the underlying need to borrow) is essentially a measure of the outstanding capital expenditure which has not yet been paid for from either revenue or capital resources and is set out below.

31-Mar-15 £'000	31-Mar-16 £'000
<b>81,147 Capital Financing Requirement</b>	<b>80,704</b>

### Resources

The council's available reserves to meet both capital and revenue expenditure plans and other financial commitments are:

31-Mar-15 £'000	31-Mar-16 £'000
<b>Revenue</b>	
<b>General Fund (GF)</b>	
(890) GF - General Fund balance	(890)
(2,666) GF - Revenue Financing Reserve	(3,068)
(291) GF - Stability and Resilience Reserve	(1,339)
(588) GF - Other	(828)
<b>Housing Revenue Account (HRA)</b>	
(992) HRA - Housing Revenue Account balance	(992)
(1,622) HRA - Major Repairs, New Build & Loan Repayment Reserve	(2,992)
<b>Capital</b>	
<b>General Fund (GF)</b>	
(65) Capital Receipts (GF) (Camden Allotments)	(65)
<b>Housing Revenue Account (HRA)</b>	
(1,151) Capital Receipts Reserve (HRA)	(100)
(954) Capital Receipts New Build (HRA)	(1,016)
0 Major Repairs Reserve (HRA)	0
<b>(9,219)</b>	<b>(11,290)</b>

Additionally, the council also has £1.875 million at 31 March 2016 (£1.967 million at 31 March 2015) of developers' contributions that are available to spend. They are categorised as 'Receipts in Advance – Capital Grants' as they are subject to conditions as to the nature and timescale of their use and could therefore be returnable. The Council manages these sums to mitigate that possibility.

## The Future

### **General Fund**

The Council's overall financial position remains stable and a balanced budget has been set for 2016/17.

The Local Government Finance Settlement for 2016/17, published in December 2015, confirmed the phasing out of Revenue Support Grant by 2019/20 as well as the Government's intention to fully devolve Business Rate revenues by the end of the Parliament and to review the New Homes Bonus scheme. The latter two items are both being consulted on by the Government for probable reports later in the year and it is likely that there will be a substantial reduction of New Homes Bonus from 2017/18.

The Government's intention is that these measures will be fiscally neutral to central government (so additional responsibilities will flow to Local Government) and that they should also address the differing needs and resources between both different authority tiers and individual authorities.

Looking ahead, and in the absence of firm guidance and information, the position is very uncertain. The Council's present budgetary projection shows a possible savings requirement of £1.5million by 2019/20 to achieve acceptable Council Tax and reserve levels

To date, the ongoing service reviews and staffing reductions – including the letting of major contracts and the undertaking of an Environmental Health Shared Service with Fareham - have enabled the maintenance of services. However, this is becoming progressively more difficult and it is likely that further more radical initiatives will be necessary – particularly if future Government Finance Settlements are as anticipated.

On 8<sup>th</sup> June 2016, the Council approved that it would request Portsmouth City Council to jointly share senior management. It was anticipated that this would provide initial annual savings of £344,000, further strengthen the Council's financial position and contribute towards helping address the projected budgetary shortfall.

### **The Housing Revenue Account (HRA)**

Notable points from the latest HRA Business Plan include

- The impact of the change in Government policy on rent levels whereby an average annual 1% reduction of rents is now required for the next four years - this measure is estimated to reduce budgeted income, which was previously estimated to increase by Consumer Price Index (CPI) plus 1% per annum, by £300,000 in 2016/17 rising to £1,350,000 in 2019/20.
- The factoring in of the sale of high value assets ('the High Value Voids Levy'), as contained in the Housing and Planning Bill, which it is estimated could cost a net £2.1million per annum. This must be financed from the sale of high value void properties and stock profiles will be used to determine which properties are actually put up for sale.
- The refinancing of approximately £8.1m of loans which fall due for repayment within the next 5 years – effectively both taking advantage of low interest rates and deferring repayment until HRA surpluses return to more significant levels

The capital programme for 2015/16 included

- The St Vincent Road Development – which will be completed early in 2016/17
- The purchase of two properties in the private market to both meet Housing need and to utilise retained 1-4-1 receipts arising from Government amendments to the Right To Buy scheme - these receipts are to be fully utilised within 3 years

### **Brexit**

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. The Council's Treasury Strategy, means it is well protected against currency fluctuations in the short to medium term. There may however be an impact on investment property valuations if confidence in the wider UK property market falls; and also on the level of the Council's defined benefit pension obligations.

It is too early to estimate the quantum of any impact on the Council's finances and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Authority is required to:

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

Councillor M. Hook  
Chair of Policy and Organisation Board

21 September 2016

### The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2016.

Mr Julian Bowcher  
Borough Treasurer, Section 151 officer

21 September 2016

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase / Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2014</b>	(890)	(2,688)	(992)	(850)	(1,411)	0	(6,831)	(44,164)	(50,995)
<b>Movement during 2014/15</b>									
(Surplus)/Deficit on the provision of services	80		(1,663)				(1,583)		(1,583)
Other Comprehensive Income and Expenditure							0	50	50
<b>Total Comprehensive Income and Expenditure</b>	<b>80</b>	<b>0</b>	<b>(1,663)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,583)</b>	<b>50</b>	<b>(1,533)</b>
Adjs accg basis & funding basis under regulations (Note 9)	(937)		1,012		(759)	0	(684)	684	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(857)</b>	<b>0</b>	<b>(651)</b>	<b>0</b>	<b>(759)</b>	<b>0</b>	<b>(2,267)</b>	<b>734</b>	<b>(1,533)</b>
Transfers to/(from) Earmarked Reserves (Note 21)	857	(857)	651	(651)			0		0
<b>Net (increase)/decrease in 2014/15</b>	<b>0</b>	<b>(857)</b>	<b>0</b>	<b>(651)</b>	<b>(759)</b>	<b>0</b>	<b>(2,267)</b>	<b>734</b>	<b>(1,533)</b>
<b>Balance at 31 March 2015</b>	<b>(890)</b>	<b>(3,545)</b>	<b>(992)</b>	<b>(1,501)</b>	<b>(2,170)</b>	<b>0</b>	<b>(9,098)</b>	<b>(43,430)</b>	<b>(52,528)</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2015 - b/fwd from previous page</b>	<b>(890)</b>	<b>(3,545)</b>	<b>(992)</b>	<b>(1,501)</b>	<b>(2,170)</b>	<b>0</b>	<b>(9,098)</b>	<b>(43,430)</b>	<b>(52,528)</b>
<b>Movement during 2015/16</b>									
(Surplus)/Deficit on the provision of services	789		(553)				236		236
Other Comprehensive Income and Expenditure							0	(10,286)	(10,286)
<b>Total Comprehensive Income and Expenditure</b>	<b>789</b>	<b>0</b>	<b>(553)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>236</b>	<b>(10,286)</b>	<b>(10,050)</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	(2,479)		(938)		989	0	(2,428)	2,428	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(1,690)</b>	<b>0</b>	<b>(1,491)</b>	<b>0</b>	<b>989</b>	<b>0</b>	<b>(2,192)</b>	<b>(7,858)</b>	<b>(10,050)</b>
Transfers to/(from) Earmarked Reserves (Note 21)	1,690	(1,690)	1,491	(1,491)			0		0
<b>Net (increase)/decrease in 2015/16</b>	<b>0</b>	<b>(1,690)</b>	<b>0</b>	<b>(1,491)</b>	<b>989</b>	<b>0</b>	<b>(2,192)</b>	<b>(7,858)</b>	<b>(10,050)</b>
<b>Balance at 31 March 2016</b>	<b>(890)</b>	<b>(5,235)</b>	<b>(992)</b>	<b>(2,992)</b>	<b>(1,181)</b>	<b>0</b>	<b>(11,290)</b>	<b>(51,288)</b>	<b>(62,578)</b>

## 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.

Gross Exp £000	2014/15		Notes	2015/16		Net Exp £000
	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	
1,770	(570)	1,200	Central Services to the Public	1,480	(569)	911
2,887	(165)	2,722	Cultural and Related Services	3,922	(370)	3,552
4,165	(1,055)	3,110	Environment and Regulatory Services	4,078	(1,020)	3,058
2,311	(830)	1,481	Planning Services	2,066	(1,009)	1,057
847	(1,006)	(159)	Highways, Roads & Transport Services	1,335	(1,063)	272
9,984	(14,138)	(4,154)	Local Authority Housing (HRA)	11,504	(14,468)	(2,964)
34,350	(33,421)	929	Housing Services	33,867	(32,801)	1,066
1,532	(22)	1,510	Corporate & Democratic core	1,672	(27)	1,645
(438)	0	(438)	Non Distributed Costs	10	0	10
<b>57,408</b>	<b>(51,207)</b>	<b>6,201</b>	<b>Cost Of Services</b>	<b>59,934</b>	<b>(51,327)</b>	<b>8,607</b>
		572	Other Operating Expenditure			804
		3,203	Financing and Investment Income and Expenditure	7		1,866
	(11,559)		Taxation and Non-Specific Grant Income and Expenditure	8		(11,041)
		<b>(1,583)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>236</b>
	(3,377)		Surplus on revaluation of Property, Plant and Equipment assets	22		(7,011)
		67	Other recognised losses			5
		3,360	Actuarial losses / (gains) on pension assets / liabilities	22		(3,280)
		<b>50</b>	<b>Other Comprehensive (Income)/Expenditure</b>			<b>(10,286)</b>
		<b>(1,533)</b>	<b>Total Comprehensive (Income)/Expenditure</b>			<b>(10,050)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves ie those reserves that the Council 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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 reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31-Mar-15 £'000	Notes	31-Mar-16 £'000
148,220 Property, Plant & Equipment	10	153,318
316 Heritage Assets	11	322
7,088 Investment Properties	12	8,063
601 Intangible Assets	13	582
5,467 Long Term Debtors	16	5,139
<b>161,692 Long Term Assets</b>		<b>167,424</b>
8,918 Short Term Investments	14	8,027
4,573 Short Term Debtors	16	5,653
6,032 Cash and Cash Equivalents	17	3,902
<b>19,523 Current Assets</b>		<b>17,582</b>
(3,433) Short Term Borrowing	14	(3,456)
(11,243) Short Term Creditors	18	(7,281)
(19) Short Term Liabilities	30	(21)
(1,477) Provisions	19	(1,997)
<b>(16,172) Current Liabilities</b>		<b>(12,755)</b>
0 Long Term Creditors	18	(562)
(51) Provisions	19	(45)
(72,825) Long Term Borrowing	14	(71,490)
(22) Other Long Term Liabilities	30	(151)
(1,967) Receipts in Advance - Capital Grants	27	(1,875)
(37,650) Net Pension Liability	31	(35,550)
<b>(112,515) Long Term Liabilities</b>		<b>(109,673)</b>
<b>52,528 Net Assets</b>		<b>62,578</b>
(9,098) Usable Reserves	21	(11,290)
(43,430) Unusable Reserves	22	(51,288)
<b>(52,528) Total Reserves</b>		<b>(62,578)</b>

The unaudited Statement was issued on 30 June 2016 and the audited Statement was issued on 21 September 2016.

Julian Bowcher CPFA  
Borough Treasurer,  
21 September 2016

## Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council 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 Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2014/15 £000	Notes	2015/16 £000
1,583 Net surplus or (deficit) on the provision of services		(236)
9,943 Adjustments to surplus or deficit on the provision of services for non-cash movements	34	4,004
(1,738) Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	(1,472)
<b>9,788</b> Net Cash flows from Operating Activities		<b>2,296</b>
(11,084) Net Cash flows from Investing Activities	34	(2,927)
869 Net Cash flows from Financing Activities	34	(1,499)
<b>(427)</b> Net increase or (decrease) in cash and cash equivalents		<b>(2,130)</b>
6,459 Cash and cash equivalents at the beginning of the reporting period		6,032
6,032 Cash and cash equivalents at the end of the reporting period		3,902

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, 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 and financial instruments.

#### b) 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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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 on the basis of 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.

#### c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with the Councils main bank account.

Cash equivalents are deposits with financial institutions repayable without penalty within one day for known amounts of cash with insignificant risk of changes in value.

The following Council accounts and instruments are treated as cash and cash equivalents.

National Westminster Group Account consisting of

- Main Account

- Payments Account
- Online Account

#### Call Accounts

- Corporate Deposit Account (closed in year)
- Liquidity Select Account

#### Money Market Fund Accounts

- The Public Sector Deposit Fund (CCLA Investment Management Ltd)

#### Temporary Deposits

- Deposits placed with approved institutions which are repayable within one day of the balance sheet date

In the cash flow statement, the cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form part of the Council's banking arrangements.

### **d) 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 (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (including flexi time but not time off in lieu which is judged not to be material) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is calculated on the actual outstanding benefits at year end at current wage and salary rates and charged directly to the Surplus or Deficit on the Provision of Services. It is 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 Council 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 Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner 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

The majority of the Council's employees belong to the Local Government Superannuation Scheme (LGPS) administered by Hampshire County Council. Detailed regulations govern rates of contribution and scales of benefit.

The pension scheme is detailed in note 31 to the accounting statements and is accounted for as a defined benefits scheme.

- The liabilities of the LGPS attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 3.4% based on the current rate of return on high quality corporate bonds "of equivalent currency and term to the scheme liabilities".
- Assets of the LGPS attributable to the council are included in the balance sheet at their fair value.

The change in the Council's net pension liability is analysed into the following components

Service cost comprising	
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 in liabilities as a result of a scheme amendment or curtailment 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
Net interest on the net defined benefit liability (asset) ie the net interest expense for the authority	The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Remeasurements comprising	
The return on plan assets	Excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
Employers' contributions payable to scheme	Cash paid as employers' contributions to the pension fund

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 pensioners 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **e) Events after the Reporting Period**

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.

#### **f) 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 Council's financial performance.

#### **g) 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, ie. 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 Council'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.

#### **h) Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding non-current 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 are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council 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 Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance of the Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **i) Financial Instruments**

Financial instruments can be described as contracts that give rise to a financial asset of one entity and a financial liability of another entity.

##### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council does not have any Available for Sale Assets.

Loans and receivables are recognised on the Balance Sheet when the Council 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council makes car loans, at an interest rate of 3%, available to certain employees as part of its recruitment and retention package

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **j) 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 Council when there is reasonable assurance that:

- the Council 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-ringfenced 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.

#### Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be 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 a number of 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 both revenue and capital expenditure.

#### **k) Heritage Assets**

The Council's Heritage Assets are held in the Town Hall.

The heritage assets largely comprise items of civic regalia and paintings as well as a mayoral chain and other miscellaneous items. They are all held in support of their primary objective of contributing to knowledge and culture and have cultural and historic associations that make their preservation for future generations important.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules in relation to heritage assets are permitted to be relaxed as detailed, together with a description of the assets held, in Note 11.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment ie. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

Acquisitions and donations are rare. Where they do occur, acquisitions are recognised at cost and donations are recognised at valuation ascertained in accordance with the Council's policy on valuation of heritage assets.

The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes in the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Heritage assets are considered to have an indefinite life and no depreciation is therefore charged.

There are no intangible heritage assets

## **I) Intangible Assets**

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

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 Council 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 Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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. 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**m) Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture

The Council has a 25% share in the Portchester Crematorium that is disclosed in note 28 to the accounting statement. The Council's share of the jointly controlled assets and liabilities are also disclosed in note 28 as they are not considered of sufficient materiality to warrant inclusion in the Council's Comprehensive Income and Expenditure Statement.

**n) Inventories and Long Term Contracts**

Inventories, where applicable, are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**o) Investment Properties**

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 arms-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 Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**p) 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 Council 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 Council 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 Council at the end of the lease period).

The Council 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 (ie there is a rent-free period at the commencement of the lease).

The Council as Lessor

*Finance Leases*

Where the Council 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 Council'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 (ie 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 Council 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 (ie 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

#### **q) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- 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 defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services

**r) 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 Council 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 (ie 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

A de-minimus level of £10,000 has been set below which the initial cost of assets is not capitalised.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance. 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 Council.

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
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets 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 current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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 (ie freehold land) and assets that are not yet available for use (ie assets under construction).

Depreciation is not charged on Community Assets or Garages as it is the Council's view that most of their value is held in land and it is not therefore depreciable.

Depreciation is calculated using the straight-line method, based on the opening balance plus any material movement and assuming a nil residual value, on the following bases:

- Council Dwellings – based on the Major Repairs Allowance (MRA) used in the Government buyout determination for HRA self-financing
- Buildings - straight-line method over the useful life of the property as estimated by the Valuer
- Vehicles, Plant and Equipment - straight line method over the estimated useful life of the asset

- Infrastructure – straight line method over the estimated useful life of the asset

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 in line with the following policy:

Componentisation of an asset or group of assets will be considered where the carrying value of an asset is greater than £800,000, the component is at least 20% of the carrying value of the asset and there is a potentially significant impact on depreciation.

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. Assets Held for Sale must meet certain criteria including that they are likely to be sold in current condition within a year and are being actively marketed.

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 previous 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 (ie 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. A proportion of receipts relating to housing disposals is payable to the Government under the Government's Pooling arrangements. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the 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.

### **s) Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

Provisions are made where an event has taken place that gives the Council 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 but where the timing of the transfer is uncertain. For instance, the Council 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 Council 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, taking into account 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 (ie 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 Council settles the obligation.

The Council maintains a provision for bad debts and doubtful debts that may be irrecoverable.

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 Council 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 Council.

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.

**t) Reserves**

The Council 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 Council – these reserves are explained in the relevant policies.

The Council's main reserves are described further in Notes 21 and 22 to the accounting statements

**u) 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 Council 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.

**v) Value Added Tax**

Income and expenditure excludes any amounts related to VAT as this is accounted for separately with VAT collected being paid to HM Revenue and Customs and VAT paid being recoverable from them.

**w) Fair Value Measurement**

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 - quoted figures in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 - other observable information/data available for the asset or liability.
- Level 3 - other information/data applied to the asset or liability

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

For this disclosure the standards introduced by the 2016/17 Code include:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 and 2012 - 2014
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) - including CIPFA's 'Telling the Story' review and the Code changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

It is anticipated that these will not have a material impact on the financial statements although the comparator figures for the changes to the main financial statements (last bullet point) must reflect the new formats.

## 3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most significant are:

- **Future funding for local government** – while there is a high degree of uncertainty about future levels of funding for local government, the Council has determined that this uncertainty is not sufficient to provide an indication that the Council's assets 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 are based on the main reason that the council is holding the asset with the classification determining the valuation method to be used.
- **Lease classifications** – the Council has made judgements on whether its lease arrangements are operating leases or finance leases. There is an element of subjectivity in these assessments and de-minimus levels have been applied. The accounting treatment for operating and finance leases is different (see accounting policy on Leases) and may 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).
- **Jointly Controlled Operation** – As a member of the Portchester Crematorium Joint Committee (PCJC) with a 25% share in the crematorium operation, the Council has made a judgement on the grounds of materiality to disclose its share of the assets and liabilities as part of the Related Parties disclosure note (Note 28) rather than incorporate them into the Comprehensive Income and Expenditure Statement. Group accounts have therefore not been prepared.

- **Potential Liabilities** - the Council has made judgements about the likelihood of potential liabilities and whether any provisions should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Note 19 refers.
- **Doubtful debts allowances** - the council has made judgements on a prudent level of allowances for doubtful debts. These are based on historical experience of debtor defaults and the current economic climate.

#### 4 Uncertainties relating to Assumptions and Estimates used

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2016 for which material assumptions and estimates have been made are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>The introduction of Business Rates Retention from 1 April 2013 has placed a significant risk for shortfalls in business rate funding onto the Council and precepting authorities. This is particularly true for factors outside of the Council's direct control such as rating appeals.</p> <p>A provision is held in the Collection Fund for the estimated total value of rating appeals that may require refunding but have not yet been formally agreed by the Valuation Office.</p>	<p>At 31 March 2016, the Council's share of the total provision of £4.906 million (£3.452 million in 2014/15) is £1.962 million (£1.381 million in 2014/15).</p> <p>The actual cost of appeals – whether above or below the provision - will impact on retained business rate income.</p>
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about individual assets service delivery and level of repairs and maintenance. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance which may bring</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p>

	into doubt the useful lives assigned to assets.	
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of 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 on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability for funded LGPS benefits of changes in individual assumptions can be measured.</p> <p>For instance, a 0.1% increase in the discount rate assumption may result in a decrease in the pension liability of £1.62 million.</p> <p>The assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pensions liability had decreased by £2.10 million – made up of actuarial remeasurements which decreased the liability by £3.28 million and additional net in year liabilities of £1.18 million.</p>
Doubtful Debt Allowances	<p>The Council has made allowances for doubtful debts of £3.022 million in 2015/16 (£2.672 million in 2014/15) based on what it believes to be a prudent but realistic level.</p>	<p>If debt collection rates were to deteriorate or improve, a 5% change in the General Fund allowances would require an adjustment to the allowance of £151,000 (£134,000 in 2014/15).</p>
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), then fair value is measured using valuation techniques, which, where possible, are based on observable data. Where this is not possible then judgement is required in establishing fair values.</p> <p>Where Level 1 inputs are not available, the Council's valuer has used a valuation technique appropriate to each asset and for which sufficient data is available to measure Fair and</p>	<p>Information about the valuation techniques and inputs used in determining the fair value of the Council's Investment Properties and Financial Instruments are disclosed in notes 12 and 14 below.</p> <p>The judgements and unobservable inputs used include considerations of uncertainty and risk and changes in these assumptions and inputs could affect the fair value of the authority's assets and liabilities</p>

	<p>Current Value ie</p> <ul style="list-style-type: none"> <li>• Market approach - comparison with market transactions of similar properties</li> <li>• Cost approach – for specialised and rarely sold assets - the Depreciated Replacement Cost (DRC)</li> <li>• Income approach – an analysis of cash flows of income and expenditure to determine current income</li> </ul>	
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## 5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Borough Treasurer on 21 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6. Other Operating Expenditure

2014/15 £'000	2015/16 £'000
255 Payments to the Government Housing Capital Receipts Pool	304
317 (Gain) or Loss on the disposal of non-current assets	500
<b>572</b>	<b>804</b>

## 7. Financing and Investment Income and Expenditure

2014/15 £'000	2015/16 £'000
2,278 Interest payable and similar charges	2,248
1,400 Pension interest on net defined benefit liability	1,180
(352) Interest receivable and similar income	(414)
(123) Net income and expenditure in relation to investment properties and changes in their fair value	(1,148)
<b>3,203</b>	<b>1,866</b>

## 8. Taxation and Non Specific Grant Income and Expenditure

2014/15 £'000	2015/16 £'000
(5,140) Council Tax Income	(5,262)
(2,403) Retained Business Rates	(2,165)
(3,827) Non-Ringfenced Government Grants	(3,368)
(189) Capital Grants and Contributions	(246)
<b>(11,559)</b>	<b>(11,041)</b>

## 9. Adjustments between 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 the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The Council's reserves against which the adjustments are made are described in Notes 21 and 22

2015/16	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
* Charges for depreciation and impairment of non-current assets	(1,104)	(2,407)			(3,511)	3,511
* Revaluation losses on Property Plant and Equipment	(1,320)	(762)			(2,082)	2,082
* Movements in the fair value of Investment Properties	961				961	(961)
* Amortisation of intangible assets	(113)				(113)	113
* Capital grants and contributions applied	806				806	(806)
* Revenue expenditure funded from capital under statute	(636)				(636)	636
* 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	(471)	(986)			(1,457)	1,457
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
* Statutory and voluntary provision for the financing of capital investment	829				829	(829)
* Capital expenditure charged against the General Fund and HRA balances	185	430			615	(615)

2015/16	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
* Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		992	(992)		0	0
* Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR			1,672		1,672	(1,672)
* Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(35)	35		0	0
* Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		(304)	304		0	0
* Transfer from Deferred Capital receipts Reserve upon receipt of cash			(30)		(30)	30
<b>Adjustment involving the Major Repairs Reserve</b>						
* Reversal of Major Repairs Allowance credited to the HRA		2,407		(2,407)	0	0
* Use of the Major Repairs Reserve to finance new capital expenditure				2,407	2,407	(2,407)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
* Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 31)	(2,134)	(666)			(2,800)	2,800
* Employer's pensions contributions and direct payments to pensioners payable in the year	1,234	386			1,620	(1,620)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
* Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements			(718)		(718)	718
<b>Adjustment primarily involving the Accumulated Absences Account</b>						
* 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					11	(11)
<b>Total Adjustments</b>	<b>(2,479)</b>	<b>(938)</b>	<b>989</b>	<b>0</b>	<b>(2,428)</b>	<b>2,428</b>

2014/15	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
* Charges for depreciation and impairment of non-current assets	(1,072)	(2,400)			(3,472)	3,472
* Revaluation losses on Property Plant and Equipment	(108)	0			(108)	108
* Movements in the fair value of Investment Properties	(275)	0			(275)	275
* Amortisation of intangible assets	(102)				(102)	102
* Capital grants and contributions applied	592				592	(592)
* Revenue expenditure funded from capital under statute	(444)				(444)	444
* 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	(361)	(1,079)			(1,440)	1,440
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
* Statutory provision for the financing of capital investment	566				566	(566)
* Repayment of debt from revenue		606			606	(606)
* Capital expenditure charged against the General Fund and HRA balances		1,052			1,052	(1,052)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
* Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,146	(1,146)		0	0
* Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR			138		138	(138)
* Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(23)	23		0	0
* Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		(255)	255		0	0
* Transfer from Deferred Capital receipts Reserve upon receipt of cash			(29)		(29)	29
<b>Adjustment involving the Major Repairs Reserve</b>						
* Reversal of Major Repairs Allowance credited to the HRA		2,400		(2,400)	0	0
* Use of the Major Repairs Reserve to finance new capital expenditure				2,400	2,400	(2,400)

2014/15	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
* Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 31)	(1,428)	(842)			(2,270)	2,270
* Employer's pensions contributions and direct payments to pensioners payable in the year	1,180	410			1,590	(1,590)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
* Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements		513			513	(513)
<b>Adjustment primarily involving the Accumulated Absences Account</b>						
* 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	2	(3)			(1)	1
<b>Total Adjustments</b>	<b>(937)</b>	<b>1,012</b>	<b>(759)</b>	<b>0</b>	<b>(684)</b>	<b>684</b>

## 10. Property, Plant and Equipment and Impairments

### Depreciation

The table below summarises the methods of depreciation used for the Council's assets. In line with the CIPFA Code of Practice, land and investment properties are not depreciated.

Asset	Depreciation Method
Council Dwellings	Major Repairs Allowance (MRA) used in the Government buyout determination for HRA self-financing
Other Land & Buildings (Operational Property and Garages)	Straight line method over the estimated useful life of the asset Garages are not depreciated as it is the Council's view that most of the value is in the land
Infrastructure	Straight line method over the estimated useful life of the asset
Community Assets	No charge – it is the Council's view that most of the value of Community Assets is held in land and is not therefore depreciable

<b>Movement in Plant, Property and Equipment for 2015/16</b>	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Plant, Property &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1 April 2015	115,838	22,681	3,805	13,193	3,839	80	132	159,568
Additions	3,639	368	49		20	0	1,066	5,142
Revaluation increases/(decreases) to RR	622	3,156				(14)		3,764
Revaluation increases/(decreases) to SDPS	(762)	(1,271)				(49)		(2,082)
De-recognition - Disposals	(1,006)							(1,006)
De-recognition - Other		(458)	(77)		(18)			(553)
Assets reclassified					1		(1)	0
<b>At 31 March 2016</b>	<b>118,331</b>	<b>24,476</b>	<b>3,777</b>	<b>13,193</b>	<b>3,842</b>	<b>17</b>	<b>1,197</b>	<b>164,833</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2015	(2,401)	(1,160)	(2,957)	(4,818)	0	(12)	0	(11,348)
Depreciation Charge	(2,407)	(589)	(165)	(350)				(3,511)
Depreciation & Impairment written out to RR	2,400	829				12		3,241
De-recognition - Disposals	20							20
De-recognition - Other		6	77					83
Assets reclassified								0
<b>At 31 March 2016</b>	<b>(2,388)</b>	<b>(914)</b>	<b>(3,045)</b>	<b>(5,168)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,515)</b>
<b>Net Book Value</b>								
<b>At 31 March 2016</b>	<b>115,943</b>	<b>23,562</b>	<b>732</b>	<b>8,025</b>	<b>3,842</b>	<b>17</b>	<b>1,197</b>	<b>153,318</b>

<b>Movement in Plant, Property and Equipment for 2014/15</b>	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Plant, Property &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1 April 2014	113,073	22,885	3,950	13,193	3,498	80	134	156,813
Additions	3,310	196	267	176	384	0	1	4,334
Revaluation increases/(decreases) to RR	552	3						555
Revaluation increases/(decreases) to SDPS	0	(110)						(110)
De-recognition - Disposals	(1,097)							(1,097)
De-recognition - Other		(116)	(412)	(176)	(46)			(750)
Assets reclassified		(177)			3		(3)	(177)
<b>At 31 March 2015</b>	<b>115,838</b>	<b>22,681</b>	<b>3,805</b>	<b>13,193</b>	<b>3,839</b>	<b>80</b>	<b>132</b>	<b>159,568</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2014	(2,401)	(996)	(3,074)	(4,534)	0	(12)	0	(11,017)
Depreciation Charge	(2,400)	(528)	(187)	(357)				(3,472)
Depreciation & Impairment written out to RR	2,382	334						2,716
De-recognition - Disposals	18							18
De-recognition - Other		12	304	73				389
Assets reclassified		18						18
<b>At 31 March 2015</b>	<b>(2,401)</b>	<b>(1,160)</b>	<b>(2,957)</b>	<b>(4,818)</b>	<b>0</b>	<b>(12)</b>	<b>0</b>	<b>(11,348)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>113,437</b>	<b>21,521</b>	<b>848</b>	<b>8,375</b>	<b>3,839</b>	<b>68</b>	<b>132</b>	<b>148,220</b>

## Capital Commitments

Significant commitments for future expenditure at 31 March 2016 include:

2014/15 £'000	2015/16 £'000
100 Gosport Leisure Park (Ice Rink)	100
25 Stokes Bay - Wet & Dry Play Area	-
- Alver Valley Country Park	11
<b>125</b>	<b>111</b>

## Revaluations

The table below shows the progress of the Council's programme of fixed asset valuations in line with the valuation methods set out in the Statement of Accounting Policies. Valuations are carried out for both Council Dwellings and General Fund properties by Savills (UK) Ltd and Capita Ltd respectively. The valuations are gross balance sheet value before depreciation.

	Historical £'000	Fair Value - revalued when indicated			Total £'000
		2015/16	2014/15	2013/14	
		£'000	£'000	£'000	
Property, Plant & Equipment					
Council Dwellings		118,331			118,331
Operational Property		18,230	1,481	3,775	23,486
Garages		990			990
Equipment	3,777				3,777
Infrastructure	13,193				13,193
Community Assets	3,842				3,842
Surplus Assets	17				17
Assets under Construction	1,197				1,197
	<b>22,026</b>	<b>137,551</b>	<b>1,481</b>	<b>3,775</b>	<b>164,833</b>

## Impairments

There were no general impairments identified in 2015/16 or 2014/15.

Any revaluation gains or losses for those assets that were reported on by the Council's valuers for 2015/16 have been reflected in the Revaluation Reserve or the Capital Adjustment Account (the latter through the Comprehensive Income and Expenditure Statement) as appropriate.

## Assets Held For Sale

The Council does not have any assets that meet the Code definition of Assets Held for Sale.

## 11. Heritage Assets

Movement of the carrying value of Heritage Assets held by the Authority

	Civic Regalia £'000	Mayoral Chain £'000	Paintings £'000	Other £'000	Total £'000
<b>Cost or Valuation</b>					
<b>31-Mar-15</b>	<b>50</b>	<b>55</b>	<b>200</b>	<b>11</b>	<b>316</b>
Revaluations	1	1	4		6
<b>31-Mar-16</b>	<b>51</b>	<b>56</b>	<b>204</b>	<b>11</b>	<b>322</b>

The Council's Heritage Assets are held by the Council in the Town Hall and are accounted for and valued as follows:

- Civic Regalia – annually updated insurance valuation
- Mayoral Chain and Badge – annually updated insurance valuation
- Paintings and Prints – a collection of 64 paintings and prints located throughout the Town Hall, valued by an annually updated insurance valuation
- Other Items – include a plaster cast of Nelson and D Day plaque at Stokes Bay are held at historic cost

A full inventory of Civic Regalia, Paintings and Prints has been undertaken in 2014/15 and the insurance cover has been re-evaluated for 2015/16.

The Council's Heritage Assets are considered to have an indefinite life and no depreciation is therefore charged.

In addition to the Council's heritage assets held in the Town Hall and included in this statement of accounts, a Gosport Museum collection is also held by the Hampshire County Council. Objects in the collection that were accessioned before 1 April 1991 are owned by Gosport Borough Council and are on loan to Hampshire County Council. These objects are now part of the Temporary Collection of items listed and detailed in the Hampshire County Council Accessions Register, which from 1 November 2014, the Commencement Date of the Hampshire Cultural Trust, are on loan from Hampshire County Council to the Trust. The majority of these objects are located in the stores or are on display at the Gosport Discovery Centre and some items are held separately in specialised storage conditions at Hampshire County Council premises outside of Gosport. The objects accessioned after this date are owned by Hampshire County Council. No total valuation exists for this collection which is covered by the County Council's insurance arrangements

## 12. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2014/15 £'000	2015/16 £'000
202 Direct operating expenses arising from investment property	467
(600) Rental income from investment property	(654)
<b>(398) Net gain</b>	<b>(187)</b>

### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 3 on the fair value hierarchy for valuation purposes (see Note 1 Accounting Policy (w) for an explanation of the fair value levels).

### Valuation Techniques Used to Determine Level 3 Fair Values for Investment Property

Desktop valuations of the Councils investment property portfolio. The properties have not been inspected nor have any leases or other tenancy information been reviewed. Reliance has been placed on copies of previous valuations, spreadsheet tenancy schedules and interviews with Council staff.

There has been no change in the valuation techniques used during the year for investment properties.

### Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2016 by Capita Ltd in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The following table summarises the movement in the fair value of investment properties over the year.

2014/15 £'000	2015/16 £'000
6,938 Balance at the start of the year	7,088
266 Subsequent expenditure	14
(275) Net gains or (losses) from fair value adjustments	961
159 Transfers to or from Property, Plant and Equipment	0
<b>7,088 Balance at the end of the year</b>	<b>8,063</b>

## 13. 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. Intangible assets primarily comprise purchased licenses and software.

The carrying amount of intangible assets is based on historic cost and is amortised on a straight-line basis on estimated lives of up to 10 years. The amortisation of £113,270 charged to revenue in 2015/16 (£102,250 in 2014/15) was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2014/15 £'000		2015/16 £'000
	Balance at the start of the year	
1,487	Gross carrying amount	1,599
(930)	Accumulated amortisation	(998)
<b>557</b>	<b>Net carrying amount at the start of the year</b>	<b>601</b>
146	Purchases	94
(34)	Derecognition - gross carrying amount	(8)
34	Derecognition - amortisation	8
(102)	Amortisation for the year	(113)
<b>601</b>	<b>Net carrying amount at the end of the year</b>	<b>582</b>
	Comprising	
1,599	Gross carrying amount	1,685
(998)	Accumulated amortisation	(1,103)

## 14. Financial Instruments

### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

31-Mar-15		31-Mar-16	
Long Term £'000	Current £'000	Long Term £'000	Current £'000
<b>Financial Liabilities</b>			
(70,725)	(3,228)	(71,490)	(1,235)
-	(156)	-	(111)
-	(38)	-	-
(2,100)	-	-	(2,100)
-	(11)	-	(10)
<b>(72,825)</b>	<b>(3,433)</b>	<b>(71,490)</b>	<b>(3,456)</b>
-	(2,179)	-	(1,243)
<b>(72,825)</b>	<b>(5,612)</b>	<b>(71,490)</b>	<b>(4,699)</b>
<b>Financial Assets</b>			
7	-	-	1
41	30	52	33
575	-	275	300
4,826	30	4,794	32
-	1,587	-	2,476
-	8,900	-	8,000
-	18	-	27
-	6,032	-	3,902
<b>5,449</b>	<b>16,597</b>	<b>5,121</b>	<b>14,771</b>

### **Income, Expense, Gains and Losses**

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

31-Mar-15 £'000		31-Mar-16 £'000
	<b>Financial Liabilities:</b>	
2,278	Interest from financial liabilities measured at amortised cost	2,248
	<b>Financial Assets:</b>	
(105)	Interest from loans and receivables	(146)
(232)	Interest receivable from Finance Lease	(230)
(15)	Discount received from debt restructuring	(38)
<b>1,926</b>	Included in the Surplus or Deficit on the Provision of Services	<b>1,834</b>

### Fair Values of Assets and Liabilities

Financial assets and financial liabilities represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (a level 2 measurement, see Accounting Policies note 1(w)), using the following assumptions:

- For loans from the PWLB, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- Valuation of fixed term deposits (maturity investments) is made by comparison of the investment with a comparable investment with the same or similar lender for the remaining period of the deposit;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount of the billed amount;

The fair values calculated are as follows:

31-Mar-15			31-Mar-16	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
		<b>Financial Liabilities</b>		
(74,147)	(90,967)	PWLB	(72,836)	(91,935)
(2,111)	(2,116)	Market Loans	(2,110)	(2,126)
(2,179)	(2,179)	Trade Payables	(1,243)	(1,243)
<b>(78,437)</b>	<b>(95,262)</b>	Total Financial Liabilities	<b>(76,189)</b>	<b>(95,304)</b>
		<b>Financial Assets</b>		
22,046	22,055	Loans and receivables	19,892	19,922
<b>22,046</b>	<b>22,055</b>	Total Financial Assets	<b>19,892</b>	<b>19,922</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWL) loans of £91,935 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

## 15. Nature and Extent of Risks Arising from Financial Instruments

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council'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 treasury 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 Council's customers. Deposits were not made with banks and financial institutions unless they conformed to the Council's investment criteria. 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 in the Council's Annual Investment Strategy which imposes a maximum sum and time limit to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the authority at the balance sheet date are detailed below

- The key objectives of the Council's investment strategy are security, liquidity and yield in that order.
- The Council has determined that it will only use approved counterparties from the UK
- No Investments are to exceed 3 years although most will not exceed 364 days
- A £3m limit applies with any single group other than the Council's Bank or UK Regulated Qualifying Money Market Funds
- The Council utilises the creditworthiness service provided by Capita Asset Services to determine which institutions investments will be placed with and the duration of those investments. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
  - credit watches and credit outlooks from credit rating agencies;
  - CDS (Credit Default Swap) spreads to give early warning of likely changes in credit ratings;
  - sovereign ratings to select counterparties from only the most creditworthy countries

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £11.9 million 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The Council's debtors include Council Tax, Business Rates and Housing Benefits. These are all statutory debts for which the Council is the responsible body and cannot influence who the counterparties are. Statutory debts are not classed as financial instruments.

The following analysis summarises the council's potential maximum exposure to credit risk based on experience of default and collectability.

	Note	Amount at 31 March 2016 £'000	Historical experience of default %	Adjustment for market conditions at 31 March 2016 %	Estimated maximum exposure to default £
Short Term Investments	a	8,000	-	-	-
Cash and cash equivalents	a	3,902	-	-	-
General debtors	b	648	9%	9%	56
Housing rents	b	1,099	57%	57%	630
Other	b	6,225	0%	0%	0
In addition to the above Financial Instruments the Council is exposed to risk arising from non payment of statutory Housing Benefit Debt and Costs associated with Council Tax and Business Rates collection. The risks are shown below					
Overpaid Housing Benefits		2,243	90%	90%	2,019
Costs associated with Council Tax and Business Rates Collection		763	42%	42%	317
(a) The council does not expect any default in relation to these elements					
(b) The council does not generally allow credit for customers and the estimated risks are covered by doubtful debt allowances which derive from aged debt analysis and historical experience.					

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money market to cover any day to day cash flow need, and the Public Works Loans Board and money markets for access to longer term funds. 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. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All trade and other payables are due to be paid in less than one year.

### Re-financing and Maturity risk

The Council maintains a significant debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial liabilities as they mature. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of

unfavourable interest rates. The Council approved treasury and investment strategies address the main risks and the Council's accountancy team address the operational risks within the approved parameters. The main indicator to address this risk establishes limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration.

The maturity analysis of financial liabilities is as follows:

<b><u>Maturity Structure of Fixed Borrowings (excluding accrued interest &amp; restructuring discount)</u></b>					
<b>31-Mar-15</b>		<b>2015/16 Approved Limits</b>		<b>31-Mar-16</b>	
<b>Amount</b>	<b>Maturing within:-</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Amount</b>	
<b>£'000</b>		<b>%</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
3,000	Up to 1 year	0%	4%	3,335	4.0%
3,100	Over 1 but not over 2 years	4%	13%	5,242	7.0%
12,953	Over 2 but not over 5 years	18%	25%	12,248	16.0%
17,000	Over 5 but not over 10 years	23%	30%	17,000	23.0%
9,000	Over 10 but not over 15 years	50%	55%	6,000	8.0%
	- Over 15 but not over 20 years	50%	55%	-	-
	- Over 20 but not over 25 years	50%	55%	-	-
	- Over 25 but not over 30 years	50%	55%	-	-
	- Over 30 but not over 35 years	50%	55%	-	-
	- Over 35 but not over 40 years	50%	55%	-	-
2,000	Over 40 but not over 45 years	50%	55%	4,000	5.0%
29,000	Over 45 years	50%	55%	27,000	37.0%
<b>76,053</b>				<b>74,825</b>	<b>100.0%</b>

### Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movement in interest rates can have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, 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 would be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this

Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The authority to respond to different interest rates throughout the financial year is delegated to the Borough Treasurer, Head of Accountancy and Group Accountant. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. Risk exposure to interest rate movements is limited to the effect that interest rate movements have on the marketplace generally when placing investments or raising loans. Cash flows and interest rate changes are actively monitored.

The Council's Treasury Management Strategy currently includes as a source of borrowing the use of internal funds. The cash held in these funds can be used short term to fund capital expenditure or the repayment of debt, thus delaying the need to borrow externally and reducing the Council's overall interest cost.

If average interest rates in 2015/16 had been 1% higher or lower (with all other variables constant) the financial effect would have been £195,500 (2014/15 £151,700) additional interest receivable and £12,100 (2014/15 £9,600) additional interest payable on new borrowing.

## 16. Debtors

### Long Term Debtors

31-Mar-15 £'000	31-Mar-16 £'000
5,467 Other Entities and Individuals	5,139
<b>5,467</b>	<b>5,139</b>

### Short Term Debtors (net of allowances for doubtful debts)

31-Mar-15 £'000	31-Mar-16 £'000
310 Central Government Bodies	370
1,433 Other Local Authorities	1,899
2,830 Other Entities and Individuals	3,384
<b>4,573</b>	<b>5,653</b>

## 17. Cash and Cash Equivalents

31-Mar-15 £'000	31-Mar-16 £'000
3,500 Money Market Funds	1,500
2,650 Call Accounts	111
- Fixed Term Deposit Accounts	2,000
45 Cash imprests / cash in hand	110
(163) Bank Overdraft (Grouped accounts)	181
<b>6,032</b>	<b>3,902</b>

## 18. Creditors

### Long Term Creditors

31-Mar-15 £'000	31-Mar-16 £'000
- Other Entities and Individuals	(562)
-	(562)

### Short Term Creditors

31-Mar-15 £'000	31-Mar-16 £'000
(7,568) Central Government Bodies	(4,834)
(1,948) Other Local Authorities	(812)
(1,727) Other Entities and Individuals	(1,635)
(11,243)	(7,281)

## 19. Provisions

31-Mar-15 £'000	31-Mar-16 £'000
(96) Short Term - Land Charges	(29)
(1,381) Short Term - Business Rates - Valuation Appeals	(1,962)
- Short Term - MMI Scheme of Arrangement	(6)
(51) Long Term - MMI Scheme of Arrangement	(45)
(1,528)	(2,042)

The provision for Business Rates valuation appeals is an ongoing requirement as part of accounting for the Business Rates Retention funding system - the Council's share of the total provision of £4.906 million is £1.962 million. The MMI Scheme of Arrangement and Local Land Charges provisions continue unchanged.

An allowance for doubtful debts is included within Note 16.

## 20. Agency Services

A contribution is paid by the County Council towards treework and grasscutting (environmental maintenance) and this is summarised below.

31-Mar-15 £'000	31-Mar-16 £'000
59 Treework	49
81 Grasscutting	86
(143) Hampshire County Council contribution	(132)
(3)	3

## 21. Usable Reserves

Usable reserves are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations (ie the Capital Receipts Reserve can only be used fund capital expenditure). The balances and movements on usable reserves are shown below:

	2014/15				2015/16		
	01-Apr-14	Transfers	Transfers	31-Mar-15	Transfers	Transfers	31-Mar-16
	£'000	In £'000	Out £'000	£'000	In £'000	Out £'000	£'000
<b>Revenue</b>							
<b>General Fund Balance</b>	<b>(890)</b>			<b>(890)</b>			<b>(890)</b>
<b>Earmarked General Fund Reserves</b>							
Revenue Financing Reserve	(2,067)	(599)		(2,666)	(566)	164	(3,068)
Stability & Resilience Reserve	0	(291)		(291)	(1,048)		(1,339)
Cherque Farm Open Space	(164)		13	(151)	(98)	12	(237)
Supporting Troubled Families				0	(87)		(87)
Housing Renewal Grant	(119)		18	(101)		17	(84)
Priddys Play Area Maintenance	(81)		9	(72)		9	(63)
Building Control Partnership	(60)	(1)		(61)	(4)		(65)
Community Safety Partnership				0	(48)		(48)
Preventing Repossessions	(44)			(44)			(44)
High Street Innovations	(42)		6	(36)		12	(24)
Open Spaces Maintenance	(38)		5	(33)		4	(29)
Bus Shelter Maintenance	(30)			(30)			(30)
Business Growth Incentive Grant	(22)			(22)			(22)
Urbaser Contract Reserve	0	(19)		(19)	(59)		(78)
Royan Twinning Fund	(9)		2	(7)		1	(6)
Cherque Farm Land Transfer	(8)			(8)		1	(7)
Education Fund	(4)			(4)			(4)
	<b>(2,688)</b>	<b>(910)</b>	<b>53</b>	<b>(3,545)</b>	<b>(1,910)</b>	<b>220</b>	<b>(5,235)</b>
<b>Housing Revenue Account</b>							
Housing Revenue Account	(992)			(992)			(992)
Major Repairs, New Build & Loan Repayment Reserve	(850)	(651)		(1,501)	(1,491)		(2,992)
	<b>(1,842)</b>	<b>(651)</b>	<b>0</b>	<b>(2,493)</b>	<b>(1,491)</b>	<b>0</b>	<b>(3,984)</b>
<b>Capital</b>							
Capital Receipts Reserve (GF)	(65)			(65)			(65)
Capital Receipts Reserve (HRA)	(724)	(1,146)	719	(1,151)	(301)	1,352	(100)
Capital Receipts New Build (HRA)	(622)		(332)	(954)	(228)	166	(1,016)
Major Repairs Reserve (HRA)	0	(2,400)	2,400	0	(2,407)	2,407	0
	<b>(1,411)</b>	<b>(3,546)</b>	<b>2,787</b>	<b>(2,170)</b>	<b>(2,936)</b>	<b>3,925</b>	<b>(1,181)</b>
<b>Total Usable Reserves</b>	<b>(6,831)</b>	<b>(5,107)</b>	<b>2,840</b>	<b>(9,098)</b>	<b>(6,337)</b>	<b>4,145</b>	<b>(11,290)</b>

**The Council's main reserves are:**

**Revenue - General Fund**

**General Fund balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be 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. It is effectively a working balance that is available for unforeseen events and to help stabilise annual fluctuations in Council Tax levels. The General Fund balance is not available to be applied to funding HRA services.

**Revenue Financing Reserve**

A reserve available for general use, although it is particularly targeted at

- ensuring that fluctuations in annual maintenance requirements can be met
- underwriting uninsured risks
- funding spend-to-save revenue and capital initiatives

**Stability and Resilience Reserve**

To cover the risk and volatility arising from the introduction of the Business Rate Retention and Council Tax Support Schemes together with the uncertainties in future levels of Revenue Support Grant.

**Other Usable Reserves including Open Spaces and Play Areas, Bus Shelters, High Street Innovation and Urbaser Contract Reserve**

Represent earmarked sums for contributing to specific service revenue expenditure.

**Housing Renewal Grant**

A general purpose Housing grant for use by the Housing General Fund.

**Revenue - Housing Revenue Account**

**HRA balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years. It provides a working balance for Housing services and for unforeseen events.

**Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

**Major Repairs, New Build & Loan Repayment Reserve**

The reserve created to provide funding as described in the title.

**Capital – General Fund**

The Capital Receipts reserve may only be utilised to fund capital expenditure. The General Fund balance of £65,000 at 31 March 2016 is in respect of the sale of Camden Allotments and must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

**Capital – Housing Revenue Account**

Capital reserves from retained right to buy receipts which are to be used for the repayment of debt or new capital financing and the construction of new affordable housing.

## 22. Unusable Reserves

31-Mar-15 £'000		31-Mar-16 £'000
(11,997)	Revaluation Reserve	(19,000)
(63,081)	Capital Adjustment Account	(62,580)
(5,439)	Deferred Capital Receipts	(5,402)
37,650	Net Pension Reserve	35,550
(705)	Collection Fund Adjustment Account	13
142	Accumulated Absences Account	131
<b>(43,430)</b>		<b>(51,288)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from 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
- disposed of and the gains are 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 on the Capital Adjustment Account

2014/15 £'000		2015/16 £'000
<b>(8,602)</b>	Balance at 1 April	<b>(11,997)</b>
(3,586)	Upward revaluation of assets	(7,849)
	209 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	838
<b>(3,377)</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>(7,011)</b>
(18)	Difference between fair value depreciation and historical cost depreciation	8
(18)	Amount written off to the Capital Adjustment Account	8
<b>(11,997)</b>	<b>Balance at 31 March</b>	<b>(19,000)</b>

### Capital Adjustment Account

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs 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 subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and any gains recognised on any 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.

2014/15 £'000	2015/16 £'000
<b>(63,643)</b> Balance at 1 April	<b>(63,081)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,472 Charges for depreciation, impairment of noncurrent assets	3,511
108 Revaluation losses on Property, Plant and Equipment	2,082
102 Amortisation of intangible assets	113
444 Revenue expenditure funded from capital under statute	636
1,440 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	1,457
<b>5,566</b>	<b>7,799</b>
18 Adjusting amounts written out of the Revaluation Reserve	(8)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>7,791</b>
Capital financing applied in the year:	
<b>(138)</b> Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR	<b>(1,672)</b>
<b>(2,400)</b> Use of the Major Repairs Reserve to finance new capital expenditure	<b>(2,407)</b>
<b>(460)</b> Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(798)</b>
<b>(132)</b> Application of grants to capital financing from the Capital Grants Unapplied Account	<b>(8)</b>
<b>(566)</b> Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	<b>(829)</b>
57 Additional lease liability in year	0
<b>(606)</b> Repayment of debt by the HRA	0
<b>(1,052)</b> Capital expenditure charged against the General Fund and HRA balances	<b>(615)</b>
<b>(5,297)</b>	<b>(6,329)</b>
<b>275 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>(961)</b>
<b>(63,081)</b> Balance at 31 March	<b>(62,580)</b>

### Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014/15 £'000	2015/16 £'000
(5,478) Balance at 1 April	(5,439)
39 Transfer to the Capital Receipts Reserve upon receipt of cash	37
<b>(5,439) Balance at 31 March</b>	<b>(5,402)</b>

### 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 Council 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 Council 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 Council 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.

2014/15 £'000	2015/16 £'000
33,610 Balance at 1 April	37,650
3,360 Remeasurements of the net defined benefit liability/(asset)	(3,280)
2,270 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	2,800
(1,590) Employer's pensions contributions and direct payments to pensioners payable in the year	(1,620)
<b>37,650 Balance at 31 March</b>	<b>35,550</b>

### Collection Fund Adjustment Account

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

2014/15 £'000	2015/16 £'000
(192) Balance at 1 April	(705)
(513) Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	
	718
<b>(705) Balance at 31 March</b>	<b>13</b>

### 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 ie 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.

2014/15 £'000	2015/16 £'000
141 Balance at 1 April	142
(141) Settlement or cancellation of accrual made at the end of the preceding year	(142)
142 Amounts accrued at the end of the current year	131
<b>142 Balance at 31 March</b>	<b>131</b>

## 23. Reconciliation with amounts reported internally

The purpose of this note is to reconcile the financial information reported internally to that reported in the Comprehensive Income and Expenditure Statement.

Decisions about resource allocation – particularly budget approval – are mainly taken by the council's elected members at full council and boards on the basis of the budget being presented on a Board and Service basis in accordance with the Council's constitution.

The budget includes all financial costs and income estimated to affect the Council's overall finances while items such as the cost of retirement benefits and asset revaluations and impairments are excluded from the budget preparation and monitoring processes. These items - while being included in the Comprehensive Income and Expenditure Statement in the Statement of Accounts at year end – do not impact on the council tax levy.

Resource allocation and control during the financial year is by exception reporting to Council management team and leadership with further, generally quarterly, reports to Policy and Organisation board as necessary. These reports are generally presented as a summarised list of revenue variances together with a more detailed capital programme review. Budget monitors are available to all members through the Members Information Bulletins (MIBs) and are available on the Council's website at <http://www.gosport.gov.uk/sections/your-council/council-services/accounts/>

The outturn position for 2015/16 is being reported to members in the same format as the approved budget. Reconciling the approved and reported budgets - which provide the basis of budget monitoring and control and resource allocation - to that shown in the financial statements is complicated because as outlined above certain income and expenditure items are shown in different ways and in different places between the two documents. Some items have a financial impact on the council's finances and some do not.

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified in the Service Reporting Code of Practice (SeRCOP).

The tables below show for 2015/16 and 2014/15

1. A subjective analysis of the Comprehensive Income and Expenditure Statement (ie an analysis by type of expenditure eg employees, premises) and
2. A reconciliation showing the movement between the Board based reports to members and the Comprehensive Income and Expenditure Statements in the Statement of Accounts

<b>2015/16 - Subjective analysis of Comprehensive Income &amp; Expenditure Statement</b>	<b>Cost of Services</b>	<b>Other Operating Expenditure</b>	<b>Financing and Investment Income &amp; Expenditure</b>	<b>Taxation &amp; Non Specific Grant Income</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employees	1,959	0	0	0	1,959
Premises	5,494	0	468	0	5,962
Transport	153	0	0	0	153
Supplies & Services	5,275	0	0	0	5,275
Third Party Payments	4,504	0	0	0	4,504
Transfer Payments	28,821	0	0	0	28,821
Support Services	11,111	0	1,180	0	12,291
Capital/Financing	6,380	804	3,089	0	10,273
	<b>63,697</b>	<b>804</b>	<b>4,737</b>	<b>0</b>	<b>69,238</b>
Income	<b>(55,090)</b>	<b>0</b>	<b>(2,871)</b>	<b>(11,041)</b>	<b>(69,002)</b>
	<b>8,607</b>	<b>804</b>	<b>1,866</b>	<b>(11,041)</b>	<b>236</b>

2015/16 - Reconciliation of reporting in Council Board structure & the CI&E Statement	GF Board Structure £'000	Other Operating Expenditure £'000	Financing & Investment Income & Expenditure £'000	Taxation & Non Specific Grant £'000	Movement in Reserves, Collection £'000	SerCOP Cost of Services £'000			
Community Economic Development	6,966		448		(162)	7,252			
Policy & Organisation	637		(55)		(75)	507			
	1,360	(471)	(181)	1,347	1,757	3,812			
	<b>8,963</b>	<b>(471)</b>	<b>212</b>	<b>1,347</b>	<b>1,520</b>	<b>11,571</b>			
Reserves	1,449				(1,449)	0			
	<b>10,412</b>	<b>(471)</b>	<b>212</b>	<b>1,347</b>	<b>71</b>	<b>11,571</b>			
	<b>SerCOP Structure £'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>General Fund £'000</b>	<b>HRA £'000</b>	<b>CI&amp;E £'000</b>	
Cost of Services	11,571					11,571	(2,964)	8,607	
Other Operating Expenditure	0	471				471	333	804	
Financing and Investment income and Expenditure	0		(212)			(212)	2,078	1,866	
Taxation and Non Specific Grant Income	0			(11,041)		(11,041)		(11,041)	
Surplus or Deficit on the Provision of Services	<b>11,571</b>	<b>471</b>	<b>(212)</b>	<b>(11,041)</b>	<b>0</b>	<b>789</b>	<b>(553)</b>	<b>236</b>	

2014/15 - Subjective analysis of Comprehensive Income & Expenditure Statement	Cost of Services £'000	Other Operating Expenditure £'000	Financing and Investment Income & Expenditure £'000	Taxation & Non Specific Grant Income £'000	Total £'000
Employees	1,738	0	0	0	1,738
Premises	3,888	0	202	0	4,090
Transport	53	0	0	0	53
Supplies & Services	5,121	0	0	0	5,121
Third Party Payments	4,428	0	0	0	4,428
Transfer Payments	29,709	0	0	0	29,709
Support Services	8,236	0	1,400	0	9,636
Capital/Financing	4,027	572	4,418	0	9,017
	<b>57,200</b>	<b>572</b>	<b>6,020</b>	<b>0</b>	<b>63,792</b>
Income	(50,999)	0	(2,817)	(11,559)	(65,375)
	<b>6,201</b>	<b>572</b>	<b>3,203</b>	<b>(11,559)</b>	<b>(1,583)</b>

2014/15 - Reconciliation of reporting in Council Board structure & the CI&E Statement	GF Board Structure £'000	Other Operating Expenditure £'000	Financing & Investment Income & Expenditure £'000	Taxation & Non Specific Grant £'000	Movement in Reserves, Collection £'000	SerCOP Cost of Services £'000			
Community Economic Development Policy & Organisation	5,744		300		25	6,069			
	796		87		7	890			
	2,525	(361)	(1,310)	1,091	1,451	3,396			
	<b>9,065</b>	<b>(361)</b>	<b>(923)</b>	<b>1,091</b>	<b>1,483</b>	<b>10,355</b>			
Reserves	971				(971)	0			
	<b>10,036</b>	<b>(361)</b>	<b>(923)</b>	<b>1,091</b>	<b>512</b>	<b>10,355</b>			
	<b>SerCOP Structure £'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>General Fund £'000</b>	<b>HRA £'000</b>	<b>CI&amp;E £'000</b>	
Cost of Services	10,355					10,355	(4,154)	6,201	
Other Operating Expenditure	0	361				361	211	572	
Financing and Investment income and Expenditure	0		923			923	2,280	3,203	
Taxation and Non Specific Grant Income	0			(11,559)		(11,559)		(11,559)	
Surplus or Deficit on the Provision of Services	<b>10,355</b>	<b>361</b>	<b>923</b>	<b>(11,559)</b>	<b>0</b>	<b>80</b>	<b>(1,663)</b>	<b>(1,583)</b>	

## 24. Members' Allowances

The following amounts were paid to members during the year. A detailed breakdown is on the Council's website at <http://www.gosport.gov.uk/sections/democratic-services/members-allowances/>

2014/15 £000	2015/16 £000
237 Allowances	238
5 Expenses	5
<b>242</b>	<b>243</b>

## 25. Officers Remuneration

Number of employees 2014/15	Left during 2014/15	The number of employees (excluding senior officers which are disclosed individually in separate tables) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:	Number of employees 2015/16	Left during 2015/16
		Remuneration band		
5	-	£50,000 - £54,999	9	-
-	-	£55,000 - £59,999	1	-
2	-	£60,000 - £64,999	-	-
-	-	£65,000 - £69,999	1	-

<b>2015/16 Senior Officer emoluments - Salaries more than £50,000 but less than £150,000 per year</b>										
Post Title	Notes	Salary (Including Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2015/16	Pension Contributions	Total Remuneration including pension contributions 2015/16	
		£	£	£	£	£	£	£	£	£
Chief Executive		103,258	-	-	-	-	103,258	13,490	116,748	
Borough Solicitor & Deputy Chief Executive	1	84,803	-	-	-	-	84,803	10,553	95,356	
Borough Treasurer		73,364	-	-	-	-	73,364	9,627	82,991	
Housing Services Manager	2	16,820	-	-	-	-	16,820	2,130	18,950	
		<b>278,245</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>278,245</b>	<b>35,800</b>	<b>314,045</b>	

1. Returning Officer fees of £4,383 are included in the total.  
2. Post Vacant since 28/06/2015. The full time equivalent salary was £66,349.

<b>2014/15 Senior Officer emoluments - Salaries more than £50,000 but less than £150,000 per year</b>										
Post Title	Notes	Salary (Including Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2014/15	Pension Contributions	Total Remuneration including pension contributions 2014/15	
		£	£	£	£	£	£	£	£	£
Chief Executive		101,034	-	-	-	-	101,034	13,213	114,247	
Borough Solicitor & Deputy Chief Executive	1	88,877	-	-	-	-	88,877	11,661	100,538	
Borough Treasurer		71,191	-	-	-	-	71,191	9,339	80,530	
Housing Services Manager		64,629	-	-	-	-	64,629	8,455	73,084	
		<b>325,731</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>325,731</b>	<b>42,668</b>	<b>368,399</b>	

1. Returning Officer fees of £9,383 are included in the total.

## Exit Packages

Exit package cost band (including special)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £'000	2015/16 £'000
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	1	0	0	0	1	0	74	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>74</b>	<b>0</b>

The Authority did not terminate the contract of any employee in 2015/16 (1 in 2014/15, incurring a liability of £74,000). This includes both payments to the Local Government Pension Scheme and severance payments and has been largely financed by contributions from the Revenue Financing Reserve and salary savings achieved in the year.

## 26. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the Council's external auditors.

2014/15 £000	2015/16 £000
Fee payable to Ernst & Young with regard to external audit services carried out by appointed auditors	
71 External audit services	53
18 Certification of grant claims and returns	15
<b>89</b>	<b>68</b>

## 27. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16.

2014/15 £000	Grant Income	2015/16 £000
	<b>Included in Taxation and Non Specific Grant Income</b>	
	<u>Non-Ringfenced Government Grants</u>	
	Department for Communities and Local Government:	
(2,558)	Revenue Support Grant	(1,825)
(57)	Council Tax Freeze Grant	(58)
(664)	New Homes Bonus Grant	(803)
(169)	New Burdens Grants - various	(71)
-	Electoral Reform Grant	(35)
(367)	Autumn Statement Measures - Business Rate Relief Grants	(441)
	Department for Work and Pensions	
(12)	Benefits Transition & Council Tax Reform Grants	(135)
<b>(3,827)</b>		<b>(3,368)</b>
	<u>Capital Grants and Contributions</u>	
(189)	Developers Contributions - Open Spaces	(5)
-	Partnership for Urban South Hampshire	(205)
-	Natural England	(33)
-	Hampshire County Council	(3)
<b>(189)</b>		<b>(246)</b>
	<b>Service Specific Revenue Grants and Contributions (included in cost of services)</b>	
	<u>Department for Work and Pensions</u>	
(29,552)	HB / CTB Subsidy	(28,799)
(604)	HB / CTB Administration	(531)
	<u>Environment Agency</u>	
(209)	Coast Protection	(134)
	<u>Department for Communities and Local Government</u>	
(194)	Disabled Facilities Grant	(426)
(82)	NNDR Cost of Collection	(81)
-	Natural England Grant	(19)
-	Coastal Community Team Grant	(10)
<b>(30,641)</b>		<b>(30,000)</b>

In addition, the Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them which could require their return to the giver – a possibility that the Council seeks to mitigate by pro-actively managing the monies held. An analysis of these sums is shown below.

31-Mar-15 £'000	31-Mar-16 £'000
<b>Receipts in Advance - Capital Grants</b>	
(10) Affordable Housing	(10)
(1,084) Open Spaces and Play Areas	(1,199)
(137) Nimrod Drive Footpath	(137)
(395) Transport Contributions	(450)
(113) Push - Highways	0
(228) Other grants and contributions	(79)
<b>(1,967)</b>	<b>(1,875)</b>

## 28. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. 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 Council.

### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (ie council tax bills, housing benefits). Grants received from government departments are included in Note 27.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 24. There were no related party transactions during the year by members of the Council.

### Officers

There were no related party transactions during the year by officers of the Council.

### Gosport and Fareham Building Control Partnership

The Partnership provides building control services on behalf of Gosport Borough Council, Fareham Borough Council and Portsmouth City Council, it has been in operation since 2003 and was expanded to include Portsmouth City Council from May 2015. During 2015/16, the Partnership charged Gosport Borough Council £132,923 (£132,465 in 2014/15) for statutory building control services. The Partnership has a policy of dividing generated surpluses between authorities based on fee generating work from each Authority. At the 31 March 2016, the balance of retained surplus for future investment in the service held by Gosport Borough Council was £64,832 (£55,423 in 2014/15), £93,381 (£78,065 in 2014/15) by Fareham Borough Council and £9,562 by Portsmouth City Council.

### Gosport and Fareham Environmental Services Partnership

The Gosport and Fareham Environmental Health Partnership provides environmental health services to both Fareham and Gosport Borough Council. The Partnership has been in operation since 2014. During 2015/16, the Partnership charged Gosport Borough Council £674,339 for statutory environmental health services (£688,876 in 2014/15). The Partnership has a policy of sharing expenditure (excluding internal recharges) on a 50/50 basis. All income is retained by the relevant authority.

#### Portchester Crematorium

The crematorium is a jointly controlled operation managed by the Council along with 3 neighbouring authorities through the Portchester Crematorium Joint Committee. The four constituent authorities: Gosport Borough Council, Fareham Borough Council, Havant Borough Council and Portsmouth City Council are equally represented – each having a 25% share. Further information can be obtained from: The Treasurer to the Joint Committee, Civic Centre, Civic Way, Fareham.

During 2015/16 the Council received £125,000 (£150,000 in 2014/15) from the Joint Committee being its share of the distributable surpluses.

The Council's 25% share of the crematorium's assets, liabilities, income and expenditure for 2015/16 are shown below

2014/15 £'000	2015/16 £'000
<b>Portchester Crematorium - Gosport share (25%)</b>	
1,792 Long Term Assets	1,708
353 Current Assets	405
(19) Current Liabilities	(20)
(194) Long Term Liabilities	(189)
(333) Usable Reserves	(385)
(1,599) Unusable Reserves	(1,519)
<b>0</b>	<b>0</b>
(482) Income	(476)
421 Expenditure	424

#### Portsmouth Harbour Renaissance Ltd

The Council is one of three equal shareholders in Portsmouth Harbour Renaissance Ltd. Portsmouth Harbour Renaissance Ltd. does not operate independently, generate surpluses or own assets. It is merely an interface between the project partners (shareholders) and the Millennium Commission; collating the expenditure of the partners, submitting the claims, receiving and distributing the grant. Any administrative costs are charged to the partners quarterly. The accounts of PHR are audited independently and are available from Portsmouth City Council.

#### Other Public Bodies

Subject to a common control by central government, transactions with other public bodies are shown below:

2014/15 £000		2015/16 £000
26,872 Hampshire County Council		27,950
3,825 Hampshire Police & Crime Commissioners	Business Rates (excluding Hampshire Police & Crime Commissioners) and Council Tax precepts	4,034
1,649 Hampshire Fire & Rescue Authority		1,723
1,590 Hampshire County Council	Pension Fund payments	1,620
896 Building Control & Partnerships	Payments to Fareham Borough Council	1,021
(319) Environmental Services	Income from Fareham Borough Council	(435)
(54) Internal Audit Partnership	Income from Eastleigh & Test Valley	(32)

## 29. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of any assets acquired under finance leases contracts), 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 Council that has yet to be financed. The CFR is analysed in the table below.

2014/15 £'000	2015/16 £'000
<b>81,255 Opening Capital Financing Requirement</b>	<b>81,147</b>
<u>Capital Investment</u>	
4,334 Plant, Property & Equipment	5,142
266 Investment Properties	14
146 Intangible Assets	94
444 Revenue Expenditure funded from Capital under Statute	636
<u>Sources of Finance</u>	
(109) Capital Receipts	(123)
(592) Government Grants & Other Contributions	(806)
(3,452) GF and HRA Revenue and Reserves including Major Repairs Reserve	(4,541)
<u>Other Adjustments</u>	
28 Finance lease principal repayments and liabilities	(30)
(1,173) Sums set aside from Revenue (including Minimum and Voluntary Repayments of Principal)	(829)
<b>81,147 Closing Capital Financing Requirement</b>	<b>80,704</b>
<b>Explanation of Movements in year</b>	
1,037 Increase in underlying need to borrow (unsupported)	416
(1,145) (Decrease) in underlying need to borrow due to MRP, VRP and lease payments	(859)
<b>(108) (Decrease) / Increase in Capital Financing Requirement</b>	<b>(443)</b>

### Revenue Expenditure Funded From Capital under Statute

Revenue expenditure funded from capital under statute represents capital expenditure that does not result in the creation of an asset. Movements on revenue expenditure funded from capital under statute during the year were as follows

	Balance at 1 April £'000	Expenditure £'000	Charged to Revenue £'000	Balance at 31 March £'000
Housing Grants	0	481	(481)	0
Coast Protection Strategy	0	134	(134)	0
Other Capital Schemes	0	21	(21)	0
<b>Total 2015/16</b>	<b>0</b>	<b>636</b>	<b>(636)</b>	<b>0</b>
<b>Total 2014/15</b>	<b>0</b>	<b>444</b>	<b>(444)</b>	<b>0</b>

### 30. Leases

#### Council as Lessee

##### Finance Leases

The Council has an item of office equipment held under a finance lease.

The assets acquired under these leases are carried as Equipment in the Balance Sheet at the following net amounts:

	31-Mar-15 £'000	31-Mar-16 £'000
Vehicles, Plant, Furniture and Equipment	0	0
	0	0

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

	31-Mar-15 £'000	31-Mar-16 £'000
Finance lease liabilities		
current	19	20
non current	22	2
Finance costs payable in future years	2	2
Minimum lease payments	43	24

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

	Minimum Lease Payments		Finance Lease Payments	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Not later than one year	20	20	19	20
Later than one year, not later than five years	23	4	22	2
Later than five years	0	0	0	0
	43	24	41	22

##### Operating Leases

The Council has lease arrangements for vehicles and data link lines. The Council also uses a number of properties for temporary accommodation for its clients under short term licence arrangements.

The future estimated minimum lease payments are:

	31-Mar-15 £'000	31-Mar-16 £'000
Not later than one year	2,524	1,886
Later than one year and not later than five years	34	69
Later than five years	7	7
	2,565	1,962

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31-Mar-15 £'000	31-Mar-16 £'000
Minimum lease payments	2,499	1,881
	2,499	1,881

**Council as Lessor**Finance Leases

The Council has entered into a finance lease for the Gosport Ferry Landing Stage over a term of 50 years. The Landing Stage opened on 27 June 2011.

	31-Mar-15 £'000	31-Mar-16 £'000
Finance lease debtor		
current	30	32
non current	4,826	4,794
Unearned finance income	7,166	6,936
Gross investment in the lease	12,022	11,762

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

	Gross Investment in the Lease		Finance Lease payments	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Not later than one year	260	260	260	260
Later than one year, not later than five years	1,040	1,040	1,040	1,040
Later than five years	10,722	10,462	10,722	10,462
	12,022	11,762	12,022	11,762

Operating Leases

The Council leases out land and property under operating leases primarily for:

- the provision of community services
- economic development purposes
- the lease of the seabed and dolphins for the ferry landing stage

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

	31-Mar-15 £'000	31-Mar-16 £'000
Not later than one year	588	589
Later than one year and not later than five years	2,228	2,361
Later than five years	15,402	15,852
	18,218	18,802

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

During 2015/16, the Council received a premium payment of £150,000 in respect of a revision to one of these leases. This is being credited to the Cost of Services over the life of the lease and is included in the balance sheet as deferred income as follows.

	31-Mar-15 £'000	31-Mar-16 £'000
Not later than one year	-	1
Later than one year and not later than five years	-	4
Later than five years	-	145
	-	150

## 31. Pensions

### Introduction

**Funded** - 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 31 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'.

**Unfunded** - the unfunded pension arrangements established by Gosport Borough Council relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. No Pension Fund exists to meet these benefits

### Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires Gosport 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 to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. An actuarial valuation of the Fund will be carried out at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 01 April 2017.

The Fund Administering Authority, Hampshire County Council, is responsible for the governance of the Fund.

### Risks associated with the Fund in relation to accounting

**Asset volatility** - the liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

**Changes in Bond Yield** - a decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

**Inflation Risk** - the majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

**Life expectancy** - the majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

**Exiting employers** - employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further, the assets at exit in respect of 'orphan liabilities' may, in

retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

### **Fund Actuaries**

The reported figures and disclosure notes below are predominantly supplied by AON Hewitt Limited, the independent actuaries to the Fund.

### **Estimated employer contributions for the year ending 31 March 2017**

**Funded** - £1.49m, additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

**Unfunded** - £0.19m directly to beneficiaries

### **Assumptions**

The latest actuarial valuation of Gosport Borough Council's funded liabilities and unfunded LGPS benefits took place as at 31 March 2013 and 31 March 2014 respectively. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were

2014/15	Key assumptions (% per annum)	2015/16
	<b><u>Funded</u></b>	
2.9%	RPI Inflation	2.9%
1.8%	CPI Inflation	1.8%
1.8%	Pension increases	1.8%
1.8%	Pension accounts revaluation rate	1.8%
3.3%	Salary increases	3.3%
3.2%	Discount rate	3.4%
	<b><u>Unfunded</u></b>	
2.9%	RPI Inflation	2.9%
1.8%	CPI Inflation	1.8%
3.2%	Discount rate	3.4%
1.8%	Pension increases	1.8%

2014/15	Assumed life expectancy at age 65	2015/16
	<b><u>Males</u></b>	
24.5	Member aged 65 at accounting date	24.6
26.6	Member aged 45 at accounting date	26.7
	<b><u>Females</u></b>	
26.3	Member aged 65 at accounting date	26.4
28.6	Member aged 45 at accounting date	28.7

### Transactions Relating to Post-Employment Benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year

2014/15		Transactions relating to Post-employment Benefits	2015/16	
Funded £m	Unfunded £m		Funded £m	Unfunded £m
<b><u>Comprehensive Income and Expenditure Statement</u></b>				
<b>Cost of Services</b>				
1,290		Current service costs #	1,610	
60		Past service costs	10	
(480)		Settlement cost	0	
<b>Financing and Investment Income and Expenditure</b>				
1,280	120	Interest on net defined benefit liability	1,090	90
<b>2,150</b>	<b>120</b>	<b>Pension expense recognised in the Surplus or Deficit on the Provision of Services</b>	<b>2,710</b>	<b>90</b>
<b>Remeasurements of the Net Defined Liability, comprising</b>				
(5,710)		0 Return on plan assets (in excess of) / below that recognised in net interest	1,120	0
9,510	160	Actuarial (gains) / losses due to change in financial assumptions	(3,260)	(50)
0	0	Actuarial (gains) / losses due to changes in demographic assumptions	0	0
(570)	(30)	Actuarial (gains) / losses due to liability experience	(1,040)	(50)
<b>3,230</b>	<b>130</b>	<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>(3,180)</b>	<b>(100)</b>
<b>5,380</b>	<b>250</b>	<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>(470)</b>	<b>(10)</b>
<b><u>Movement in Reserves Statement</u></b>				
(2,150)	(120)	Reversal of charges made for retirement benefits	(2,710)	(90)
1,390	200	Inclusion of employers contributions payable	1,430	190
<b>(760)</b>	<b>80</b>	<b>Total included in Movement in Reserves Statement</b>	<b>(1,280)</b>	<b>100</b>
20		# Allowance for administration expenses included in current service cost	20	

2014/15 £m	2015/16 £m
<b><u>Employers contributions paid to Pension Fund</u></b>	
1,330 Normal Funded Contributions	1,420
60 Lump Sums for Early Retirements	10
<b><u>Employers contributions paid to Pensioners</u></b>	
200 Discretionary / Unfunded Added Years	190
<b>1,590</b>	<b>1,620</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Council's obligation in respect of the LGPS is as follows

31-Mar-15 £m	Reconciliation to Balance Sheet	31-Mar-16 £m
<b><u>Funded</u></b>		
64.15	Fair value of assets	63.75
(98.90)	Present value of funded defined benefit obligation	(96.60)
(34.75)	Funded status	(32.85)
0.00	Impact of minimum funding requirement/asset ceiling	0.00
(34.75)	Pension liability recognised on the Balance Sheet	(32.85)
The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:		
29%	Active members	29%
13%	Deferred Pensioners	13%
58%	Pensioners	58%
<b><u>Unfunded</u></b>		
(2.90)	Present value of defined benefit obligation	(2.70)
(2.90)	Pension liability recognised on the Balance Sheet	(2.70)
<b>(37.65)</b>	<b>Total</b>	<b>(35.55)</b>

### Assets

The assets allocated to the Employer in the Fund are notional and are 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 (based on data supplied by the Administering Authority) is shown in the disclosures.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

31-Mar-15		Asset allocation		31-Mar-16		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
54.9%	2.9%	57.8%	Equities	52.9%	3.4%	56.3%
1.1%	6.9%	8.0%	Property	0.9%	7.3%	8.2%
25.0%	0.4%	25.4%	Government Bonds	25.7%	0.0%	25.7%
1.5%	0.1%	1.6%	Corporate Bonds	2.0%	0.1%	2.1%
3.7%	0.0%	3.7%	Cash	4.7%	0.0%	4.7%
0.0%	3.5%	3.5%	Other	-0.2%	3.2%	3.0%
<b>86.2%</b>	<b>13.8%</b>	<b>100.0%</b>	<b>Total</b>	<b>86.0%</b>	<b>14.0%</b>	<b>100.0%</b>

#### Movement in the present value of Pension Fund Obligations

2014/15 £m	Changes to the present value of the defined benefit obligation	2015/16 £m
<b>Funded</b>		
89.16	Opening defined benefit obligation	98.90
1.29	Current service cost	1.61
3.72	Interest expense on defined benefit obligation	3.12
0.43	Contributions by participants	0.44
9.51	Actuarial (gains)/losses due to change in financial assumptions	(3.26)
0.00	Actuarial (gains)/losses due to changes in demographic assumptions	0.00
(0.57)	Actuarial (gains)/losses due to liability experience	(1.04)
(3.43)	Net benefits paid out	(3.18)
0.06	Past service cost	0.01
(1.27)	Settlements	0.00
<b>98.90</b>	<b>Closing defined benefit obligation</b>	<b>96.60</b>
<b>Unfunded</b>		
2.85	Opening defined benefit obligation	2.90
0.00	Current service cost	0.00
0.12	Interest expense on defined benefit obligation	0.09
0.16	Actuarial (gains)/losses due to change in financial assumptions	(0.05)
0.00	Actuarial (gains)/losses due to changes in demographic assumptions	0.00
(0.03)	Actuarial (gains)/losses due to liability experience	(0.05)
(0.20)	Net benefits paid out	(0.19)
<b>2.90</b>	<b>Closing defined benefit obligation</b>	<b>2.70</b>

### Movement in the fair value of Pension Fund Assets

2014/15 £m	Changes to the fair value of assets	2015/16 £m
<b>Funded</b>		
58.40	Opening fair value of assets	64.15
2.44	Interest income on assets	2.03
5.71	Remeasurement gains/(losses) on assets	(1.12)
1.39	Contributions by the employer	1.43
0.43	Contributions by participants	0.44
(3.43)	Net benefits paid out #	(3.18)
(0.79)	Settlements	0.00
<b>64.15</b>	<b>Closing fair value of assets</b>	<b>63.75</b>
# The 'Net benefits paid out' figure includes an allowance for expenses of £0.02m		
<b>Unfunded</b>		
0.20	Contributions by the employer	0.19
(0.20)	Net benefits paid out	(0.19)
<b>0.00</b>	<b>Closing fair value of assets</b>	<b>0.00</b>

### Actual return on Scheme Assets

2014/15 £m	Actual return on assets	2015/16 £m
2.44	Interest income on assets	2.03
5.71	Remeasurement gain/(loss) on assets	(1.12)
<b>8.15</b>	<b>Actual return on assets</b>	<b>0.91</b>

### Sensitivity Analysis

The results shown in this report 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 2016 and the projected service cost for the year ending 31 March 2017 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised on page 73.

Sensitivity of unfunded benefits is not included on materiality grounds.

<b>Sensitivity analysis for funded LGPS benefits</b>			
<b>Discount rate assumption</b>			
<b>Adjustment to discount rate</b>	<b>+0.1% pa</b>	<b>Base figure</b>	<b>-0.1% pa</b>
Present value of total obligation (£m's)	95.01	96.60	98.22
% change in present value of total obligation	-1.6%		1.7%
Projected service cost (£m's)	1.52	1.57	1.62
Approximate % change in projected service cost	-3.1%		3.2%
<b>Rate of general increase in salaries</b>			
<b>Adjustment to salary increase rate</b>	<b>+0.1% pa</b>	<b>Base figure</b>	<b>-0.1% pa</b>
Present value of total obligation (£m's)	96.87	96.60	96.33
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£m's)	1.57	1.57	1.57
Approximate % change in projected service cost	0.0%		0.0%
<b>Rate of increase to pensions in payment and deferred pensions assumption and rate of revaluation of pension fund accounts</b>			
<b>Adjustment to pension increase rate</b>	<b>+0.1% pa</b>	<b>Base figure</b>	<b>-0.1% pa</b>
Present value of total obligation (£m's)	97.95	96.60	95.27
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£m's)	1.62	1.57	1.52
Approximate % change in projected service cost	3.2%		-3.1%
<b>Post retirement mortality assumption</b>			
<b>Adjustment to mortality age rate assumption #</b>	<b>-1 year</b>	<b>Base figure</b>	<b>+1 year</b>
Present value of total obligation (£m's)	99.05	96.60	94.14
% change in present value of total obligation	2.5%		-2.5%
Projected service cost (£m's)	1.62	1.57	1.52
Approximate % change in projected service cost	3.3%		-3.3%
# A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them			

## 32. Contingent Liabilities

- Browndown Tip

The Council's officers are of the opinion that the Council could have substantial liabilities under the provisions of the Environmental Protection Act 1990 as a class B person namely the current owner / occupier of the land. The extent of the liability depends on the contamination, whether a class A person (one who caused or knowingly permitted the contamination) can be identified and the future use of the land. These matters continue to be investigated by the Environment Agency and a final report is still awaited at April 2016.

- Alver Valley Country Park

The Council owns land and has a 999 year lease of other land within the Country Park which was formally a gravel extraction quarry reclaimed as a landfill site. The land is, in parts, known to be filled with both inert material and domestic waste. The Council may have cost liabilities in respect of discharges of gas or contaminated water.

### 33. Contingent Assets

- Landing Stage

The new Gosport Ferry Terminal opened on 27 June 2011. Final works and contract sums remain to be completed at 31 March 2016 and discussions regarding final payments and retentions will be concluded at the end of the defects period.

- Priddys Hard Profit Share

In 2009/10 the Portsmouth Naval Base Property Trust purchased the Priddys Hard Heritage Area, including the Explosion Museum, from the Council. Under the terms of the agreement the Council would receive a share of profits that may arise from future developments

### 34. Cash Flow Statement - notes

2014/15 £000	Adjustments to surplus or deficit on the provision of services for non-cash movements	2015/16 £000
3,472	Depreciation and Impairments	3,511
108	Impairment and Downward Valuations	2,082
102	Amortisation	113
3,755	Increase/(Decrease) in Creditors	(3,148)
(46)	(Increase)/Decrease in Debtors	(705)
680	Movement in Pension Liability	1,180
1,440	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,457
432	Other non-cash items charged to the net surplus or deficit on the provision of services	(486)
<b>9,943</b>	<b>Net cash flow</b>	<b>4,004</b>

2014/15 £000's	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2015/16 £000
(1,146)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(666)
(592)	Capital Grants credited to the surplus/deficit on the provision of services	(806)
<b>(1,738)</b>		<b>(1,472)</b>

2014/15 £000	Net Cash Flow from Investing Activities	2015/16 £000
(4,529)	Purchase of property, plant and equipment, investment property and intangible assets	(5,094)
(25,850)	Purchase of short-term and long-term investments	(20,000)
1,185	Proceeds from the sale of property, plant and equipment, investment property, intangible assets (including deferred capital receipts)	703
16,950	Proceeds from short-term and long-term investments	20,900
1,160	Other receipts from investing activities	564
<b>(11,084)</b>	<b>Net cash outflow from investing activities</b>	<b>(2,927)</b>

2014/15 £000	Net Cash Flow from Financing Activities	2015/16 £000
2,000	Cash receipts of short and long-term borrowing	2,000
(16)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(19)
(2,222)	Repayments of short and long-term borrowing	(3,228)
1,107	Other payments for financing activities	(252)
<b>869</b>	<b>Net cash (inflow) / outflow from financing activities</b>	<b>(1,499)</b>

2014/15 £000	The cash flows for operating activities include the following items:	2015/16 £000
317	Interest Received	423
(2,269)	Interest Paid	(2,164)
<b>(1,952)</b>	<b>Net cash outflow from Interest and Dividends</b>	<b>(1,741)</b>

### **35. Certification and authorisation of the Accounts**

#### Statement of Accounts – unaudited draft authorised for issue

Signed

Date 30 June 2016

J. BOWCHER

Borough Treasurer, Section 151 officer

#### Statement of Accounts – audited statement authorised for issue

Signed

Date 21 September 2016

J. BOWCHER

Borough Treasurer, Section 151 officer

#### Statement of Accounts – audited and approved by Policy and Organisation Board

Signed

Date 21 September 2016

COUNCILLOR M. HOOK

Leader of the Council

#### Statement of Accounts – approved by Policy and Organisation Board and authorised for publication

Signed

Date 21 September 2016

J. BOWCHER

Borough Treasurer, Section 151 officer

## HRA INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on HRA Reserves Statement

2014/15 £'000	HRA INCOME AND EXPENDITURE STATEMENT	2015/16 £'000	2015/16 £'000
	<b>EXPENDITURE</b>		
3,650	Repairs & Maintenance	4,243	
3,645	Supervision & Management	3,749	
183	Rents, Rates, Taxes & Other Charges	306	
2,402	Depreciation, Impairment and Revaluation Losses of Non Current Assets	3,169	
38	Debt Management Costs	37	
(15)	Movement in the Allowance for Bad or Doubtful Debts	42	
<b>9,903</b>	<b>TOTAL EXPENDITURE</b>		<b>11,546</b>
	<b>INCOME</b>		
(13,668)	Dwelling Rents	(13,934)	
(236)	Non Dwelling Rents	(242)	
(642)	Charges for Services and Facilities	(417)	
408	Debtors adjustment	0	
<b>(14,138)</b>	<b>TOTAL INCOME</b>		<b>(14,593)</b>
<b>(4,235)</b>	<b>NET INCOME OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE STATEMENT</b>		<b>(3,047)</b>
81	HRA Services' share of Corporate and Democratic Core		83
<b>(4,154)</b>	<b>NET INCOME FOR HRA SERVICES</b>		<b>(2,964)</b>
	<b>HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE STATEMENT</b>		
(44)	(Gain)/Loss on the disposal of HRA Non-Current Assets		29
255	Payments to the Governments Housing Capital Receipts Pool		304
1,869	Interest Payable and Similar Charges		1,826
(18)	Interest and Investment income		(30)
429	Pension interest on net defined benefit liability		282
<b>(1,663)</b>	<b>SURPLUS FOR THE YEAR ON HRA SERVICES</b>		<b>(553)</b>

2014/15 £'000	MOVEMENT ON THE HRA STATEMENT	2015/16 £'000	2015/16 £'000
(992)	Balance on the HRA at the end of the previous year		(992)
(1,663)	Surplus for the year on the HRA Income and Expenditure Account	(553)	
1,012	Adjustments between accounting basis and funding basis under statute (detailed below)	(817)	
(651)	Net increase before transfers to reserves		(1,370)
651	Transfers to Reserves		1,370
0	Increase in year on HRA		0
(992)	Balance on the HRA at the end of the current year		(992)

2014/15 £'000	ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS	2015/16 £'000	2015/16 £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
0	Impairment and Revaluation Losses of Plant, Property & Equipment (PPE)	(762)	
44	Gain/(Loss) on the disposal of HRA Non-Current Assets	(29)	
(255)	Contributions from the Capital Receipts Reserve to finance payments to the Governments Housing Capital Receipts Pool	(304)	
1,052	Capital Expenditure funded by the HRA	551	
606	Debt Repayment	0	
(3)	Net charges to Accumulated Absences Account	7	
(842)	Net charges made for retirement benefits in accordance with IAS19	(666)	
2,400	Depreciation transfer to Major Repairs Reserve	2,407	
(2,400)	Depreciation transfer from Capital Adjustment Account	(2,407)	
602			(1,203)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
410	Employers contributions payable to the Local Government Pension Scheme and retirement benefits payable directly to pensioners	386	
410			386
1,012	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>		(817)

For 2014/15, 'Transfers to Reserves' was understated and Capital Expenditure funded by the HRA' was overstated, both by £121,000. This is corrected above.

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

### 1. Local Government and Housing Act 1989

The Housing Revenue Account reflects a statutory obligation to maintain a separate revenue account for the provision of local authority housing in accordance with the Local Government and Housing Act 1989. It includes the credit and debit items to be taken into account in determining the surplus or deficit on the HRA for the year.

### 2. Value of Housing Revenue Account Property

This analysis shows the net value and number of types of dwelling within the HRA. Council dwellings are valued at their Economic Use Value for Social Housing.

31-Mar-15			31-Mar-16	
Number	Value £'000		Number	Value £'000
<b><u>Operational Assets</u></b>				
2,937	109,551	Standard Dwellings	2,975	112,685
237	3,886	Sheltered Housing	182	3,258
563	784	Garages and Parking Spaces	499	990
1	33	Community Asset	1	33
<b>3,738</b>	<b>114,254</b>		<b>3,657</b>	<b>116,966</b>
<b><u>Non Operational Assets</u></b>				
1	34	Premises	1	34
	<b>114,288</b>			<b>117,000</b>

The HRA asset base is valued annually – the 2015/16 stock valuation has been carried out by Savills (UK) Ltd on behalf of the Council and has been guided by the 'Stock Valuation for Resource Accounting: Guidance for Valuers – 2010' published by the Department for Communities and Local Government (DCLG) in January 2011 which requires the review of the housing stock to be undertaken at the commencement of the financial year 2015/16 on 1 April 2015.

The analysis below shows the value of dwellings within the HRA if they were sold on the open market with vacant possession and free from any legal or regulatory tenancies. The difference between the vacant possession value and the balance sheet value represents the economic cost to the government of providing Council Housing at less than market rents.

31-Mar-15 £'000		31-Mar-16 £'000
354,491	Dwellings	361,016
784	Other Land & Buildings	990
<b>355,275</b>		<b>362,006</b>

### 3. Housing Stock

The Council's housing stock, including shared ownership properties, was made up as follows:

31-Mar-15	31-Mar-16
<b><u>Numbers</u></b>	
1,273 Houses	1,264
441 Bungalows	441
1,443 Flats	1,440
<b>3,157</b>	<b>3,145</b>
<b><u>Analysis of bedroom type</u></b>	
1,561 1 bedroom	1,559
539 2 bedroom	535
974 3 bedroom	967
83 4 or more bedrooms	84
<b>3,157</b>	<b>3,145</b>
<b><u>Analysis of stock by age</u></b>	
256 Pre 1945	262
1,306 1945 - 1964	1,299
631 1965 - 1974	625
964 1974 onwards	959
<b>3,157</b>	<b>3,145</b>

### 4. Major Repairs Reserve

The major repairs reserve is restricted to being applied towards new capital expenditure, the repayment of HRA debt and meeting liabilities under credit arrangements.

2014/15 £'000	2015/16 £'000
0 Balance at 1 April	0
2,400 HRA Depreciation	2,407
(2,400) HRA Capital Financed	(2,407)
<b>0 Balance at 31 March</b>	<b>0</b>

### 5. Housing Repairs

2014/15 £'000	2015/16 £'000
6,980 Expenditure on Repairs	6,877
4,564 Of which planned	4,183
66.0% % of Planned / Response	60.8%

£ 3.261 million of the 2015/16 expenditure (£3.331 million in 2014/15) on repairs was capital expenditure. The main categories of expenditure were overcladding, disabled adaptations, sheltered scheme improvements, kitchens, bathrooms and central heating installations.

## 6. Capital Expenditure

2014/15 £'000	2015/16 £'000
3,281 HRA Properties - capital repairs & maintenance	3,211
50 LA Tenants Disabled Persons Grants	50
0 St Vincent Road Development	799
0 Purchase of 2 Properties	417
<b>3,331</b>	<b>4,477</b>

## 7. Capital Financing

2014/15 £'000	2015/16 £'000
2,400 Major Repairs Reserve	2,407
931 Revenue	551
0 Capital Receipts Reserve	1,519
<b>3,331</b>	<b>4,477</b>

## 8. Capital Receipts

Capital receipts from the sale of housing revenue account property in the year were as follows:

2014/15 £'000	2015/16 £'000
1,146 Right to Buy sales	992
<b>1,146</b>	<b>992</b>

## 9. Depreciation and Impairments

The depreciation charged to the HRA has been based on the Major Repairs Allowance (MRA) used in the Government buyout determination for self-financing. The MRA may be used as a depreciation charge during a 5 year transitional period (ending in 2016/17) while local authorities develop asset systems that will allow componentised depreciation to become a real charge to the Housing Revenue Account.

2014/15 £'000	2015/16 £'000
2,400 Depreciation	2,407
<b>2,400</b>	<b>2,407</b>

The revaluation loss charged to the HRA in respect of reductions in the value the Council's housing stock which cannot be offset against a Revaluation Reserve balance was £762,000 (£2,000 in 2014/15)

2014/15 £'000	2015/16 £'000
2	762
<u>2</u>	<u>762</u>

## 10. Rent Arrears

2014/15 £'000	2015/16 £'000
148	141
60	50
0	0
<b>208</b>	<b>191</b>
<b>(13,904)</b>	<b>(14,176)</b>
1.5%	1.4%

The bad debt provision for all HRA debts at 31 March 2016 is £205,500 (£163,200 at 31 March 2015)

## 11. Pensions

The following transactions have been included in the HRA Income and Expenditure Statement and the Adjustments between Accounting and Funding bases under Regulations to the HRA Balance with no net residual cost to the HRA.

2014/15 £'000	2015/16 £'000
<b>Net Cost of Services</b>	
3	(2)
<b>Surplus or (Deficit) for the year on HRA Services</b>	
429	282
<b>Statement of Movement on the HRA Balance</b>	
(842)	(666)
<b>Actual amount charged against Rents</b>	
410	386

<b>COLLECTION FUND</b>			
2014/15 £'000	-----2015/16-----		
	£'000	£'000	£'000
	Business Rates	Council Tax	Total
<b>INCOME</b>			
(37,369) Council Tax	-	(38,013)	(38,013)
Transfers from General Fund			
31 Council Tax Benefits	-	-	-
(15,711) Income collectable from Business Ratepayers	(16,089)	-	(16,089)
(76) Business Rates Deferred from Previous years	-	-	-
<b>(53,125)</b>	<b>(16,089)</b>	<b>(38,013)</b>	<b>(54,102)</b>
<b>EXPENDITURE</b>			
<b>Apportionment of Previous Year Estimated Collection Fund Surplus</b>			
757 Central Government	681	-	681
636 Gosport Borough Council	545	97	642
290 Hampshire County Council	123	499	622
22 Hampshire Police and Crime Commissioners	-	74	74
24 Hampshire Fire and Rescue Authority	14	30	44
<b>Precepts, Shares and Demands</b>			
6,325 Central Government	7,431	-	7,431
10,088 Gosport Borough Council	5,945	5,200	11,145
26,872 Hampshire County Council	1,338	26,612	27,950
3,825 Hampshire Police and Crime Commissioners	-	4,034	4,034
1,649 Hampshire Fire and Rescue Authority	149	1,574	1,723
<b>50,488</b>	<b>16,226</b>	<b>38,120</b>	<b>54,346</b>
<b>Charges to the Collection Fund</b>			
145 Write off of uncollectable amounts	102	107	209
398 Increase / (Decrease) in Bad Debt Provisions	111	41	152
189 Increase / (Decrease) in Provision for Appeals	1,453	-	1,453
82 Cost of collection	81	-	81
8 Transitional protection payments	18	-	18
<b>822</b>	<b>1,765</b>	<b>148</b>	<b>1,913</b>
<b>51,310</b> TOTAL EXPENDITURE	<b>17,991</b>	<b>38,268</b>	<b>56,259</b>
<b>(1,815)</b> (Surplus) / Deficit arising during the year	<b>1,902</b>	<b>255</b>	<b>2,157</b>
<b>MOVEMENTS ON THE COLLECTION FUND</b>			
(715) Deficit / (Surplus) at 1 April	(1,543)	(987)	(2,529)
(1,815) (Surplus) / Deficit for the year	1,902	255	2,157
<b>(2,530)</b> (Surplus) / Deficit at 31 March	<b>359</b>	<b>(732)</b>	<b>(372)</b>

## NOTES TO THE COLLECTION FUND

### 1. The Collection Fund

The Collection Fund 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 businesses and distribution to local authorities and the Government of council tax and non-domestic rates

### 2. Council Tax

Council Tax income is calculated by estimating the amount of income required from the Collection Fund for Hampshire County Council, Hampshire Fire and Rescue Authority, the Police and Crime Commissioners for Hampshire and Gosport Borough Council. This is then divided by the tax base and multiplied by the ratio shown below to give the council tax for each band of property.

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, calculated as follows:

Band	Estimated Number of Taxable Properties after Discounts	Ratio Equivalent	Band D Dwellings
Disabled	7.66	5/9	4.3
A	3,534.0	6/9	2,356.0
B	9,707.3	7/9	7,550.2
C	7,255.4	8/9	6,449.3
D	4,390.3	9/9	4,390.3
E	1,744.1	11/9	2,131.7
F	1,268.4	13/9	1,832.1
G	291.5	15/9	485.8
H	12.3	18/9	24.5
			25,224.2
			Plus MOD contributions in lieu 794.6
			Less allowance for losses on collection (378.4)
			<b>Tax Base for 2015/16 25,640.4</b>
			Tax base for 2014/15 24,794.1

The Band D Council Tax for a Gosport property in 2015/16 was £202.81 (£202.81 in 2014/15)

#### Distribution of the Council Tax surplus or deficit

Council tax is set before the start of financial year on the basis of estimates that would result in the Collection Fund balancing to zero. Inevitable changes in yield and assumptions about collectability, including variations in the tax base, during the year cause a surplus or deficit to arise on the fund at year end.

For Council Tax, the year-end surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates of the year-end balance made by the preceding 15 January.

Estimated 2014/15 (surplus) /deficit (shared with preceptors 2015/16) £'000	Actual 31- Mar -15 £'000	Council Tax	Estimated 2015/16 (surplus) / deficit (shared with preceptors 2016/17) £'000	Actual 31- Mar -16 £'000
(499)	(703)	Hampshire County Council	(356)	(521)
(30)	(42)	Hampshire Fire & Rescue Authority	(21)	(31)
(74)	(105)	Hampshire Police and Crime Commissioners	(54)	(79)
(97)	(137)	Gosport Borough Council	(69)	(101)
<b>(700)</b>	<b>(987)</b>		<b>(500)</b>	<b>(732)</b>

The difference between the estimated surplus for 2015/16 and the actual surplus will be shared with preceptors in 2017/18.

### 3. Non-Domestic Rates (NDR)

From 1 April 2013, the national system of redistributing centrally pooled business rates to Local Authorities was replaced by a new system of Business Rates Retention whereby a proportion of the business rates collected is retained locally by billing and precepting authorities and the balance is paid over to central government.

There is, therefore, the potential reward of additional income from an enhanced business rates base in the Borough. However, there is also the increased financial risk due to non-collection and the volatility of the NDR tax base – particularly due to factors outside of the Council's control such as successful rating appeals to the Valuation Office which may be backdated.

Non-Domestic or business rates are levied on businesses by reference to their rateable value multiplied by the NDR multiplier for the year which is set nationally by central government.

The NDR multiplier for the year was 49.3p pence (48.2p in 2014/15). The total non-domestic rateable value at the year-end was £41,389,036 (£40,454,845 in 2014/15).

Business Rates collected are then apportioned by shares to the following bodies as set out in legislation.

Central Government	50%
Gosport Borough Council	40%
Hampshire County Council	9%
Hampshire Fire and Rescue Authority	1%

#### Distribution of the Non Domestic Rates surplus or deficit

Estimates for business rates to be collected in the following financial year are required to be made in the January before the year starts. As with Council Tax, there will be differences between the estimated and actual business rates collected leading to a Non-Domestic Rates surplus or deficit position within the Collection Fund at the year end. The year-end surplus or deficit on the Collection Fund is distributed between billing authority, precepting authorities and central

government on the basis of estimates of the year-end balance made by the preceding 31 January.

This is then apportioned to the relevant precepting authorities, including the government, in the proportions set out above.

Estimated 2014/15 (surplus) /deficit (shared with preceptors 2015/16) £'000	Actual 31- Mar -15 £'000	Business Rates	Estimated 2015/16 (surplus) / deficit (shared with preceptors 2016/17) £'000	Actual 31- Mar -16 £'000
(681)	(771)	Government	179	179
(123)	(139)	Hampshire County Council	32	32
(14)	(16)	Hampshire Fire & Rescue Authority	4	4
(545)	(617)	Gosport Borough Council	144	144
<b>(1,363)</b>	<b>(1,543)</b>		<b>359</b>	<b>359</b>

The difference between the estimated surplus for 2015/16 and the actual will be shared with preceptors and central government in 2017/18.

#### 4. Accounting for the Collection Fund balance

The Code requires that the Council Tax and National Domestic Rating Income included in the Comprehensive Income and Expenditure Account is the accrued income for the year rather than the amount included under regulations comprising for

- Council Tax - the approved annual precept plus or minus the estimate of the Collection Fund surplus or deficit made at the previous 15 January
- National Non-Domestic Rates - the relevant share of the estimated business rates to be collected as included within Council's approved budget plus or minus the estimate of the Collection Fund surplus or deficit made at the previous 31 January.

The difference between the accrued amount and the amount required to be included under regulations is adjusted through the Collection Fund Adjustment Account and as a reconciling item in the Movement in Reserves Statement.

The Code recognises that the collection of Council Tax and National Non-Domestic Rates is in substance an agency arrangement with the cash collected by the billing authority belonging proportionately to the billing authority, major preceptors and bodies receiving a share of the NDR. There is therefore a debtor / creditor position between the billing authority, major preceptors and bodies receiving a share of the Council Tax and NDR at the year end and this position is recognised in their respective balance sheets.

The following Collection Fund balances relating to Gosport Borough Council are included in the Council's balance sheet.

-----31-Mar-15-----			-----31-Mar-16-----		
£'000	£'000	£'000	£'000	£'000	£'000
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
<b><u>Debtors</u></b>					
-	943	943	-	981	981
-	56	56	-	56	56
-	144	144	-	145	145
201	380	581	198	407	605
<b><u>Creditors</u></b>					
(414)	-	(414)	(382)	-	(382)
(46)	-	(46)	(42)	-	(42)
(41)	(59)	(100)	(76)	(118)	(194)
(2,297)	-	(2,297)	(2,121)	-	(2,121)
<b><u>Provisions</u></b>					
(1,381)	-	(1,381)	(1,962)	-	(1,962)
<b><u>Unusable Reserves</u></b>					
(617)	(137)	(754)	143	(101)	42
<b>(4,595)</b>	<b>1,327</b>	<b>(3,268)</b>	<b>(4,242)</b>	<b>1,370</b>	<b>(2,872)</b>

*The Council's Unusable Reserves figures above exclude the Enterprise Zone £29,000 credit (£49,000 in 2014/15)*

## **GOSPORT BOROUGH COUNCIL**

### **ANNUAL GOVERNANCE STATEMENT 2015/16**

#### **Scope of responsibility**

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

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

Gosport Borough Council has completed the Corporate Governance Compliance Checklist which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

This statement explains how Gosport Borough Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015.

#### **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Gosport Borough Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Gosport Borough Council for the date of approval of the 2015/16 Statement of Accounts.

#### **The governance framework**

Our governance framework derives from six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services - a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office of Public Management. The Commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:

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

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

The key elements of each of these core principles are as follows:

**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

The Council's [Corporate Plan](#) sets out Gosport Borough Council's Mission and Values which will help us provide quality service delivery. The Corporate Plan also identifies the Council's strategic priorities (People, Places, Prosperity and Pursuit of Excellence), which are based on a combination of factors including what matters most to local people, national priorities set by the Government and the challenges from Gosport's changing social, economic and environmental context.

The Council's mission is:

***“To work with our community to improve everyone’s quality of life and deliver a sustainable future for the Borough.”***

The diagram sets out the various links in the process of establishing and monitoring the achievements of the Council's ambitions, and shows the links between the Community and Corporate Plan which then feed into, and are informed by, strategies, service action plans and individual personal action plans:



The Council continues to have a well-developed Performance Management Framework (performance information & actions) which has continued to be enhanced within the Covalent (software) and the additional risk module has improved the wider outlook on both operational and strategic risks.

The Council maintains an objective and professional relationship with their appointed external auditors (Ernst & Young LLP) and statutory inspectors, as evidenced by the various reports being presented to the Standards and Governance Committee (available on the Council's website). Through reviews by external auditors, external agencies and internal audit, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council's Corporate Procurement Strategy continues to provide a consistent strategic framework within which to undertake and continuously develop procurement to deliver the Council's corporate objectives, to improve performance and deliver efficiencies. The Strategy encompasses the policy objectives of the National Procurement Strategy and adapts and prioritises them to meet the Council's local context. The Strategy recognises that the Council cannot achieve its objectives alone and emphasises the need to work in collaboration with public, private, social enterprise and voluntary sector partners. A core theme throughout the Strategy is the Council's commitment to social, economic and environmental sustainability. The new Strategy will encompass the new EU Procurement Directives brought out in 2015.

The Council reviewed its Financial Procedure Rules and Contract Procedure Rules in 2011/12 and these are, incorporated in the Council's Constitution. These have been updated by a Group of Officers in 2015/16 and will be ratified by Members later in 2016/17.

Risk management is monitored by the Corporate Risk Management Group (CRMG), which meets approximately six times a year. The Group reviews risk advises Management Team on risk issues within the Council and on existing and planned risk controls. The strategic risk register is reviewed each quarter by Council Management Team and CRMG (Chaired by the CFO) on a cyclical basis. Results are reported to the Standards and Governance Committee annually.

Strategic and operational risks are reported by use of risk registers. Each section is required to update its own register. These registers are now held and managed on the Covalent system as previously mentioned. Continued work through 2015/16 have assisted Section Heads in developing and maintaining their operational risk registers.

**Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

The Constitution sets out how the Borough Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The introduction of the Local Government Act 2000 made it the duty of every Council to review their political management structures. As part of the review Councils were required to consider the type of structure to be adopted and were given a choice of four models from which to choose. Councils with a population of less than 85,000 were offered the opportunity to adopt 'alternative arrangements' or what is sometimes referred to as the 'fourth option', and this is the option that was approved by Gosport Borough Council in 2000.

A report on Governance was taken to Council in May 2016 to review the arrangements for the discharge of the Council's Functions and propose changes to the Boards and Committees. As a result the following changes were approved:-

**Overview and Scrutiny-** It was agreed that the Council will no longer appoint an Overview and Scrutiny Committee and that Service Boards would be permitted to set up working groups to be known as Task and Finish Groups to undertake short sharply focused pieces of work on the

development and review of policies and initiatives of matters falling under the terms of reference of the Board.

**Licensing**-A separate Licencing Board will no longer be appointed with the licensing policy work in future being undertaken by the Regulatory Board whilst the applications (such as those to drive taxis) will be considered by a newly established Licensing (General Applications) Sub Board. This Sub Board together with the existing Licensing Sub Board dealing with Alcohol, Public Entertainment and Gambling matters will be Sub Boards of the Regulatory Board.

### **Composition of Boards**

A following amendments were made to the composition of the Boards;-

Board/Sub Board	Number of Members To 19 May 2016	Number of Members From 19 May 2016
Policy and Organisation Board	10	14
Community Board	12	14
Economic Development Board	10	14
Regulatory Board	12	14
Standards and Governance Committee	8	12
Licensing Sub Board	3	3
Licensing (General Applications) Sub Board	-	5

Decisions are made by Boards and Sub-Boards of the Council with the following having the responsibility for the majority of decision making:

***Council***

***Policy and Organisation Board***

***Community Board***

***Economic Development Board***

***Regulatory Board (Licensing Sub-Boards)***

As the Regulatory Board deals only with planning applications and the Licensing Sub-Boards with Licensing matters the law does not allow their work to be scrutinised by other Councillors. This is because the decisions made by these Boards are already subject to an appeal process, either through an independent inspector or the courts.

In addition to the Boards, there is also a Standards and Governance Committee in place to promote and maintain the highest standards of conduct by members and officers of the Council. Additionally, an Assessment Committee comprising three Councillors of the Standards and Governance Committee have delegated powers to determine allegations of failure to comply with the Council's Code of Conduct, in accordance with the Council's arrangements for dealing with such allegations.

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A code of practice governs the relationship between officers and members of the Council. In

certain circumstances, senior and other officers of the Council can make decisions under delegated authority, as detailed in the Borough's Constitution.

The Council Management Team (CMT) meet weekly to develop policy and strategic issues commensurate with the Council's aims, objectives and priorities. CMT also considers other internal control issues, including risk management, performance management, compliances, efficiency and financial management. Three CMT sub-groups, Corporate Risk, Organisation and the Equalities & Diversity Group are in place to consider specific areas of work. Points of communication are circulated following these meetings to all staff. The Leader holds weekly meetings with the Chief Executive Officer to review progress in achieving the Council's objectives, priorities for action, performance management and forward planning for major issues.

Information that would be of benefit to other members of the Council staff is disseminated through regular meetings between Line Managers and the relevant Unit Manager, and then through to the rest of the unit via monthly section meetings.

The Council has also adopted a number of codes and protocols that will govern both member and officer activities. These include:

- Code of Conduct for Members of Gosport Borough Council
- Code of Conduct for the Guidance of Employees
- Code of Conduct for Councillors in the Regulatory Process (updated)
- Protocol for Councillor/Officer Relationships (updated)
- Anti-Fraud and Corruption Policy (including Bribery)
- Whistle Blowing Policy

**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

It is the shared responsibility of the Chief Officers (primarily the Monitoring Officer (the Borough Solicitor & Deputy Chief Executive) and Chief Executive) and the Personnel section to ensure compliance with established policies, procedures, laws and regulations. Issues of conduct and governance must often be considered by the Standards and Governance Committee, in which case a report and recommendations are prepared by the Monitoring Officer. All posts within the authority have a detailed job specification and training needs are identified on an on-going basis and also through the six-monthly Appraisal and Personal Development Scheme.

The financial management of the Authority is conducted in accordance with the financial rules set out in the Constitution and underpinned with Financial Procedure Rules. The Council has designated the Borough Treasurer as Chief Finance Officer complying with the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010) requiring the Chief Finance Officer to report directly to the Chief Executive and to be a member of the 'Management Team'.

The Council operates an Internal Audit section, which operates to the standards set out in the 'Public Sector Internal Audit Standards 2013'. This section continues to operate successfully under a shared management arrangement with Test Valley Borough Council.

The Head of Internal Audit & Risk Assurance presented the Annual Report which gave the following opinion of the adequacy of the Council's systems of internal control.

***We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gosport Borough Council's risk management, control and governance processes. In our opinion, based upon the work undertaken, for the 12 months ended 31 March 2016 Gosport Borough Council has adequate and effective risk management control and governance processes to manage the achievement of the organisation's objectives.***

Service Action Plans are regularly updated by Unit and Line Managers and are a standing item on monthly team meetings. These plans incorporate Corporate Plan requirements into service activities.

### **Taking informed and transparent decisions and managing risk**

As the Council chose to adopt 'alternative arrangements' following publication of the Local Government Act 2000, a Board/Committee structure is in place and each party is represented proportionally on each Board and Committee according to the number of seats held. Consequently the Council enjoys a high level of transparency when it comes to decision making and any Member of the Council is afforded the right to sit on the Boards if they are nominated for such a position at the commencement of the Municipal Year.

The Standards and Governance Committee promotes monitors and enforces probity and high ethical standards amongst the Members, as well as providing a vessel for audit, risk and compliance issues to be considered.

In addition, the Council complies to the Transparency Code 2015.

### **Developing the capacity and capability of members and officers to be effective**

A designated Members' Portal covers a wide range of useful materials and guidance information is available for Members and staff to view on the intranet system. This resource enables the Council to better provide for Members the opportunity to locate important stored information and data. Within the Portal is the Members' Information Pack which provides Members with detailed corporate, strategic and financial information as well as relevant policies and other useful information such as floor plans and complaints guidance.

New Members are provided with an induction training programme to prepare them for their new role, commencing with an induction evening hosted by the Chief Executive, Borough Solicitor & Deputy Chief Executive and Borough Treasurer that covers topics such as the role of the councillor, finance, standards, code of conduct and major projects. Briefings such as those on planning and licensing issues are held throughout the year to correlate with the Board cycle.

There is a wide range of further training opportunities available to Members to increase their knowledge base from skills development (e.g. chairing skills, dealing with challenging people and media and image) to need-to-know subjects (e.g. Code of Conduct, planning local government finance) detailed in the 'Training Opportunities for Members' booklet within the Members Information Pack.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

Local government is accountable and transparent in a number of ways. Elected local authority members are democratically accountable to their local area and this gives them a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements. Many are subject to national standards and targets. Their budgets are

effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

### **Review of effectiveness**

Gosport Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

1. The Borough Solicitor & Deputy Chief Executive (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager. The report includes recommendations for improvements that are included within an action plan (and are graded as critical, essential, important & advisory) and requires agreement or rejection by service managers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.
3. An Internal Audit Annual Report is taken to the Standards & Governance Committee (as per the Accounts and Audit Regulations 2015) and this provides the overall opinion on the Council's internal control environment.

The Standards & Governance Committee also received Internal Audit monitoring reports throughout 2015/16 and an update on risk management will be going to the July 2016 meeting. Internal Audit reviews and computer-based assignments had been undertaken in accordance with the risk index previously agreed with Members and the Council's external auditors.

### **Shared Senior Management with Portsmouth City Council**

In order to assist the Council in addressing the significant financial challenges facing the Council a proposal for shared senior management with Portsmouth City Council was considered and approved by Council on 8<sup>th</sup> June 2016. The report highlighted that no political merger is proposed and that Gosport Borough Council will remain an independent Council. The arrangement will include the sharing of the Chief Executive, Borough Solicitor and Deputy Chief Executive and Borough Treasurer from 1 October 2016 in addition to the sharing of a number of Section Heads. The roles and responsibilities of the shared posts will continue to include those relating to the Governance of this Council in accordance to the policies and procedures of this Council.

**Significant governance issues**

The following governance issues have been identified as a result of the review of arrangements and by the work of external and internal audit.

NO	ISSUE	ACTION/PROGRESS TO DATE
1	Shared Senior Management with Portsmouth City Council from 1 October 2016	Although it is not anticipated that the proposal will have a significant impact on current Governance procedures officers will seek to identify and address any issues before the arrangement is implemented in October 2016.
2	A reducing workforce.	Management to be aware of the loss of knowledge and expertise and short term pressure on the internal control environment.
3	To continue to identify efficiencies within the Council's operations to ensure continued value for money	Working with management to review those areas with opportunities to re-engineer and effectively deliver with reduced resources.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

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**Leader of the Council**

**Chief Executive**

## **Independent auditor's report to the members of Gosport Borough Council**

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Gosport Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and related notes 1 to 35; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 11; and the Collection Fund and the related notes 1 to 4.

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 2015/16.

This report is made solely to the members of Gosport 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 Gosport Borough Council and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Borough Treasurer and auditor**

As explained more fully in the Statement of the Borough Treasurer's Responsibilities set out on page 12, the Borough Treasurer 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Gosport Borough Council as at 31 March 2016 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 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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

### **Conclusion on Gosport Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

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.

#### **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 2015, as to whether Gosport Borough 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 C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Gosport Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Gosport

Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Gosport Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the accounts of Gosport 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.



Helen Thompson  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton  
22 September 2016

## GLOSSARY OF TERMS

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts
Accounting Policies	The principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are to be reflected in financial statements. Include <ul style="list-style-type: none"> <li>▪ recognising</li> <li>▪ selecting measurement bases</li> <li>▪ inclusion of assets, liabilities, gains, losses and changes to reserves</li> </ul>
Accruals	The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.
Agency Services	Services performed by or for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) for the cost of the work carried out
Actuary	An expert on pension scheme assets and liabilities
Actuarial Gains & Losses	Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because: <ul style="list-style-type: none"> <li>• events have not coincided with the actuarial assumptions made for the last valuation</li> <li>• the actuarial assumptions have changed</li> </ul>
Asset	Something the Council owns that has a value ie premises, property, vehicles, equipment, cash or a debt
Authorised Limit	This represents the legislative limit on the Council's external debt under the Local Government Act 2003
Balance Sheet	A statement of the recorded assets, liabilities and other balances at the end of an accounting period
Billing Authority	A local authority empowered to collect Council Tax and Business Rates, and manage the collection fund, on behalf of itself, local authorities in its area and the government
Budget	A financial statement that expresses the Council's service delivery plans and capital programme in monetary terms
Capital Adjustment Account	The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or, expenditure which adds to and not merely maintains the value of an existing non-current asset. The asset may not be owned by the authority. Expenditure that does not fall within this definition must be charged to a revenue account.
Capital Financing Charges	The annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals
Capital Receipts	Income from the sale of fixed assets. Capital receipts cannot be used to fund revenue services.
Collection Fund	The separate fund, administered by billing authorities, recording the expenditure and income relating to Council Tax and Non Domestic Rates

Community Assets	Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Ie Parks
Componentisation	The identification and recording of the components of an asset in order to more accurately charge depreciation - includes the separate identification and derecognition of components as they are replaced.
Contingency	Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets
Contingent Liabilities or Assets	Amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts
Council Tax	The main source of local taxation to Local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund
Council Tax Requirement	The estimated revenue expenditure on General Fund services that needs to be financed from Council Tax after deducting income from fees and charges, grants and any funding from reserves
Creditors	Amounts owed by the Council for goods and services received, but not paid for at the end of the financial year
Debtors	Amounts owed to the Council for work or services rendered but not paid for by the end of the financial year.
Deferred Liabilities	Liabilities payable beyond the next year at some point in the future or paid off by an annual sum over a period of time
Deferred capital receipts	Amounts from the sale of assets, which will be received in the future or in instalments over agreed periods of time
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset
Derecognition	Assets are removed from the Balance Sheet in total or in part when disposed of - whether by sale, demolition, abandonment, obsolescence etc Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.
Discounts	Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the Code, gains arising from the repurchase or early settlement of borrowing are written back to revenue – but where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains are recognised over the life of the replacement loan.
Expenditure	Amounts paid by the authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for
Exceptional Items	Material items deriving from events or transactions that fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/ or incidence to give a fair presentation of the accounts.
Fair Value	Fair value is the price at which an asset could be exchanged in an arm's length transaction between knowledgeable willing parties
Finance Lease	A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee
Financial Instruments	Any item that will cause the Council to receive or pay money. Generally considered to be treasury management related but also include certain debtors and creditors but not with a statutory basis
Fixed Assets	Tangible or intangible assets that yield benefit to the Council for more than one year. Generally, further classified into Property, Plant and Equipment; Heritage Assets; Investment Property and Intangible Assets. Also known as Long Term or Non- Current Assets

Financial Regulations	The written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures
General Fund	The main revenue fund of the Council, it includes income and expenditure on the Council's day to day activities – excluding those of the Housing Revenue Account
Group Accounts	Group Accounts consolidate the financial results of the Council, any of its subsidiaries and/or associates. The Council is not required to produce these for the 2015/16 Statement of Accounts, due to materiality.
Heritage Assets	Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture
Housing Benefit	This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowances.
Housing Revenue Account (HRA)	Local Authorities are required to maintain a separate account - the HRA which sets out the income from and expenditure on the provision of council housing.
Impairment	A reduction in the value of a non-current asset below its carrying amount in the balance sheet. At the end of each reporting period, an assessment of assets must take place to identify any potential impairments
Infrastructure Assets	Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. ie footpaths, bridges, coast protection works
International Financial Reporting Standards (IFRS)	Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.
Income	Amounts due to the Authority for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received since income is deemed to have been earned once the goods or services have been supplied even if cash has not been received
Intangible Assets	Assets that do not have a physical form ie software and licences
Investment Properties	Properties that are held solely for appreciation or income generation
Leases - General	Where a rental is paid for the use of an asset for a specified period of time. There are two forms of lease – finance and operating. The lessor leases the asset to the lessee. The Council is both lessee and lessor
Leases - Finance Lease	A lease or lease type arrangement whereby the risks and rewards of ownership are considered to be borne by the lessee and therefore the asset concerned is included on the lessee's balance sheet
Lease - Operating Lease	Any lease or lease type arrangement which is not a finance lease. The assets concerned remain on the lessors balance sheet and the payments or income are dealt with as revenue income or expenditure
Liabilities	Amounts due to individuals or organisations payable at some time in the future. Current liabilities are usually payable within one year of the balance sheet date
Major Repairs Allowance (MRA)	The MRA was a government grant for capital expenditure to maintain the housing stock to a good standard. Now being phased out during a transitional period, ending in 2016/17, of conversion to fully componentised depreciation accounting
Major Repairs Reserve (MRR)	This reserve is restricted to being applied towards new capital expenditure, the repayment of HRA debt and meeting liabilities under credit arrangements
Minimum	The minimum amount that the council must charge to the revenue account in the

Revenue Provision (MRP)	year in respect of the repayment of principal of borrowing for capital purposes
National Non Domestic Rates (NNDR) (also known as Business Rates)	Effective from 1 April 2013, the Business Rates Retention enables a proportion of the Business Rates collected to be retained locally by billing and precepting authorities with the balance being paid over to central government. There is therefore the potential reward of additional income or indeed reduced income, subject to the safety net. The scheme is subject to centrally set targets and thresholds as well as a complex system of tariffs, top-ups, safety nets and levies.
Net Book Value (NBV)	The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation
Operational Boundary	This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.
Pension - Current Service Cost	The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period. ie the pension benefits "earned" by employees in the current year's employment net of contributions paid
Pension - Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
Pension - Interest on the Net Defined Benefit Liability (Asset),	The change during the period in the net defined benefit liability (asset) that arises from the passage of time - calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Pension - 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
Pension - Past Service Cost	Discretionary benefits awarded on early retirement are treated as past service costs
Pension – Strain on Pension Fund Contribution	Pension strain is a concept for the management of the pension fund finances arising from an employee retiring early, without actuarial reduction of pension. This causes lost contribution income and creates an interest cost arising from the associated earlier, increased cash flow
Pension - Curtailment	Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year
Precepts	The method by which a non-charging authority obtains the income it requires by making a levy on the appropriate charging or billing authorities. Billing authorities, such as Gosport, will themselves precept on the Collection Fund to obtain their own income.
Prior Period Adjustments	These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors
Provision	An amount held in a reserve for a liability of uncertain timing or amount
Public Works Loan Board (PWLB)	An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities
Related Parties	Related parties are Central Government, other Local Authorities, precepting and levying bodies, any subsidiary and associated companies, elected members, all senior officers and the Pension Fund. For individuals, related parties includes members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Revaluation Reserve	The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).
Revenue Contribution	The method of financing capital expenditure directly from revenue
Revenue Expenditure	Expenditure incurred on the day to day running of the Council. This includes employee costs, general running expenses and capital financing costs
Revenue Support Grant	A central government grant paid each year as a general contribution towards the cost of the Council's services
Service Reporting Code of Practice (SeRCOP)	Prepared and published by CIPFA , the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.
The Code	The CIPFA Code of Practice 2015/16 (the Code) which is based on and compliant with International Financial Reporting Standards (IFRS) and which governs the preparation of the Council's financial statements
Treasury Management	This is the process by which the Council controls its cash flow and its borrowing and lending activities
Treasury Management Strategy (TMS)	A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council
Usable Reserves	Reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations (for example the Capital Receipts Reserve can only be used fund capital expenditure)
Unsupported (Prudential) Borrowing	This is borrowing for which no financial support is provided by Central Government. The borrowing costs are met from current revenue budgets
Unusable Reserves	Reserves that are not used to provide services - but that represent <ul style="list-style-type: none"> <li>▪ unrealised gains and losses (ie where amounts would only become available to provide services if the assets are sold) and</li> <li>▪ timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (ie depreciation)</li> </ul>