

EXPLANATORY FOREWORD

1. Contents

In accordance with statutory obligations and the Code of Practice on Local Authority Accounting, the accounts for 2002/2003 include the following statements:

- Consolidated Revenue Account

This account summarises all of the Council's revenue activities for both the General Fund and Housing Revenue Account and shows how the net cost has been financed from government grants and council taxpayers.

- Housing Revenue Account

The Council is required to maintain a separate account for income and expenditure on council housing and related activities.

- Collection Fund

The Collection Fund is separate from the rest of the Council's accounts and summarises council tax and business rate transactions for the Borough, County Council, Police Authority and Central Government.

- Statement of Total Movement in Reserves

The statement brings together all gains and losses for the financial year which are not reported through the Consolidated Revenue Account.

- Cash Flow Statement

All cash flows between the Council and third parties are included in the statement.

2. Summary

Overall the Final Accounts show a deteriorating position on the General Fund and a stable position on the Housing Revenue Account, the latter of which benefited from an underspending on the capital programme.

3. General Fund

The revised budget on the General Fund for 2002/2003 was a net deficit of £421,730. The actual shortfall on the General Fund is £459,330 , an increase of £37,600.

The largest single increase in expenditure against the revised budget is in respect of Council Tax Rebates and Housing Benefits (£134,110).

- The processing and audit of the final Housing Benefit Subsidy claim for 2001/2002 has resulted in the payment of a lower percentage subsidy than forecast in respect of Council tax Benefits and has resulted in a one off adjustment to the accounts in excess of £125,000.
- A higher than forecast level of payments for statutory Rent Allowances due to the 'supporting people' initiative has resulted in an increased cost of £64,940 (net of subsidy). These payments will cease to be part of the Housing Benefit system from April 2003.
- The final subsidy claim for 2002/2003 is, subject to audit, greater than that originally estimated by £72,900

In anticipation of the transfer of responsibility for Section 38 agreements being passed to the County Council at the end of the 2003/2004 financial year a proportion of the section 38 fees that are currently held to fund the inspection and supervision of these agreements has been transferred into the working balance. The final position will not be known until the effective date of the transfer because schemes are constantly progressing and agreement has yet to be finalised with the County Council over the exact fee proportions to be retained. It is, however, estimated that the sum of £100,000 will be retainable by the Council as at 31st March 2003.

The revised budget included a transfer from reserves of £421,730 to balance the General Fund. The required transfer from reserves to meet the actual net revenue shortfall at 31st March 2003 is £459,330 and this has been met from the Capital Reserve (£423,620), which now has a zero balance, and from the Working Balance (£35,710), which is now reduced to £464,290.

The General Fund working balance, having been reduced to £0.46 m at 31st March 2003, will be significantly increased during the Council's budget process for 2004/2005 as the approved strategy for balance restoration takes effect.

4. Housing Revenue Account

The Housing Revenue Account was forecast to have a revenue deficit of £93,000 for 2002/2003 which would reduce the account balance to £498,000 at 31st March 2003. The actual position for the year is a surplus of £99,070 which has increased the account balance to £689,750.

The variation against the revised budget of £192,070 is due to two main factors. The underspend and subsequent financing of the capital programme for 2002/2003 has meant that £185,420 of the budgeted HRA funding contribution has not been required and a general reduction in the net costs of operating the HRA of £6,650

5. Capital Programme

The Capital Programme for 2002/2003 shows an underspending of approximately £1,006 m against the revised programme budget of £5.484 m. This is almost entirely due to slippage into 2003/2004.

The underspend in 2002/2003 is reflected in a better than forecast balance of Usable Capital Receipts at 31st March as well as the previously mentioned

effect on the Housing Revenue Account balance. The revised programme budget for 2003/2004 will include as necessary for both the budget and financing slippage from 2002/2003.

6. Treasury Management

In accordance with the Council's Treasury Management Strategy, (' to continue to minimise the risk exposure for the Council whilst seeking to reduce the interest burden of financing the net borrowing requirement by working towards debt free status at 31st March 2006'), long term borrowing during 2002/2003 has remained constant at £5 m. The PWLB loans that comprise this figure are scheduled to be repaid within the next three years and further consideration will be given to the scheduling of this repayment as part of the budget process for 2004/2005.

The level of net temporary debt (reflecting the Council's short term cash flow management) has improved from a net debt position at 31st March 2002 of £0.7 m to a net investment position of £3.7 m at 31st March 2003.

Other factors favourably affecting cash flow management include an improvement in arrears performance and the capital programme savings - both of which increase interest earnings on balances in 2002/2003 and 2003/2004.

7. Local Tax Collection

The surplus on the collection fund, which reflects income from Council Tax and Non Domestic Rates together with the spending requirements of Gosport Borough and Hampshire County Councils and the Hampshire Police Authority, has increased during the year to 31st March 2003 and should allow a significant surplus to be released during the budget process for 2004/2005.

The rates of Council Tax and Non Domestic Rates collection for 2002/2003 are 96.81% and 98.37% respectively (96.05% and 98.35% for 2001/2002).

STATEMENT OF ACCOUNTING POLICIES

1. General

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued in 2002 by the Chartered Institute of Public Finance and accountancy (CIPFA). The guidance notes issued by CIPFA on the application of accounting standards have also been followed. Any significant non-compliance is disclosed in the following statements.

2. Fixed Assets

Expenditure on fixed assets is capitalised in the accounts on an accruals basis. Only expenditure that benefits the authority for a period of more than one year is capitalised. This excludes spending on routine repairs and maintenance of fixed assets, which is charged directly to service revenue accounts.

A de-minimus level of £10,000 has been set for operational assets below which expenditure is not capitalised.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the principles of the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual and Guidance Note 11.

- Operational, non-specialised properties are valued at existing use value
- Operational, specialised properties are valued at depreciated replacement cost
- Non Operational Assets, including investment properties and assets that are surplus to requirements are included at open market value
- Infrastructure and Community Assets, and Vehicles, Plant and Equipment are included in the balance sheet at historical cost

Any surpluses or deficits arising from revaluations are recorded in the fixed asset restatement reserve. Assets are revalued every five years on a rolling programme and an impairment assessment is also undertaken to identify material changes outside of this cycle.

Council Dwellings are, from 2002/2003, valued in the balance sheet on the basis of Existing Use Value – Social Housing (EUV-SH); prior to this the valuation was based on the open market value of the property less the discount applicable on its sale. The EUV-SH basis accords with government guidance for the application of resource accounting in the Housing Revenue Account and the effect of this is reflected in note 1 to the Consolidated Balance Sheet.

3. Depreciation

Assets other than land are depreciated over their useful economic lives except where the asset's life is so long that depreciation would not be material. Depreciation is calculated using the straight line method over the following periods.

- Buildings: individually assessed
- Vehicles: 5 - 7 years
- Infrastructure: 20 - 50 years
- Equipment: 3-10 years

The depreciation charge for housing stock is equal to the Major Repairs Allowance. This represents a capital sum that is allowed annually to maintain the council's housing stock and in 2002/2003 is £2.38 m.

4. Capital Charges

From 1st April 1994 General Fund service accounts have been charged with a capital charge for all fixed assets used in the provision of services. The capital charge comprises an 'asset rental' calculated by applying a specified notional rate of interest to asset values, and the provision for depreciation where applicable. The notional rate of interest applied in 2002/2003 was 6%.

Capital charges are reversed in the Consolidated Revenue Account and are therefore cost neutral.

From 1st April 2001, the Housing Revenue Account has also been charged on this basis.

5. Deferred Charges

Deferred Charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets and are written off to revenue over an appropriate period. They include, for example, housing improvement grants.

6. Leases

Where assets are acquired under operating leases, the annual leasing rentals are charged to the revenue accounts of the services that use the assets. Asset ownership is retained by the lessor.

7. Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice. That is, sums due to, of from, the Council during the year are included whether or not the cash has actually been received or paid in the year. This policy is consistently applied each year and therefore does not have a material effect on the years accounts.

8. Stocks

To comply with SSAP 9 stocks should be included in the balance sheet at the lower of cost and net realisable value. Stocks and stores items are valued at last purchase price.

9. Cost of Support Services

All costs of management and administration have been fully allocated to services following the principles outlined in CIPFA's Best Value Accounting Code of Practice. Generally, all overheads are initially apportioned on suitable bases (ie accommodation on floor area occupied) and end service unit costs are fully reallocated to services and functions on the basis of time spent.

10. Interest

Interest earned and interest paid are accrued and accounted for in the Council's accounts. The Housing Revenue Account is charged for a proportion of the net interest paid in accordance with statutory guidelines.

11. Investments

The Council's investments are recorded in the balance sheet at original cost.

12. Pensions

The Council's employees belong to the Local Government Superannuation Scheme administered by HCC. Detailed regulations govern rates of contribution and scales of benefit.

The scheme's accounts are prepared in accordance with the Financial Reporting Standard No 17 – Retirement Benefits (FRS17)

13. Government Grants and Contributions

Government Grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable certainty that the grant or contribution will be received.

14. Provisions and Reserves

The Council maintains certain reserves and provisions. These are briefly described below.

- Unapplied Capital Receipts primarily result from the sale of land and property and are invested pending use for financing new development or redemption of debt. Those receipts set aside for repayment of debt are included within the capital financing reserve.
- Deferred Capital Receipts consist of the outstanding balance of mortgage advances for the sale of Council Houses and Houses Built for Sale.
- A provision for bad debts is maintained for debts that may be irrecoverable.
- General Fund and Housing Revenue Account balances safeguard the Council against any major unforeseen increases in expenditure or decreases in income.
- Fixed Asset Restatement Reserve represents the difference between valuing assets on the basis of previous accounting practice and current accounting practice together with any movement following asset revaluations and the net book value of any asset disposals.
- Capital Financing Reserve - this comprises: amounts set aside for the repayment of external loans, fixed asset expenditure financed from revenue, the reserved proportion of capital receipts required to be set aside to pay external loans, capital receipts applied to finance fixed asset expenditure, the adjustment to depreciation needed to form the minimum revenue provision.
- Local Tax Reserves represent the surpluses arising from the collection of Council Tax. Council Tax surpluses are distributed between Hampshire County Council, Hampshire Police Authority and Gosport Borough Council on the basis of estimates of balances made in the previous year.
- Provisions are required for any liabilities of uncertain timing or amount that have been incurred and are recognised only when they exist at the balance sheet date. Provisions are charged to revenue accounts and when the expenditure is incurred this is charged directly to the provision. Provisions are utilised only for the purpose for which they are established, except when a change is required as a result of a review of the appropriateness of the balance or charge. For details of specific provisions see note 10 to the Consolidated Balance Sheet.

CONSOLIDATED REVENUE ACCOUNT

2001/2002 Net Expenditure £		Gross Expenditure £	Gross Income £	2002/2003 Net Expenditure £
947,640	Central Services to the Public	4,028,870	2,862,520	1,166,350
7,897,200	Cultural, Environmental and Planning Service	10,796,270	2,293,230	8,503,040
1,312,800	Highways, Roads and Transportation	1,810,110	638,170	1,171,940
8,174,050	Housing Services	23,051,220	15,651,690	7,399,530
1,872,930	Corporate and Democratic Core	1,997,520	83,200	1,914,320
56,980	Unapportionable Central Overheads	71,640	0	71,640
<hr/> 20,261,600	Net cost of services			<hr/> 20,226,820
29,000	Contribution to council tax benefit arising from subsidy limitation			0
(8,327,900)	Transfer from asset management revenue account (note 4)			(8,224,830)
(139,410)	Interest and investment income			(164,730)
<hr/> 11,823,290	Net operating expenditure			<hr/> 11,837,260
(550,020)	HRA surplus/(deficit) transferred to HRA reserves			99,070
(344,290)	Contribution from earmarked reserves			(413,620)
<hr/> (1,236,770)	Contribution from capital financing reserve			<hr/> (1,530,590)
9,692,210	Amounts to be met from government grants and local taxation			9,992,120
(3,475,980)	Demand on the Collection Fund			(3,710,870)
(3,215,170)	General Government Grants- Revenue Support Grant			(3,004,120)
(2,858,280)	Non-Domestic Rates distribution			(3,211,280)
(23,770)	Transfers from (-) / to the collection fund in respect of surpluses or deficits			(30,140)
<hr/> 119,010	Net General Fund (surplus)/deficit			<hr/> 35,710
619,010	Balance on General Fund brought forward			500,000
-119,010	Deficit for the year			-35,710
<hr/> 500,000	Balance on general fund carried forward			<hr/> 464,290

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. S.137 (3) LOCAL GOVERNMENT ACT 1972

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. As a consequence the majority of the provisions of s137 were repealed with effect from October 2000. The Council is still required to disclose expenditure under s137(3) eg donations to charities. Actual expenditure under s137(3), incurred on grants to voluntary organisations, in 2002/2003 was £ 80,860.

2. S.5 LOCAL GOVERNMENT ACT 1986 PUBLICITY ACCOUNT

Expenditure on publicity amounted to £129,850 in 2002/2003 of which £24,901 was incurred in the production of 'Coastline' the Council's newspaper of which 4 editions were issued to all properties within the Borough. The cost of promoting Tourism for 2002/2003 was £31,413.

3. ADMINISTRATION ACCOUNTS

NET EXPENDITURE RECHARGED 2001/2002 £		EXPENDITURE £	INCOME £	NET EXPENDITURE RECHARGED 2002/2003 £
944,070	Environmental Health Services	880,850	(3,250)	877,600
321,080	Leisure Services	-	-	-
	Leisure & Amenities	1,060,640	(8,390)	1,052,250
1,521,030	Housing Services	1,552,890	(5,060)	1,547,830
1,123,870	Engineering Services	-	-	-
	Regulatory Services	740,140	(37,650)	702,490
838,330	Planning Services	-	-	-
	Development & Environment Services	550,090	(2,850)	547,240
129,750	Chief Executive	164,350	0	164,350
144,270	Strategy & Policy Group	-	-	-
331,430	Economic Regeneration	204,740	0	204,740
966,080	Corporate Services	1,064,000	(35,830)	1,028,170
730,680	Borough Secretary	728,950	(6,650)	722,300
2,118,440	Financial Services	2,241,210	(40,100)	2,201,110
718,620	Information Technology	723,600	(1,260)	722,340
418,940	Accommodation	443,750	(39,040)	404,710
(1,646,110)	Less Recharges between Administration Accounts	(1,562,300)		(1,562,300)
<u>8,660,480</u>		<u>8,792,910</u>	<u>(180,080)</u>	<u>8,612,830</u>

Net expenditure is recharged to Council and Agency Services on a cost basis.

4. TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

2001/2002		2002/2003	
£	Income		£
3,193,370	Capital charges	-General Fund	3,299,820
8,583,400		-Housing Revenue Account	8,415,220
313,470	Deferred Charges		212,740
361,820	HRA Statutory Charges		125,350
<u>12,452,060</u>			<u>12,053,130</u>
	<u>Expenditure</u>		
1,210,220	Provision for depreciation	-General Fund	1,142,510
2,340,860		-Housing Revenue Account	2,381,280
573,080	Interest charges		304,510
<u>8,327,900</u>	Balance to Revenue Account		<u>8,224,830</u>

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute.

275,060	Non-Housing amount – 4% of credit ceiling	296,000
111,780	Housing amount - 2% of credit ceiling	61,600
(467,420)	Commutation adjustment	(357,600)
<u>1,210,210</u>	Depreciation charge to General Fund	<u>1,142,510</u>
<u>1,129,630</u>	Adjustment to Consolidated Revenue Account (contribution from Capital Financing Reserve)	<u>1,142,510</u>

5. HIGHWAYS AGENCY

The Council's agency agreement for the provision of highways maintenance and management, was terminated by Hampshire County Council on 1st May 2002 and the service is now funded and managed directly by the County, though staff remain within the Borough Council offices. The Borough Council has retained the agencies for Traffic Management and Development Control and the County Council reimburses the Borough for this work, including a contribution towards administration costs.

Detailed below is a summary of expenditure incurred in respect of the activity, which is not included in the Consolidated Revenue Account.

	£'000
Routine maintenance – structural	6
- aids to movement	9
- environmental	99
- other (including street lighting)	4
Special Maintenance	0
Administrative costs	88
Structural Maintenance	4
Capital Works and Studies	255
Total Highway Agency Expenditure	<u>465</u>

6. LEASED ASSET - RENTALS

	Finance leases £'000s	Operating leases £'000s
Total Rentals paid in 2002/2003	Nil	128

Outstanding undischarged leasing obligations in respect of operating leases

	£'000
- 2003/04	96
- 2004/05	71
- 2005/06	31
- 2006/07 onwards	31

7. PENSION COSTS

Pension and lump sum retirement benefits are paid from the Local Government Superannuation Scheme which is administered by the County Treasurer, Hampshire County Council, The Castle, Winchester, Hants. Employees generally contribute 6% of pensionable pay whilst the Council contributes at a variable rate determined by actuarial valuation. The rate for 2002/2003 paid by all scheduled bodies was 205% of employee contributions and cost the Council £700,717 for the year. The Pension Fund must be sufficient to meet all liabilities.

8. PENSION ASSETS AND LIABILITIES

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS 17) Gosport Borough Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

Disclosures under paragraphs 75 to 81:

Gosport Borough Council participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2001, and has been updated by independent actuaries to the Hampshire County Council Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2003. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

Gosport Borough Council's standard contribution rate over the accounting period was 205% of members' contributions. The contribution rates certified for Gosport Borough Council at the 31 March 2001 valuation are as follows:

April 2002 to March 2003 205% of members' contributions
 April 2003 to March 2004 215% of members' contributions
 April 2004 to March 2005 225% of members' contributions

These figures include the past service element of the contribution rate.

In addition, special contributions of £122,017 have been paid which we have assumed for the purposes of these calculations have been used to fund benefit improvements.

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

	31 March 2003	31 March 2002
Discount rate	6.1% pa	6.3% pa
Rate of increase in salaries	4.1% pa	4.3% pa
Rate of increase in pensions in payment	2.6% pa	2.8% pa
Rate of increase in deferred pensions	2.6% pa	2.8% pa
Rate of inflation	2.6% pa	2.8% pa
Long-term expected rates of return on:		
Equities	7.6% pa	8.2% pa
Bonds	4.6% pa	5.2% pa

Property	6.6% pa	7.2% pa
Other assets	3.1% pa	3.7% pa
Average long term expected rate of return	6.6% pa	7.5% pa

Assets are valued at fair value, principally market value for investments, and comprise:

	31 March 2003	31 March 2002
	£m	£m
Equities	18.43	26.56
Bonds	6.45	6.88
Property	1.62	1.78
Other	1.41	1.16
Total	<u>27.91</u>	<u>36.38</u>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2003 and 31 March 2002.

Notes under paragraphs 82 to 88:

The following amounts were measured in accordance with the requirements of FRS 17:

	31 March 2003	31 March 2002
	£m	£m
Share of assets in the Fund	27.91	36.38
Estimated liabilities in the Fund	44.26	42.64
Gosport Borough Council's deficiency in the Fund	<u>-16.35</u>	<u>-6.26</u>

The surplus or deficiency revealed above should be borne in mind when considering the amount of overall reserves held.

The movement in net deficiency for the year to 31 March 2003 is as follows:

	£m	£m
Net deficiency at beginning of year		-6.26

Movement in year:

Operating Charge:

Current service cost	-0.79	
Past service costs	-0.12	
Gain/loss on any settlements or curtailments	<u>0.00</u>	
Total Operating Charge		-0.91
Contributions		0.82
Finance Income:		
Expected return on Pension Fund assets	2.69	
Interest on pension scheme liabilities	<u>-2.66</u>	
Total Finance Income		0.03
Actuarial gain/loss		<u>-10.03</u>
Net deficiency at end of year		-16.35

The actuarial gain/loss can be further analysed as follows:

	Amount	Percentage
	£m	
Actual return less expected return on assets	-10.16	36.4% of scheme assets
Experience gains and losses on pension liabilities	0.19	0.4% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	-0.06	0.1% of scheme liabilities
Total	<u>-10.03</u>	

9. EMPLOYEES RECEIVING REMUNERATION IN EXCESS OF £40,000

Employees receiving a remuneration in excess of £40,000 during 2002/2003 are shown below. Remuneration means all amounts due to an employee including expense allowances subject to United Kingdom income tax, and the estimated money value of any benefits received by the employee other than in the form of cash.

Remuneration	Number of Employees
Between £40,000 and £49,999	5
Between £50,000 and £59,999	1
Between £60,000 and £69,999	1
Between £70,000 and £79,999	1

10. MEMBERS' ALLOWANCES

The total allowances paid to members in 2002/2003 was £186,079

11. THE EURO

The Authority did not incur any specific expenditure in 2002/2003 preparing for the introduction of the Euro. The likely implications have been reviewed and a Euro group has been established but is not currently active.

12. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the financial year other than those with other local authorities and government departments as detailed below.

	<u>£'000</u>
Central Government - Revenue Grants	6,215
Capital Grants	370
Government Subsidies	9,440
Hampshire County Council - Precept	18,297
Pension Fund Payments	700
Hampshire Police Authority - Precept	1,872

13. TRADING OPERATIONS

The Council is required to report separately on its trading activities for the year.

BUILDING CONTROL TRADING ACCOUNT

The Building (Local Authority Charge) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function - 'details of scheme for setting charges'. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. From the 1st February 2003, Gosport Building Control merged with Fareham Building Control under a three year agreement for the joint provision of Building Control services to the Boroughs of Gosport and Fareham. The statement below shows the total cost of the operating the building control unit for 2002/03

**Gosport Building Control Trading Account
Part Year Trading April to January 2003**

	Chargeable £'000s	Non- Chargeable £'000s	Total £'000s
Expenditure			
Employee Expenses	69	49	118
Transport	2	2	4
Supplies and Services	9	3	12
Third Party Payments	0	12	12
Central and Support Services	31	30	61
Total Expenditure	111	96	207
Income			
Building Regulation Charges	123	0	123
Other Fees and Charges	0	0	0
Charges to Fareham Borough Council	0	0	0
Charges to Gosport Borough Council	0	0	0
Total Income	123	0	123
GBC surplus / (deficit) for year	12	-96	-84
GBC surplus / (deficit) for previous year	3	-85	-82

**Partnership Trading Account
Part Year Trading February and March 2003**

	Fee Earning £'000s	Non-Fee Earning £'000s	Total £'000s
Expenditure			
Employee Expenses	23	15	38
Transport	1	1	2
Supplies and Services	1	1	2
Third Party Payments	25	17	42
Central and Support Services	12	7	19
Total Expenditure	62	41	103
Income			
Building Regulation Charges	78	0	78
Other Fees and Charges	0	1	1
Charges to Fareham Borough Council	1	23	24
Charges to Gosport Borough Council	0	17	17
Total Income	79	41	120
GBC surplus / (deficit) for year	17	0	4
Fareham surplus / (deficit) for year			13

COUNCIL HOUSING

THE HOUSING REVENUE ACCOUNT

ACTUAL 2001/2002 £		ACTUAL 2002/2003 £
	EXPENDITURE	
2,220,960	Management	2,345,660
3,113,540	Maintenance	2,720,950
49,880	Rents, Rates, Taxes, Other Charges	82,000
4,954,900	Rent Rebates	5,129,230
		29,000
6,242,540	Cost of Capital/Impairment/Deferred Charges	6,033,940
2,340,860	Depreciation	2,381,280
14,710	Debt Management Expenses	6,780
<u>18,937,390</u>		<u>18,728,840</u>
	INCOME	
10,144,590	Dwelling Rents	9,824,310
233,000	Shops & Garages	232,160
209,880	Service Charges	736,420
2,799,280	HRA Subsidy (including MRA)	2,728,790
<u>13,386,750</u>		<u>13,521,680</u>
<u>5,550,640</u>	NET COST OF SERVICES	<u>5,207,160</u>
	TFR AMRA (Difference between cost of capital and impairment/deferred charges and HRA interest costs)	(5,970,190)
(5,989,540)	Amortised Premiums / Discounts	39,100
39,110	HRA Investment Income / Mortgage Interest	(47,320)
(77,200)		<u>(5,978,410)</u>
<u>(6,027,630)</u>		
<u>(476,990)</u>	NET OPERATING EXPENDITURE	<u>(771,250)</u>
	APPROPRIATIONS	
915,000	Revenue Contributions to Capital	610,580
112,000	HRA Set-Aside	61,600
1,140,690	Surplus at beginning of Year	590,680
(550,010)	(Deficit) / Surplus for Year	99,070
<u>590,680</u>	Surplus at end of Year	<u>689,750</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Local Government and Housing Act 1989

The Housing Revenue Account includes the income and expenditure prescribed by the Local Government and Housing Act 1989. It is presented in accordance with the revised standard classification published by CIPFA in February 1995 and the update published by CIPFA in June 2001 covering resource accounting requirements.

2. Charges for Services and Facilities

Charges are made for heating, water rates, warden services and for communal services supplied to leaseholders.

3. Housing stock

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

	2001/2002	2002/2003
Houses	1,573	1,490
Bungalows	444	444
Flats	1,825	1,796
	3,842	3,730

4. Value of Housing Revenue Account Property

	2001/2002 £'000	2002/2003 £'000
Operational	104,010	100,414
Non-Operational	-	-
	104,010	100,414

Council dwellings have been valued at their current use with an allowance for the right to buy. The vacant possession value at 31st March 2003 is £185,952,500. the difference in valuation is the economic cost to the government of providing council housing at less than open market rents.

5. Major Repairs Reserve

The major repairs reserve was set up in 2001/2002 to account for the new government subsidy for major repairs to council dwellings – the major repairs allowance (MRA).

	2002/2003 £'000
Balance Brought Forward	0
Receipts in year	2,381
Expenditure in year	
o Houses and Flats	2,324
o Environmental Improvements	45
o Surveys / Other	12
Balance Carried Forward	0

6. Housing Repairs

	2001/2002	2002/2003
	£	£
Expenditure on repairs	5,548,957	5,011,263
Of which planned	3,564,272	3,291,242
% of Planned / Response	64.23%	65.68%

7. Capital Financing

The financing of capital expenditure on the housing revenue account property during the year is shown below. Only a proportion of this expenditure led to an increase in the value of assets and the remainder maintains the value by keeping them in a good state of repair.

	Land	Houses and Flats	Other	Total
	£'000	£'000	£'000	£'000
Government Grants		2,381		2,381
Revenue Contributions		611		611
Other		73		73
	0	3,065	0	3,065

8. Capital Receipts

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

	2002/2003
	£'000
Right to buy sales	4,538
Other	0
	<u>4,538</u>

9. Cost of Capital

The charge for the cost of capital is 6% of the value of HRA operational assets carried out in accordance with the guidance on stock valuation published by the DETR in May 2000.

10. Depreciation and Impairment

The total charge for depreciation in 2002/2003 was £2,381,279

11. Subsidy

	2001/2002	2002/2003
	£	£
Management and maintenance	3,618,217	3,806,452
Major Repairs Allowance	2,340,854	2,379,983
Charges for capital and interest	819,352	509,777
Rent rebates	4,954,900	5,180,264
Interest on receipts		(33,549)
Rent income	(8,954,657)	(9,097,149)
Other items	45,421	0
Total for year	2,824,087	2,745,778
Adjustment for prior years	0	(16,988)
Total subsidy under 1989 Act	<u>2,824,087</u>	<u>2,728,790</u>

12. Rent Arrears

	2001/2002	2002/2003
	£	£
Current Tenants	164,013	199,278
Former Tenants	109,493	154,953
Garages	7,604	3,634
Total Rent Arrears	<u>281,110</u>	<u>357,865</u>
Gross Rent Income	(10,489,980)	(10,264,398)
Arrears as a % of Gross Rent Income	2.68%	3.49%

13. Rent Income from Dwellings

	2001/2002	2002/2003
	£	£
Full rental income from dwellings	10,256,980	10,007,545
Less Rent due on void properties	(112,390)	(99,256)
Less Irrecoverables		(83,984)
Total	<u>10,144,590</u>	<u>9,824,305</u>

14. Service Charge Breakdown

The £736,420 included under service charges is broken down as follows.

	£	
Service Charges	243,545	Leaseholders
Housing Care	270,123	Care element of sheltered rent
Hermitage	30,000	
Insurance	41,362	Leaseholders insurance repayments
Water / Alarms	20,108	Recharge sheltered
Transitional Housing Benefit	54,934	
Court Costs	13,004	From Tenants
Service Charges	9,087	Tenants
Rent Credits	<u>54,265</u>	
Total	<u>736,428</u>	

THE COLLECTION FUND

	Notes	2001/2002 £	2002/2003 £
INCOME			
Council Tax	2	19,674,690	22,045,340
Transfers from General Fund - Council Tax benefits		2,272,800	2,466,060
Adjustment to previous years Community Charge		0	0
Income collectable from business ratepayers	3	11,190,390	11,340,490
		<u>33,137,880</u>	<u>35,851,890</u>
EXPENDITURE			
Precepts and demands	4	21,745,040	23,879,190
Business rate			
- Payment to national pool		11,111,170	11,261,380
- Costs of Collection		79,220	79,110
Bad and doubtful debts		10,430	(4,490)
		<u>32,945,860</u>	<u>35,215,190</u>
Deficit / (Surplus) for the Year		<u>(192,020)</u>	<u>(636,700)</u>
APPROPRIATIONS			
(Surplus) as at 1 April		(254,730)	(340,980)
- Gosport Borough Council surplus released		23,770	30,140
- Hampshire County Council surplus paid		75,550	88,130
- Hampshire Police Authority surplus paid		6,450	7,650
Deficit / (Surplus) for year		<u>(192,020)</u>	<u>(636,700)</u>
Deficit / (Surplus) as at 31 March		<u>(340,980)</u>	<u>(851,760)</u>

NOTES TO THE COLLECTION FUND

1. This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The account is consolidated within the Council's accounts.

The year end surplus/deficit on the Collection Fund is to be distributed between Hampshire County Council, Hampshire Police Authority and Gosport Borough Council on the basis of estimates made on 15 January of the year end balance.

2. Council Tax

Council tax income is calculated by estimating the amount of income required from the Collection Fund for Hampshire County Council, Hampshire Police Authority 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
A	4,696.00	6/9	3,130.70
B	10,399.50	7/9	8,088.50
C	7,288.50	8/9	6,478.70
D	3,255.50	9/9	3,255.50
E	1,367.75	11/9	1,671.70
F	939.25	13/9	1,356.70
G	280.25	15/9	467.10
H	5.25	18/9	10.50

The above figures exclude 696.30 band D equivalent MOD dwellings which make contributions in lieu of Council Tax.

3. Non-Domestic Rateable Value

The NNDR multiplier for the year was 43.7 pence. The rateable value at the year-end was £30,789,180

4. Precepts and Demands

	2001/2002	2002/2003
	£	£
Hampshire County Council	16,810,734	18,296,736
Hampshire Police Authority	1,458,323	1,871,588
Amount of Council Tax for Gosport Borough Council Services	3,475,983	3,710,866
	21,745,040	23,879,190

CONSOLIDATED BALANCE SHEET

2001/2002 £	The Council's Assets Are	2002/2003 £	2002/2003 £
	Fixed Assets (see note 1)		
	Operational Assets		
108,084,880	- Council Dwellings		100,414,350
13,869,120	- Other Land and Buildings		17,069,490
314,600	- Vehicles, Plant and Equipment		674,410
13,260,530	- Infrastructure		12,964,990
2,249,610	- Community Assets		2,539,540
467,020	- Assets in Course of Construction		211,180
	Non-Operational Assets		
7,581,350	- Investment properties		8,493,530
145,827,110			142,367,490
780,360	Deferred Charges - (see note 3)		730,780
1,175,590	Long Term Debtors (see note 5)		1,041,690
147,783,060	Total Long Term Assets		144,139,960
	Current Assets		
1,000,670	Investments (see note 6)	5,100,670	
3,440	Cash in hand	2,950	
69,440	Stock of materials	130,150	
4,725,910	Sundry Debtors (see note 7)	4,131,780	9,365,550
			153,505,510
153,582,520	Total Assets		
	Current Liabilities		
2,000,000	Short Term Borrowing	1,000,000	
0	Long Term Borrowing repayable within 12 months	2,000,000	
829,540	Cash Overdrawn	717,380	
5,368,020	Sundry Creditors (see note 8)	5,377,160	9,094,540
			144,410,970
145,384,960	Total Assets Less Current Liabilities		
5,003,450	Long Term Borrowing (see note 9)	3,003,450	
13,717,660	Government Grants - Deferred Account	14,077,840	
133,130	Provisions (see note 10)	197,540	17,278,830
521,530	Deferred Capital Receipts (see note 15)		426,440
126,009,190	Total Assets Less Liabilities		126,705,700
88,149,420	Fixed Asset Restatement Reserve (see note 13)		84,267,170
35,894,920	Capital Financing Reserve (see note 14)		38,945,720
45,000	Usable Capital Receipts Reserve (see note 11)		1,396,030
1,919,850	Fund Balances and reserves (see note 16)		2,096,780
126,009,190	Total Equity		126,705,700

Mr Peter Wilson
Deputy Chief Executive and Borough Treasurer

November 2003

CONSOLIDATED BALANCE SHEET NOTES

1. Movement of Fixed Assets By Asset Type 2002/2003

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets in Course of Construction £'000	Investment Properties £'000
Gross Book Value							
Balance at 1 st April 2002	110,426	14,979	1,346	14,092	2,250	467	7,581
Prior Year Adjustment							
Additions		133	505	95	227	97	
Transfers	31	2,296			63	(353)	(2,053)
Disposals	(4,538)						(170)
Revaluations	(784)	536					3,136
Balance at 31 st March 2003	105,135	17,944	1,851	14,187	2,540	211	8,494
Accumulated Depreciation							
Balance at 1 st April 2002	2,341	1,110	1,031	832	0	0	0
Prior Year Adjustment							
Depreciation for year	2,380	608	146	390			
Depreciation on assets transferred		(16)					
Revaluations		(827)					
Balance at 31 st March 2003	4,721	875	1,177	1,222	0	0	0
Net Book Value as at 31st March 2003							
	100,414	17,069	674	12,965	2,540	211	8,494
Total movement in year	(7,671)	3,200	359	(295)	290	(256)	913
Balance at 31 st March 2002	108,085	13,869	315	13,260	2,250	467	7,581

Movement in Fixed Assets by Transaction

	Balance at 1 April £'000	Expenditure in Year £'000	Disposals in Year £'000	Revaluations and Depreciation £'000	Balance at 31 March £'000
2001/2002	123,410	1,167	(3,267)	24,517	145,827
2002/2003	145,827	1,057	(170)	(4,347)	142,367

The valuation method of fixed assets is described in the Statement of Accounting Principles on page 4

2. Capital Expenditure

The main items of capital expenditure during the year are shown below

	£'000
Improvements to Housing Stock	3,015
Improvement Grants for Private Sector Housing	308
Privett Park Enclosure Improvements	56
Alver Valley	54
Stokes Bay Slipway	52
Millenium Project	181
CCTV	193
IT Equipment inc Implementing Electronic Government	312

Capital expenditure may be financed in various ways including borrowing, use of internal funds and external contributions and grants. Capital expenditure in 2002/2003 was financed as follows:

	£'000
Government Grants	3,059
External Contributions	241
Revenue Contributions	610
Borrowing	592
	<u>4,502</u>

3. Deferred Charges

	Renovation Grants	Other	Total
	£	£	£
Balance as at 1 April 2002	0	780,360	780,360
Expenditure	93,570	10,920	104,490
SHG written off to capital financing reserve	0	0	0
Amounts written off to consolidated revenue account	(93,430)	(60,640)	(154,070)
Balance as at 31 March 2003	<u>140</u>	<u>730,640</u>	<u>730,780</u>

Deferred charges carried within the Balance Sheet represent an on-going benefit to the Authority where a physical asset has not been acquired. These are then written off to the Consolidated Revenue Account over the period of benefit. All other deferred charges are written off in the year incurred, which conforms with new recommended accounting practice.

4. Information on Assets Held

The Council's fixed assets principally include :	Number as at 31 March 2003
Council dwellings (owned not leased)	3,730
Operational buildings	
Town Hall/ Offices	3
Leisure Centre with Swimming Pool	1
Ice Rink	1
Paddling Pools	1
Depots	2
Surface Car Parks	39
Cemeteries	1
Public Conveniences	24
Museum	1
Disinfestation Centre	1
Operational equipment	
Vehicles	5
Infrastructure assets	
Slipways	9
Community assets	
Parks and open spaces (hectares)	176.6
Collections of art/artefacts	2
Civic regalia and silverware (items)	142
Heritage Site	1
Non-Operational	
Land leased to third parties (hectares)	19.2
Shops (items)	2
Tenanted Buildings (items)	6

5. Long Term Debtors- the long term loan debt outstanding on the following types of advance

	2001/2002	2002/2003
	£	£
Housing Act Advances (including SDAA)	14,530	11,150
Housing Associations	48,780	48,190
Sale of Houses	521,530	426,440
Voluntary and Sporting Organisations	27,830	22,800
Car Loans to Staff	410,240	419,550
PWLB Loan Premium	152,680	113,560
	<u>1,175,590</u>	<u>1,041,690</u>

6. Investments

		2001/2002	2002/2003
	Nominal Value	£	£
3.5% War Stock	£670	670	670
Temporary Investments		1,000,000	5,100,000
		<u>1,000,670</u>	<u>5,100,670</u>

7. Sundry Debtors

	2001/2002	2002/2003
	£	£
Sundry Debtors	2,393,080	1,892,440
Housing Rents - arrears (including General Fund)	372,410	475,120
Council Tax - arrears	1,773,960	1,688,230
NNDR - arrears	464,850	470,600
Community Charge - arrears	53,230	0
Government Departments	787,690	677,960
Agency/Contract Service	62,880	29,190
	<u>5,908,100</u>	<u>5,233,540</u>
Less Provision for Bad Debts		
Sundry Debtors	371,680	317,510
Housing Rents	71,000	100,000
Council Tax	452,700	448,220
NNDR	233,580	236,030
Community Charge	53,230	0
	<u>4,725,910</u>	<u>4,131,780</u>

8. Sundry Creditors

	2001/2002	2002/2003
	£	£
Sundry Creditors	2,033,400	1,473,590
Capital Accruals	188,070	25,220
Payments in Advance	1,752,390	675,150
Government Departments	486,950	1,017,180
Agency/Contract Services	1,400	1,400
Deposits	905,810	2,184,620
	<u>5,368,020</u>	<u>5,377,160</u>

9. Long Term Borrowing

(i.e. Loans with over 12 months to maturity)

	2001/2002	2002/2003
	£	£
Education Trust Fund	3,450	3,450
PWLB	5,000,000	3,000,000
	<u>5,003,450</u>	<u>3,003,450</u>

Loans Statistics - Analysis of debt by maturity as from 31 March 2003 :

Due for Repayment Within Years

	£
1-2	1,000,000
2-3	2,000,000
Over 5	3,450
TOTAL	<u>3,003,450</u>

10. Provisions

	2001/2002	2002/2003
	£	£
Section 38 Fees	133,130	187,540
Staffing Appeal		10,000
	<u>133,130</u>	<u>197,540</u>

11. Usable Capital Receipts Reserve

	2001/2002	2002/2003
	£	£
Balance b/f at 1 April	0	45,000
Receipts	1,160,740	1,351,030
	<u>1,160,740</u>	<u>1,396,030</u>
Financing of capital expenditure	1,115,740	0
Balance c/f at 31 March	<u>45,000</u>	<u>1,396,030</u>

12. Provision for Credit Liabilities (Memorandum account)

In order to comply with statutory requirements the Authority is required to set aside a provision to repay external loans. The Council is not required to keep an account within the accounting records for Provision for Credit Liabilities but a memorandum account is maintained see below:

2001/2002		2002/2003
£'000		£'000
34,586	Balance brought forward	37,275
(74)	Amount set aside for MRP	0
<u>2,763</u>	Reserved capital receipts	<u>3,662</u>
<u>37,275</u>		<u>40,937</u>

13. Fixed Asset Restatement Reserve

2001/2002		2002/2003
£		£
66,853,310	Balance brought forward	88,149,420
24,562,780	Surplus/deficit on revaluation and restatement of fixed assets	(3,712,250)
<u>(3,266,670)</u>	Disposal of fixed assets	<u>(170,000)</u>
<u>88,149,420</u>		<u>84,267,170</u>

14. Capital Financing Reserve

2001/2002 £'000		2002/2003 £'000
32,735	Balance brought forward	35,895
-	Prior year adjustment	-
2,763	Capital receipts set aside	3,662
(8)	Housing Assoc. and Voluntary Organisation loan principal repaid	(9)
1,116	Capital financing - capital receipts/grants	
808	- revenue	610
155	- grant write off	446
33	- capital reserve	
43	- commuted sum	28
0	Contribution to Revenue (Commutation SCA)	(63)
0	Contribution to Revenue (Impairment)	(325)
0	Major Repairs Reserve (HRA depreciation)	(1)
(1,130)	MRP (less depreciation provision)	(1,143)
(366)	Write down of deferred charges -capital	0
(254)	- revenue	(154)
<u>35,895</u>		<u>38,946</u>

This reserve is primarily to maintain the double entry accounting concept and does **not** represent cash balances available for future financing of capital expenditure.

15. Deferred Capital Receipts

Deferred capital receipts are amounts which are not available until they are repaid. They consist of the outstanding balance of mortgage advances for the sale of Council Houses and Houses Built for Sale.

16. Fund Balances and Reserves

Balances

	2001/2002 £	2002/2003 £
Reserves		
Capital/Special Maintenance Reserve	423,620	0
Other		
General Fund Working Balance	500,000	464,290
Housing Revenue Account	590,680	689,750
Council Tax	340,980	851,760
Civic	3,680	750
Royan Twinning Fund	860	4,470
Museum Purchases	7,560	7,860
Open Spaces	49,870	75,300
Miscellaneous, suspense and oncost accounts	2,600	2,600
	<u>1,919,850</u>	<u>2,096,780</u>

17. Operating Leases

The total value of lease agreements at 31 March 2003 is approximately £0.5 m of which the outstanding obligations amount to £199,000, (2001/02 £295,924). Lease payments amounted to £127,900 in 2002/2003.

18. Contingent Liabilities

City Homes. The Council renewed an agreement with City Homes(UK) Limited to lease 114 properties and agreed to finance the shortfall at the end of the three year agreement (which expired in 1994-95) if sale on the open market did not realise the original loan. In light of recent case law there is no reasonable prospect of the Council being held liable under this guarantee and a provision is no longer required. The Bank of Tokyo have reserved their right to make a claim on the Council for failure to keep the properties in good tenable repair. However, the Council considers that it carried out its repair obligations, spending a disproportionately high percentage of the Housing Repair Budget on these properties. The likelihood of any such action being successful is considered extremely remote, and therefore no provision has been made. The Council will review the position in 2003/2004.

Municipal Mutual Insurance Limited. There is a potential residual liability of £60,000 in respect of claims that have been settled by MMI and that could be recovered if the winding up results in a loss. The current forecast is that a small surplus will result – part of which will be distributed to Gosport Borough Council.

Browdown Tip. The Council's Head of Property Services is 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 can be identified and the future use of the land. These matters remain to be fully investigated and quantified.

Section 38 Fees. It is anticipated that the responsibility for Section 38 agreements will be passed to the County Council at the end of the 2003/2004 financial year and this will result in the retention by Gosport of a proportion of the section 38 fees that are currently held to fund the inspection and supervision of these agreements. The final position will not be known until the effective date of the transfer because schemes are constantly progressing and agreement has yet to be finalised with the County Council over the fee proportions to be retained. It is presently estimated that the sum of £100,000 will be retainable by the Council as at 31st March 2003 and this sum has been taken into the working balance in the Statement of Accounts

19. Post Balance Sheet Events

As a result of a backdated rateable value reassessment of Crown properties, non domestic rating refunds of approximately £1.8 million were made in April 2003. This sum has been reimbursed by the government and will be reflected in the Collection Fund accounts for the 2003/2004 financial year. There is, therefore, no material effect on the Council's finances.

20. Capital Commitments

On the 19th May 1997, Portsmouth Harbour Renaissance Ltd. acting on behalf of shareholders, Gosport Borough Council, Portsmouth City Council, Portsmouth Naval Base Property Trust, entered into an agreement with the Millennium Commission to complete the Portsmouth Harbour Renaissance Project. Over the three year period Gosport Borough Council is committed to expenditure of £11.027m which will be partially offset by Millennium Grant of £6.568m. The three partners are jointly and severally responsible for delivering the project. If any one of the three partners defaults on the delivery of their part of the scheme, then the Commission can withhold grant from across the whole project.

21. **Group Accounts**

Gosport Borough Council is one of three equal shareholders in Portsmouth Harbour Renaissance Ltd. This level of shareholding satisfies the criteria that defines an associated company. But the activities of the company are not of a nature that warrants the requirement to prepare group accounts. Portsmouth Harbour Renaissance Ltd. does not operate independently; does not generate surpluses; does not 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.

22. **Trust Fund**

The Council administers an Education Trust Fund amounting to approximately £3,400 at 31 March 2003. The purpose of the Trust is to assist the education of necessitous Gosport children unable to avail themselves of educational facilities for financial reasons. Trust Funds are not covered by the audit opinion on the main statement of accounts, however the accounts are audited independently and copies are held by Gosport Borough Council.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	2002-2003 £000s	2002-2003 £000s	2001-2002 £000s
Surplus / (deficit) for the year			
- General Fund	(36)		(463)
- Housing Revenue Account	99		(550)
<i>add back</i> Movements on specific revenue reserves	(414)		(200)
Total increase / (decrease) in revenue resources		(351)	(1,213)
Increase / (decrease) in			
Usable capital receipts	1,351		45
Unapplied capital grants and contributions	(32)		147
Total increase / (decrease) in realised capital resources (note 1)		1,319	192
Gains / (losses) on revaluation of fixed assets	(3,712)		24,563
Total increase / (decrease) in unrealised value of fixed assets (note 2)		(3,712)	24,563
Value of assets sold or disposed of (note 3)		(170)	(3,267)
Capital receipts set aside	3,662		3,879
Revenue Resources set aside	(611)		(719)
Movement on Government Grants Deferred Account	360		401
Total increase / (decrease) in amounts set aside to finance capital investment (note 4)		3,411	3,561
Total recognised gains and losses		497	23,836

Notes to Statement of Total Movement in Reserves

1. Movement in realised capital resources	Usable capital receipts £'000	Unapplied capital grants £'000	
Amounts receivable in 2002-03	1,351	608	
Amounts applied to finance new capital investment	0	640	
Total increase/(decrease) in realised capital investment in 2002-03	1,351	(32)	
Balance brought forward at 1-4-2002	45	147	
Balance carried forward at 31-3-2003	1,396	115	
	Fixed asset restatement reserve £'000		
2. Movements in unrealised value of fixed assets	Gain/(loss) on revaluation of fixed assets in 2002-03	(3,712)	
3. Value of assets sold or disposed of	Amounts written off fixed asset balances for disposals in 2002-03	(170)	
	Total movement on reserve in 2002-03	(3,882)	
	Balance brought forward at 1-4-2002	88,149	
Balance carried forward at 31-3-2003	84,267		
	Capital financing reserve £'000	Government grants deferred £'000	Total £'000
Capital receipts set aside in 2002-03			
- reserved receipts	3,662		
- usable receipts applied	0		
Total capital receipts set aside in 2002-03	3,662		3,662
Revenue resources set aside in 2002-03			
- capital expenditure financed from revenue	638		
- impairment loss	(325)		
- reconciling amount for provisions for loan repayment	(924)		
Total revenue resources set aside in 2002-03	(611)		(611)
Grants applied to capital investment in 2002-03		806	
Amounts credited to the asset management revenue account in 2002-03		(446)	
Movements on Governments Grants Deferred		360	360
Total increase / (decrease) in amounts set aside to finance capital investment			3,411
Total movement on reserve in 2002-03	3,051	360	
Balance brought forward at 1-4-2002	35,895	13,718	
Balance carried forward at 31-3-2003	38,946	14,078	

CASH FLOW STATEMENT		
2001/2002		2002/2003
£'000		£'000 £'000
	<u>OPERATING ACTIVITIES</u>	
	CASH OUTFLOWS	
8,829	Cash paid to and on behalf of employees	8,912
6,421	Housing benefit paid out	7,207
10,792	National non-domestic rate payments to national pool	11,409
18,269	Precepts paid	20,265
23,188	Other operating cash payments	24,596
67,499		72,389
	CASH INFLOWS	
(5,373)	Rents (after rebates)	(5,380)
(19,438)	Council tax income	(21,954)
(3)	Community charge income	(1)
(2,858)	National non-domestic rate receipts from national pool	(3,211)
(12,913)	Non-domestic rate receipts	(11,990)
(3,215)	Revenue support grants	(3,004)
(8,819)	Other government grants	(10,395)
(951)	Cash received for goods and services	(1,018)
(16,517)	Other operating cash receipts	(17,012)
(70,087)		(73,965)
(2,588)	NET REVENUE INCOME	(1,576)
	<u>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</u>	
	CASH OUTFLOWS	
556	Interest paid	315
	CASH INFLOWS	
(133)	Interest received	(112)
	<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</u>	
	CASH OUTFLOWS	
4,685	Purchase of fixed assets	4,160
353	Payment of improvement grants	307
367	Payment of Local Authority Housing Association grant	0
23	Payment to voluntary organisations	11
5,428		4,478
	CASH INFLOWS	
(3,510)	Sale of fixed assets	(4,709)
(1)	Repayment of improvement loans	(3)
(1)	Repayment of Housing Act advances	(1)
(36)	Improvement/Housing Defects grant	(131)
(2,341)	Major Repairs Allowance	(2,380)
(366)	Housing Association grant	(303)
(477)	Capital schemes - Grant income	(707)
(7)	Repayment of Housing Association loans/ Vol Org	(5)
(125)	Repayment of Sale of Council House loans	(95)
(6,864)		(8,334)
	<u>MANAGEMENT OF LIQUID RESOURCES</u>	
	CASH OUTFLOWS	
13,000	Investments made	22,100
	CASH INFLOWS	
(15,000)	Investments realised	(18,000)
5,601	NET CASH FLOW BEFORE FINANCING	(1,129)
	<u>FINANCING</u>	

CASH OUTFLOWS			
2,078	Repayments of amounts borrowed	0	
<u>14,500</u>	Short-term loans repaid	<u>5,000</u>	
16,578			5,000
CASH INFLOWS			
0	New loans raised	0	
<u>(11,000)</u>	Short - term loans raised	<u>(4,000)</u>	
<u>(11,000)</u>			<u>(4,000)</u>
(23)	(INCREASE)/DECREASE IN CASH		<u>(129)</u>

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of net surplus to cash inflow from revenue activities

	2002/2003 £'000
General Fund deficit	(161)
Housing Revenue Account deficit	111
Collection Fund surplus	637
Contribution to capital reserves	612
Contributions from earmarked reserves	(424)
Contributions to Collection Fund reserves	(30)
Provisions	0
Deferred charges	(50)
Increase in revenue creditors	145
Increase in stocks	(61)
Decrease in debtors	(597)
Decrease in debtors provision	109
Interest and investment income	(112)
Interest paid	315
Asset management revenue account	(2,191)
Provision for repayment of loans	(1,142)
Other non cash items	4,415
Net cashflow from revenue activities	1,576

2. Movement in cash

	Cash £'000
Cash and bank balance 1 April 2002	(830)
Cash and bank balance 31 March 2003	(701)
Increase in cash	(129)

3. Movement in Long Term Borrowing

	As at 31.3.02 £'000	As at 31.3.2003 £'000	Movement £'000
Public Works Loan Board	5,000	3,000	(2,000)

4. Movement in Government Grants

	As at 31.3.02 £'000	As at 31.3.2003 £'000	Movement £'000
Revenue Support Grant	3,215	3,004	(211)
Other Government Grants	8,819	10,395	1,576

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;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

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 Great Britain ('the Code').

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts present fairly the financial position of the Authority at 31st March 2003 and its income and expenditure for the year then ended.

Mr Peter Wilson
Deputy Chief Executive and Borough Treasurer

November 2003

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the Statement of Accounts for Gosport Borough Council. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:
 - Comprehensive budgeting systems;
 - Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
 - Setting targets to measure financial and other performance;
 - The preparation of regular financial reports which indicate actual expenditure against the forecasts;
 - Clearly-defined capital expenditure guidelines; and
 - As appropriate, formal project management disciplines.

4. Internal Audit Arrangements

Whilst I have overall responsibility for Internal Audit, the Internal Audit Section operates as an independent function supporting all Services. The Head of Audit is responsible for ensuring the effective delivery of the Internal Audit function in accordance with the principles established by myself. On a day to day basis the Head of Audit is responsible for the detail of Audit Plans, the content of audit reports and the effective deployment and management of staff as well as the council-wide risk management function.

The Internal Audit Section is committed to meeting the standards laid down by the Accountancy Profession (Consultative Committee of Accountancy Bodies) and in particular the Code of Practice for Internal Audit in Local Government in the United Kingdom (CIPFA).

The Head of Audit reports to the Audit Panel on a regular basis, (at least quarterly). The Panel Members are provided with Position Statements regarding key issues identified in each Review together with progress details in relation to the overall Annual Audit Plan. Although responsible to me, the Head of Audit has the right of access to, and freedom to report to, the Council's Chief Executive.

5. My review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the council;
 - The work of the internal auditors as described above; and
 - The external auditors in their annual audit letter and other reports.
6. Significant Identified Weaknesses – Bank Reconciliations
 - Bank Reconciliations

The pace of change of systems across the organisation had lead to problems and, although internal controls such as adequate separation of duties and feeder system reconciliations provide the first line of defence against fraud and loss, the importance

of full reconciliation is recognised. During 2002/3 substantial additional resources were therefore directed at Bank Reconciliation work in an effort to ensure that all new systems (including on-line payment facilities) are properly recorded and accounted for. Substantial progress has been made with this task by early in the 2003/4 financial year.

- Creditors Control Account

A creditors control account has not been formally operated in the past. Following an external audit recommendation this is now being implemented with a target date of 31st October.

Mr Peter Wilson
Deputy Chief Executive and Borough Treasurer

November 2003

AUDITORS' REPORT TO GOSPORT BOROUGH COUNCIL

We have audited the financial statements on pages 8 to 35 that have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 4 to 7.

This report is made solely to Gosport Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of Chief Finance Officer and Auditors

As described on page 36 the Chief Financial Officer (Borough Treasurer) is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

We review whether the statement on pages 37 to 38 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement of internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of Opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

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

AUDITORS' REPORT TO GOSPORT BOROUGH COUNCIL

Opinion:

In our opinion the financial statements present fairly the financial position of Gosport Borough Council as at 31 March 2003 and its income and expenditure for the year then ended.

Certificate:

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Martin Robinson
District Auditor & Relationship Manager

Date: