

EXPLANATORY FOREWORD

1. Contents

In accordance with statutory obligations and the Code of Practice on Local Authority Accounting, the accounts for 2003/2004 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 of Financial Performance during the year

Whilst the Council's overall financial position remains weak, it is significantly better than anticipated six months ago when the revised budget was being prepared. Strategies now in place should enable this trend to continue in the medium term but projections of future tax requirements remain a concern.

- **General Fund (pages 10 - 16)**

The revised budget shortfall on the General Fund for 2003/2004 was £99,910. The actual surplus on the General Fund is £174,620 - a better position than forecast by £274,530.

The main variations in the General Fund budget were:

- Section 38 Income

On 31st March 2004, the inspection & supervision of Section 38 agreements transferred to Hampshire County Council (this was noted in the Statement of Accounts for 2002/2003). A proportion of the fees held by Gosport at 31st March will be passed to the County in respect of the schemes which are incomplete and still require supervision. The figure to be paid over is being finalised by officers from both Authorities and pending this agreement, a prudent figure has been included in the final accounts. Additional income of £68,270 has resulted from this.

- Planning, Building Control (Partnership) and Land Charges Fee Income

These three services have benefited from additional income above that included in the revised budgets. It is difficult to estimate whether these income sources will continue to be buoyant as they depend on the national economic climate. Total additional income of £80,830 is included in the accounts.

- Housing Benefits

The net overall Housing Benefit variance is reduced expenditure of £41,400. This comprises two elements.

(i) The calculation of recoverable Benefit overpayments as at 31st March has resulted in additional income of £142,490, less

(ii) Additional net costs (after subsidy) of £79,890 in respect of Rent Allowances and £21,200 in respect of Local Tax Rebates. These result from a mix of higher than anticipated payments combined with a slightly lower overall subsidy rate. The final accounts have been closed on the basis of the latest available draft subsidy claim figures - the final version for external audit will not be available until after the deadline for the closure of the accounts.

- Priddys Hard

In aiding the preparation of the development proposal for the Priddy's Hard site during 2003/2004 the Council has earned income of £70,000. This is lower than that forecast when the revised budget was compiled.

The revised budget included a transfer from reserves of £99,910. The surplus for 2003/2004 means that a transfer of £174,620 will be made to reserves. Accordingly, the working balance at 31st March 2004 now stands at £638,910 or 6.11% of the estimated General Fund net expenditure for 2004/2005. (The Council's target is 7%).

- **Housing Revenue Account (pages 18 - 21)**

The Housing Revenue Account was forecast to have a revenue surplus of £206,000 for 2003/2004 which would increase the account balance to £895,750 at 31st March 2004. The actual position for the year is a surplus of £247,350 which has increased the account balance to £937,100

- **Capital Programme**

The revised Capital Programme for 2003/2004 was budgeted at £9,615,000. The actual capital spend is £23,763,890. However, the latter figure includes £15,854,760 in respect of the transfer of the tower blocks to Kelsey Housing Association. While this transaction is cost neutral to the Council it is required to be shown within the capital accounts.

Comparing the outturn on a like for like basis, actual capital expenditure of £7,909,130 was incurred against the budgeted £9,615,000 - a shortfall of £1.71 million. The overall net shortfall comprises slippage of approximately, £1.97 million less funded expenditure of £0.34 million not included in the revised programme plus other general variations of £0.08 million.

An analysis of capital expenditure for 2003/2004 together with a financing summary and scheme commitments as at 31st March 2004 are included in Note 3 to the Consolidated Balance Sheet.

At 31st March 2004, the Council has funds of approximately £4.1 million which may be utilised for capital expenditure purposes; this includes specific and committed funding. Capital funding is also possible under the Prudential Code regime of capital controls which will be in place in 2004/2005.

- **Treasury Management**

At 31st March 2004, the Council does not have any investments nor outstanding long term or temporary borrowing (the remaining long term borrowing of £5 million being repaid in 2003/2004) and is therefore debt free at year end for the purposes of pooling housing capital receipts - meaning that the Council can retain, for local (housing) use, 75%, 50% and 25% respectively of Housing 'Right to Buy' set aside capital receipts in 2004/05, 2005/06 and 2006/07 that would otherwise have to be paid into the national pool.

The premium of £87,570 incurred on the early redemption of the PWLB loans was met by applying PCL (Provision for Credit Liabilities) - effectively a transfer from the Capital Financing Reserve. This is specifically allowed for by regulation and has resulted in substantial revenue interest savings.

The current account was overdrawn by £692,000 at year end - within the Council's approved overdraft limit of £1 million.

- **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, Hampshire County Council and the Hampshire Police Authority, is slightly lower than anticipated by £21,360 at £977,050.

The rates of Council Tax and Non Domestic Rates collection for 2003/2004 are 97.0% and 98.7% respectively (96.81% and 98.37% for 2002/2003).

- **Pensions**

For 2003/2004, the Statement of Accounts reflects the adoption of FRS17 - this is a change in accounting policy and requires the restatement of prior year figures. This is described in detail in note 12 to the statement of accounting policies, note 8 to the consolidated revenue account and note 19 to the consolidated balance sheet.

The Pension note to the Consolidated Balance Sheet on page 32 shows an improved position over last year, mainly as a result of positive investment returns. An actuarial valuation of the fund is due at 31st March 2004 but will not be available until 2005.

STATEMENT OF ACCOUNTING POLICIES

1. General

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued in 2003 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 valued at their EUV-SH [Economic Use Value for Social Housing]. This valuation was originally undertaken in April 2000 and for the 2003/2004 accounts this has been indexed in line with the average value of right to buy sales for the interceding years to bring the valuation up to date as at March 2004.

An impairment assessment of the Town Hall has resulted in a reduction in the value reflected in the fixed asset register of £330,280. This is due to the requirement for substantial repairs and maintenance works.

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 2003/2004 is £2.41 m.

4. Capital Charges

From 1st April 1994 and 1st April 2001, General Fund service accounts and the Housing Revenue Account respectively, 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 rates of interest applied in 2003/2004 were 3.5% for assets valued at current value, and 4.625% for assets valued at historical cost. These rates of interest were applied to opening asset values in the Fixed Asset Register except for Council Dwellings where a 3.5% asset rental was applied to the March 2004 valuation.

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

5. Deferred Charges

Deferred Charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets and are written out 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, or 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 or credited for a proportion of the net interest paid or earned 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 Hampshire County Council. 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). The pension scheme is detailed in notes 8 to the consolidated revenue account and 19 to the consolidated balance sheet.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods.

- The overall amount to be met from government grants and local taxation has remained unchanged, but the costs disclosed for individual services in 2003/2004 are 0.53% lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 6.87% higher than it would otherwise have been.
- The basis of apportionment used in the former exercise is that of administration recharges from business units to a division of service level as this closely reflects the incidence of staffing costs and pension liabilities. The Consolidated Revenue Account reflects this apportionment at the required summarised service expenditure analysis level.
- The timetable for reporting the Council's Best Value Performance Indicators (BVPIs) for 2003/2004 required the provision of the cost element for BV86 (Cost of Household Waste Collection per Household) and BV107 (Cost of Planning per Head of Population) prior to the cost implications of FRS17 being available. The actual apportionment calculation referred to above has not resulted in a material difference to the cost elements for the two BVPIs.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 8.46%

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 11 to the Consolidated Balance Sheet.

15. Prior Year Adjustments

- Asset Management Revenue Account

The layout and content of the Asset Management Revenue Account (AMRA) and Minimum Revenue Provision in the notes to the Balance Sheet have been amended to accord with the Accounting Code of Practice. This has necessitated restating the comparative figures for 2002/2003. There is no effect on the Council's finances.

- Pensions

As outlined in the explanatory forward and the cross referenced notes to the Statement of Accounts, there has been a change of accounting policy in line with FRS17 and this has necessitated a prior year adjustment.

CONSOLIDATED REVENUE ACCOUNT

2002/2003 Net Expenditure £		Gross Expenditure £	Gross Income £	2003/2004 Net Expenditure £
1,162,150	Central Services to the Public	4,522,100	3,535,820	986,280
8,492,940	Cultural, Environmental and Planning Service	10,950,920	2,684,530	8,266,390
1,170,640	Highways, Roads and Transportation	1,817,040	710,030	1,107,010
7,389,730	Housing Services	23,911,860	15,978,260	7,933,600
1,909,720	Corporate and Democratic Core	2,553,940	39,830	2,514,110
191,640	Unapportionable Central Overheads	10,000	0	10,000
<hr/> 20,316,820	Net cost of services			<hr/> 20,817,390
(8,457,590)	Transfer from asset management revenue account (note 4)			(7,625,620)
(164,730)	Interest and investment income			(206,200)
(30,000)	Pensions Interest Cost and Expected Return on Pensions Assets			1,010,000
<hr/> 11,664,500	Net operating expenditure			<hr/> 13,995,570
99,070	HRA surplus/(deficit) transferred to HRA Reserve			247,350
(413,620)	Contribution from Earmarked Reserves			0
(1,297,830)	Contribution from Capital Financing Reserve			(3,039,650)
(60,000)	Contribution from the Pensions Reserve			(900,000)
<hr/> 9,992,120	Amounts to be met from government grants and local taxation			<hr/> 10,303,270
(3,710,870)	Demand on the Collection Fund			(3,979,930)
(3,004,120)	General Government Grants- Revenue Support Grant			(3,802,910)
(3,211,280)	Non-Domestic Rates distribution			(2,664,750)
(30,140)	Transfers from (-) / to the collection fund in respect of surpluses or deficits			(30,300)
<hr/> 35,710	Net General Fund (surplus)/deficit			<hr/> (174,620)
500,000	Balance on General Fund brought forward			464,290
<u>(35,710)</u>	(Deficit) / Surplus for the year			<u>174,620</u>
<u>464,290</u>	Balance on general fund carried forward			<u>638,910</u>

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 2003/2004 was £32,410.

2. S.5 LOCAL GOVERNMENT ACT 1986 PUBLICITY ACCOUNT

Expenditure on publicity amounted to £144,980 in 2003/2004 of which £27,710 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 2003/2004 was £68,360.

3. ADMINISTRATION ACCOUNTS

NET EXPENDITURE RECHARGED 2002/2003 £		EXPENDITURE £	INCOME £	NET EXPENDITURE RECHARGED 2003/2004 £
877,600	Environmental Health Services	903,140	-	903,140
1,052,250	Leisure & Amenities	1,098,820	(8,680)	1,090,140
1,547,830	Housing Services	1,918,830	(175,950)	1,742,880
702,490	Regulatory Services	624,600	(47,860)	576,740
547,240	Development & Environment Services	651,550	(1,680)	649,870
164,350	Chief Executive	179,340	-	179,340
204,740	Economic Regeneration	215,220	-	215,220
1,028,170	Corporate Services	1,114,820	(52,530)	1,062,290
722,300	Borough Secretary	755,310	(7,000)	748,310
2,201,110	Financial Services	2,489,210	(48,830)	2,440,380
722,340	Information Technology	780,570	(3,160)	777,410
404,710	Accommodation	405,150	(27,520)	377,630
(1,562,300)	Less Recharges between Administration Accounts	(1,659,010)		(1,659,010)
<u>8,612,830</u>		<u>9,477,550</u>	<u>(373,210)</u>	<u>9,104,340</u>

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

4. TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

The main aim of this account is to remove the capital charges from the consolidated revenue account so they do not impact on the charge made to the General Fund. It also includes external interest paid and the statutory capital charge or credit to the Housing Revenue Account (HRA). The impairment losses are from the reduced valuations of Browndown Tip (2002/2003) and the Town Hall (2003/2004). The premium paid on the early repayment of the Council's long term borrowing from the PWLB (£87,570) is also reflected here.

2002/2003			2003/2004
£	<u>Income</u>		£
(3,299,820)	Capital charges	-General Fund	(2,864,510)
(8,415,220)		-Housing Revenue Account	(8,196,760)
(325,000)	Impairment Losses		(330,280)
(445,500)	Government Grants Deferred		(561,910)
(125,350)	HRA Statutory Charges		-
<u>(12,610,890)</u>			<u>(11,953,460)</u>
	<u>Expenditure</u>		
1,142,510	Provision for depreciation	-General Fund	1,282,390
2,381,280		-Housing Revenue Account	2,412,000
304,510	Interest charges		157,950
325,000	Impairment Losses		330,280
-	Premium on Early Debt Redemption		87,570
-	HRA Statutory Charges		57,650
<u>(8,457,590)</u>	Balance to Revenue Account		<u>(7,625,620)</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.

	<u>Minimum Revenue Provision</u>	
296,000	Non-Housing amount - 4% of credit ceiling	307,570
61,600	Housing amount - 2% of credit ceiling	0
(357,600)	Commutation adjustment	(307,570)
<u>0</u>		<u>0</u>
	<u>Adjustments from / (to) the Capital Financing Reserve to the Consolidated Revenue Account</u>	
1,142,510	Depreciation charge to General Fund	1,282,390
212,740	Deferred Charges written off to Revenue	1,834,910
325,000	Impairment Losses	330,280
(445,500)	Government Grants Deferred	(561,910)
0	Minimum Revenue Provision	0
<u>1,234,750</u>		<u>2,885,670</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	0
- aids to movement	6
- environmental	109
- other (including street lighting)	0
Special Maintenance	0
Administrative costs	95
Structural Maintenance	0
Capital Works and Studies	11
Total Highway Agency Expenditure	<u>221</u>

6. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2003/2004 the Council received £367,000 from Hampshire County Council – principally in respect of various Highways Agency functions.

7. LEASED ASSET - RENTALS

	Finance leases £'000s	Operating leases £'000s
Total Rentals paid in 2003/2004	0	184

Outstanding undischarged leasing obligations in respect of operating leases

	£'000
- 2004/05	143
- 2005/06	66
- 2006/07	65
- 2007/08 onwards	65

8. PENSION ASSETS AND LIABILITIES

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Superannuation Scheme, administered by Hampshire County council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Council pays additional contributions in respect of early and efficiency retirements and this is known as the unfunded element. Both parts are reflected in the figures below.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

	2002/2003 £'000	2003/2004 £'000
Net Cost of Services		
▪ Current service costs	790	890
▪ Past service costs	120	10
Net Operating Expenditure		
▪ Interest Cost	2,660	2,830
▪ Expected return on assets in the scheme	(2,690)	(1,820)
Amount to be met from Government Grants and Local Taxation		
▪ Movement on pensions reserve	(60)	(900)
Actual amount charged against council tax for pensions in the year		
▪ Employers' contributions payable to scheme	(820)	(1,010)

Note 19 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

Note 1 to the statement of Total Movements in Reserves details the costs that have arisen through the year estimates made in preparing figures for previous years have had to be revised (eg the expected return on investments)

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

Employees receiving a remuneration in excess of £40,000 during 2003/2004 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	10
Between £50,000 and £59,999	3
Between £60,000 and £69,999	1
Between £70,000 and £79,999	1

10. MEMBERS' ALLOWANCES

The total allowances paid to members in 2003/2004 was £187,266.

11. THE EURO

The Authority did not incur any specific expenditure in 2003/2004 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.

		£'000
Central Government	Revenue Grants	6,468
	Capital Grants	894
	Government Subsidies	10,037
Hampshire County Council	Precept	21,505
	Pension Fund Payments	835
Hampshire Police Authority	Precept	2,477
Building Control Partnership	Payments to Fareham Borough Council	99

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 2003/04. The Building Control surplus is contained within the General Fund working balance.

Partnership Trading Account 2003/2004	Fee Earning	Non-Fee	Total
	£'000s	Earning £'000s	£'000s
Expenditure			
Employee Expenses	211	106	317
Transport	9	4	13
Supplies and Services	21	9	30
Third Party Payments	170	86	256
Central and Support Services	80	40	120
Total Expenditure	491	245	736
Income			
Building Regulation Charges	551	0	551
Other Fees and Charges	0	4	4
Charges to Fareham Borough Council	12	142	154
Charges to Gosport Borough Council	0	99	99
Total Income	563	245	808
FBC surplus for the year	45		45
GBC surplus for the year	27		27
GBC surplus for the previous year	16		16

14. DISCLOSURE OF AUDIT COSTS

In 2003/2004 the Council incurred the following fees relating to external audit and inspection.

2002/2003		2003/2004
£		£
	Fees payable to the Audit Commission for:	
97,810	External audit services	86,070
0	Statutory inspection	15,160
41,220	Certification of grant claims and returns	28,790
0	Other Services	0
<u>139,030</u>		<u>130,020</u>

COUNCIL HOUSING

THE HOUSING REVENUE ACCOUNT

ACTUAL 2002/2003 £		ACTUAL 2003/2004 £
	EXPENDITURE	
2,345,660	Management	2,138,410
2,720,950	Maintenance	2,846,160
82,000	Rents, Rates, Taxes, Other Charges	83,270
5,129,230	Rent Rebates	4,906,780
29,000	Bad Debt Provision	0
6,033,940	Cost of Capital/Impairment/Deferred Charges	5,784,760
2,381,280	Depreciation	2,412,000
6,780	Debt Management Expenses	0
<u>18,728,840</u>		<u>18,171,380</u>
	INCOME	
9,824,310	Dwelling Rents	9,588,110
232,160	Shops & Garages	239,160
736,420	Service Charges	537,650
2,728,790	HRA Subsidy (including MRA)	2,619,830
<u>13,521,680</u>		<u>12,984,750</u>
<u>5,207,160</u>	NET COST OF SERVICES	<u>5,186,630</u>
(5,970,190)	TFR AMRA (Difference between cost of capital and impairment/deferred charges and HRA interest costs)	(5,842,410)
39,100	Amortised Premiums / Discounts	39,110
(47,320)	HRA Investment Income / Mortgage Interest	(49,680)
<u>(5,978,410)</u>		<u>(5,852,980)</u>
<u>(771,250)</u>	NET OPERATING EXPENDITURE	<u>(666,350)</u>
	APPROPRIATIONS	
610,580	Revenue Contributions to Capital	419,000
61,600	HRA Set-Aside	0
<u>590,680</u>	Surplus at beginning of Year	<u>689,750</u>
<u>99,070</u>	(Deficit) / Surplus for Year	<u>247,350</u>
<u>689,750</u>	Surplus at end of Year	<u>937,100</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.

On 31st March 2004, the Council transferred 253 tower block flats to Kelsey Housing Association Ltd. The transaction was cash neutral to the Housing Revenue Account - the receipt of £15.8 million on 31st March being immediately paid back to Kelsey to fund substantial improvement works to the flats. The effects of this transaction are reflected in notes 3, 4, 7 and 8 to the Housing Revenue Account below.

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:

	2002/2003	2003/2004
Houses	1,490	1,435
Bungalows	444	444
Flats	1,796	1,520
	<u>3,730</u>	<u>3,399</u>

The Council's housing stock at 31st March 2004 includes 20 'Steane' houses which are the subject , along with 30 dwellings in private ownership, of a redevelopment proposal during 2004/2005.

4. Value of Housing Revenue Account Property

	2002/2003 £'000	2003/2004 £'000
Operational	100,414	163,824
Non-Operational	-	-
	<u>100,414</u>	<u>163,824</u>

Council dwellings are valued at their EUV-SH [Economic Use Value for Social Housing]. This valuation was originally undertaken in April 2000 and for the 2003/2004 accounts this has been indexed in line with the average value of right to buy sales for the interceding years to bring the valuation up to date as at March 2004.

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).

	2003/2004 £'000
Balance Brought Forward	<u>0</u>
Receipts in year	<u>2,412</u>
Expenditure in year	
o Houses and Flats	2,378
o Environmental Improvements	18
o Surveys / Other	<u>16</u>
Balance Carried Forward	<u>0</u>

6. Housing Repairs

	2002/2003	2003/2004
	£	£
Expenditure on repairs	5,011,263	5,201,024
Of which planned	3,291,242	3,476,772
% of Planned / Response	65.68%	66.85%

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		2,411		2,411
Revenue Contributions		419		419
Borrowing		441		441
Capital Receipts		15,855		15,855
	0	19,126		19,126

8. Capital Receipts

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

	2003/2004
	£'000
Right to buy sales	3,703
Tower Blocks Transfer	15,855
	<u>19,558</u>

9. Cost of Capital

The charge for the cost of capital is 3.5% (previously 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 2003/2004 was £2,412,001.

11. Subsidy

	2002/2003	2003/2004
	£	£
Management and maintenance	3,806,452	3,999,295
Major Repairs Allowance	2,379,983	2,410,714
Charges for capital and interest	509,777	408,462
Rent rebates	5,180,264	5,035,568
Interest on receipts	(33,549)	(22,679)
Rent income	(9,097,149)	(9,248,021)
Other items	0	0
Total for year	2,745,778	2,583,339
Adjustment for prior years	(16,988)	89,944
Modified Schemes		(53,457)
Total subsidy under 1989 Act	<u>2,728,790</u>	<u>2,619,826</u>

12. Rent Arrears

	2002/2003	2003/2004
	£	£
Current Tenants	199,278	225,173
Former Tenants	154,953	75,415
Garages	3,634	2,989
Total Rent Arrears	<u>357,865</u>	<u>303,577</u>
Gross Rent Income	(9,824,309)	(9,588,114)
Arrears as a % of Gross Rent Income	3.64%	3.17%

13. Rent Income from Dwellings

	2002/2003	2003/2004
	£	£
Full rental income from dwellings	10,007,545	9,766,320
Less Rent due on void properties	(99,256)	(138,020)
Less Irrecoverables	(83,984)	(40,186)
Total	<u>9,824,305</u>	<u>9,588,114</u>

14. Service Charge Breakdown

The £537,650 included under service charges is broken down as follows.

	£	
Service Charges	164,352	Leaseholders
Housing Care	272,447	Care element of sheltered rent
Insurance	46,935	Leaseholders insurance repayments
Water / Alarms	21,528	Recharge sheltered
Court Costs	13,574	From Tenants
Service Charges	14,341	Tenants
Other	4,473	
Total	<u>537,650</u>	

15. Pensions

The 2003 Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice requires that retirement benefits be accounted for in accordance with FRS17 from 1st April 2003 and the application of this to the Housing Revenue Account (HRA) has been deliberated on by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Pensions costs have been included within the Housing Services expenditure line in the Consolidated Revenue Account (page 10) but are not included within the separate HRA statement (page 18) as they are not prescribed as being statutory debits or credits for the HRA and it is considered that to include them as such would be inconsistent with legislative requirements.

The issue of how to account for pension costs within the HRA is being further considered by CIPFA during 2004/2005.

THE COLLECTION FUND

	Notes	2002/2003 £	2003/2004 £
INCOME			
Council Tax	2	22,045,340	25,285,680
Transfers from General Fund - Council Tax benefits		2,466,060	3,014,380
Income collectable from business ratepayers	3	11,340,490	9,536,210
		<u>35,851,890</u>	<u>37,836,270</u>
EXPENDITURE			
Precepts and demands	4	23,879,190	27,961,970
Business rate			
- Payment to national pool		11,261,380	9,459,280
- Costs of Collection		79,110	76,930
Bad and doubtful debts		(4,490)	17,800
		<u>35,215,190</u>	<u>37,515,980</u>
Deficit / (Surplus) for the Year		<u>(636,700)</u>	<u>(320,290)</u>
APPROPRIATIONS			
(Surplus) as at 1 April		(340,980)	(851,760)
- Gosport Borough Council surplus released		30,140	30,300
- Hampshire County Council surplus paid		88,130	149,420
- Hampshire Police Authority surplus paid		7,650	15,280
Deficit / (Surplus) for year		<u>(636,700)</u>	<u>(320,290)</u>
Deficit / (Surplus) as at 31 March		<u>(851,760)</u>	<u>(977,050)</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	4,731.75	6/9	3,154.50
B	10,428.25	7/9	8,110.90
C	7,344.50	8/9	6,528.40
D	3,597.00	9/9	3,597.00
E	1,523.00	11/9	1,861.40
F	1,104.25	13/9	1,595.00
G	294.25	15/9	490.40
H	5.00	18/9	10.00

The above figures exclude 675.8 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 44.4 pence. The rateable value at the year-end was £27,538,950

4. Precepts and Demands

	2002/2003	2003/2004
	£	£
Hampshire County Council	18,296,736	21,504,778
Hampshire Police Authority	1,871,588	2,477,266
Amount of Council Tax for Gosport Borough Council Services	3,710,866	3,979,931
	23,879,190	27,961,975

CONSOLIDATED BALANCE SHEET

2002/2003 £	The Council's Assets Are	2003/2004 £	2003/2004 £
	Fixed Assets (see note 1)		
	Operational Assets		
100,414,350	- Council Dwellings	163,823,930	
17,069,490	- Other Land and Buildings	17,124,390	
674,410	- Vehicles, Plant and Equipment	1,653,550	
12,964,990	- Infrastructure	12,754,390	
2,539,540	- Community Assets	2,648,100	
211,180	- Assets in Course of Construction	142,750	
	Non-Operational Assets		
8,493,530	- Investment properties	8,518,340	
142,367,490	Total Fixed Assets		206,665,450
730,780	Deferred Charges - (see note 5)		684,660
1,041,690	Long Term Debtors (see note 6)		891,780
144,139,960	Total Long Term Assets		208,241,890
	Current Assets		
5,100,670	Investments (see note 7)	0	
2,950	Cash in hand	3,100	
130,150	Stock of materials	131,040	
4,131,780	Sundry Debtors (see note 8)	8,891,890	
			9,026,030
153,505,510	Total Assets		217,267,920
	Current Liabilities		
1,000,000	Short Term Borrowing	0	
2,000,000	Long Term Borrowing repayable within 12 months	0	
717,380	Cash Overdrawn	1,502,880	
5,377,160	Sundry Creditors (see note 9)	8,426,480	
			9,929,360
144,410,970	Total Assets Less Current Liabilities		207,338,560
3,003,450	Long Term Borrowing (see note 10)		3,440
14,077,840	Government Grants - Deferred Account		15,378,390
197,540	Provisions (see note 11)		59,970
426,440	Deferred Capital Receipts (see note 16)		324,160
126,705,700	Net Assets before Pension Liability		191,572,600
18,760,000	Liability related to Defined Benefit Pension Scheme (see note 19)		16,200,000
107,945,700	Total Assets Less Liabilities		175,372,600
84,267,170	Fixed Asset Restatement Reserve (see note 14)		130,704,310
38,945,720	Capital Financing Reserve (see note 15)		56,216,160
1,396,030	Usable Capital Receipts Reserve (see note 12)		2,009,470
(16,663,220)	Fund Balances and Reserves (see note 17)		(13,557,340)
107,945,700	Total Net Worth		175,372,600

Mr Peter Wilson
Deputy Chief Executive and Borough Treasurer

November 2004

CONSOLIDATED BALANCE SHEET NOTES

1. Movement of Fixed Assets By Asset Type

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets in Course of Construction £'000	Non Operational Properties £'000
Gross Book Value							
Balance at 1 st April 2003	105,135	17,944	1,851	14,187	2,540	211	8,494
Prior Year Adjustment							
Additions	19,000	1,353	1,145	183	108	44	24
Transfers		24	12			(112)	
Disposals	(19,557)						
Revaluations	66,378	(808)					
Balance at 31 st March 2004	170,956	18,513	3,008	14,370	2,648	143	8,518
Accumulated Depreciation							
Balance at 1 st April 2003	4,721	875	1,177	1,222	0	0	0
Prior Year Adjustment							
Depreciation for year	2,411	712	177	394			
Depreciation on assets transferred							
Revaluations		(198)					
Balance at 31 st March 2004	7,132	1,389	1,354	1,616	0	0	0
Net Book Value as at 31st March 2004	163,824	17,124	1,654	12,754	2,648	143	8,518
Total movement in year	63,410	55	980	(211)	108	(68)	24
Balance at 31 st March 2003	100,414	17,069	674	12,965	2,540	211	8,494

Movement of Fixed Assets By Asset Transaction

	Balance at 1 April £'000	Expenditure in Year £'000	Disposals in Year £'000	Revaluations Depreciation £'000	Balance at 31 March £'000
2002/2003	145,827	1,057	(170)	(4,347)	142,367
2003/2004	142,367	21,857	(19,557)	61,998	206,665

The valuation method of fixed assets is described in the Statement of Accounting Policies on page 5

2. Valuation of Fixed Assets

The table below shows the progress of the Council's rolling programme of fixed asset revaluations in line with the valuation methods set out in the Statement of Accounting Policies. The valuations, except for Council Dwellings, are carried out by the Council's Property Services Manager: Mr M. Pam MRICS BA. The valuations are gross balance sheet value before depreciation.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra structure	Community Assets	Non Operational Properties
	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historical Cost:		1,266	3,008	14,370	2,648	
Revalued when indicated:						
2003/2004	170,956	1,545				
2002/2003		7,030				5,152
2001/2002		8,672				2,827
2000/2001						
1999/2000						
1998/1999						539
	170,956	18,513	3,008	14,370	2,648	8,518

3. Capital Expenditure

Capital expenditure during the year is shown below

	£'000
Improvements to Housing Stock	3,145
Kelsey Tower Blocks Transfer	15,855
Improvement Grants for Private Sector Housing	296
Social Housing	981
Kerbside & Waste Recycling	636
Privett Park Enclosure Improvements	57
Marine Parade Public Convenience	92
Town Centre Parks (Compass Point)	442
Gosport & Fareham Rugby Club	765
St.Vincent Artificial Turf Pitch	522
CCTV Cameras	141
IT & Printing Equipment	337
All Other Schemes & Expenditure	495
	<u>23,764</u>

Capital expenditure may be financed in various ways including borrowing, use of internal funds and external contributions and grants. Capital expenditure in 2003/2004 was financed as follows:

	£'000
Government Grants	3,380
External Contributions	2,961
Revenue Contributions	419
Capital Receipts	16,324
Borrowing	684
Creditors	(4)
	<u>23,764</u>

Significant commitments for future expenditure at 31st March 2004 include:

£'000

Social Housing	958
Town Centre Parks (Compass Point)	134
Alver Valley	259
Adventure Golf Stokes Bay	50
High Street Refurbishment	125
CCTV Cameras	39
Town Hall Improvements	43
IT & Printing Equipment	90
PHA – Social Housing Grant	1,800
	<hr/>
	3,498
	<hr/>

4. Information on Assets Held

The Council's fixed assets principally include :

Number as at
31 March 2004

Council dwellings (owned not leased)	3,399
Operational buildings	
Town Hall/ Offices	3
Leisure Centre with Swimming Pool	1
Ice Rink	1
Depots	1
Surface Car Parks	44
Cemeteries	1
Public Conveniences (including 3 boarded up)	25
Museums	2
Disinfestation Centre	1
Operational equipment	
Vehicles	5
Infrastructure assets	
Slipways	17
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	
Paddling Pool	1
Land leased to third parties (hectares)	19.2
Shops (items)	2
Tenanted Buildings (items)	6

5. Deferred Charges

	Improvement Grants £	Social Housing £	Other £	Total £
Balance as at 1 April 2003	140	0	730,640	730,780
Expenditure	206,130	980,670	601,990	1,788,790
Amounts written off to revenue	(206,270)	(980,670)	(647,970)	(1,834,910)
Balance as at 31 March 2004	0	0	684,660	684,660

Deferred charges carried within the Balance Sheet represent an on-going benefit to the Authority where a physical asset has not been acquired. Housing Improvement, including Disabled Facilities, grants together with Social Housing & other expenditure are written off in the year the expenditure occurs. All other deferred charges are written off over the period of the benefit.

Deferred charges expenditure was financed in 2003/2004 as follows:

	£
Developer Contributions	1,230,670
External Grants	301,840
Borrowing	201,320
Capital Receipts	20,580
	<u>1,754,410</u>
Less unfinanced in 2002/2003	(15,110)
Add unfinanced in 2003/2004	49,490
	<u>1,788,790</u>

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

	2002/2003 £	2003/2004 £
Housing Act Advances (including SDAA)	11,150	10,180
Housing Associations	48,190	47,550
Sale of Houses	426,440	324,160
Voluntary and Sporting Organisations	22,800	19,450
Car Loans to Staff	419,550	415,990
PWLB Loan Premium	113,560	74,450
	<u>1,041,690</u>	<u>891,780</u>

7. Investments

	Nominal Value	2002/2003 £	2003/2004 £
3.5% War Stock	£670	670	0
Temporary Investments		5,100,000	0
		<u>5,100,670</u>	<u>0</u>

8. Sundry Debtors

	2002/2003	2003/2004
	£	£
Sundry Debtors	1,892,440	3,400,230
Customs & Excise (see note below #)	0	2,774,580
Housing Rents - arrears (including General Fund)	475,120	596,530
Council Tax – arrears	1,688,230	1,731,120
NNDR – arrears	470,600	504,770
Community Charge – arrears	0	0
Government Departments	677,960	1,096,970
Agency/Contract Service	29,190	0
	<u>5,233,540</u>	<u>10,104,200</u>
Less Provision for Bad Debts		
Sundry Debtors	317,510	390,170
Housing Rents	100,000	100,000
Council Tax	448,220	466,020
NNDR	236,030	256,120
Community Charge	0	0
	<u>4,131,780</u>	<u>8,891,890</u>

At the year end, £2,774,580 was outstanding from Customs & Excise in respect of a vat claim for the Kelsey Tower Blocks transfer. This sum was to be paid to Kelsey Housing Association upon receipt from Customs & Excise and accordingly the balance sheet reflects both a debtor for Customs & Excise and a creditor for Kelsey Housing Association. These two entries in the accounts, while being required to present the full picture, are cost neutral to the Council and balance each other out.

9. Sundry Creditors

	2002/2003	2003/2004
	£	£
Sundry Creditors	1,473,590	1,288,640
Kelsey Housing Association (see note above #)	0	2,774,580
Capital Accruals	25,220	220,230
Payments in Advance	675,150	880,690
Government Departments	1,017,180	1,037,430
Agency/Contract Services	1,400	63,590
Deposits	2,184,620	2,161,320
	<u>5,377,160</u>	<u>8,426,480</u>

10. Long Term Borrowing

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

	2002/2003	2003/2004
	£	£
Education Trust Fund	3,450	3,440
PWLB	3,000,000	0
	<u>3,003,450</u>	<u>3,440</u>

11. Provisions

	2002/2003	2003/2004
	£	£
Section 38 Fees	187,540	55,970
Staffing Appeal	10,000	4,000
	<u>197,540</u>	<u>59,970</u>

12. Usable Capital Receipts Reserve

	2002/2003	2003/2004
	£	£
Balance as at 1 April 2003	45,000	1,396,030
Receipts	1,351,030	16,937,700
	<u>1,396,030</u>	<u>18,333,730</u>
Financing of capital expenditure	0	16,324,260
Balance as at 31 March 2004	<u>1,396,030</u>	<u>2,009,470</u>

The balance at 31st March 2004 includes £200,000 which must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

13. 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:

2002/2003		2003/2004
£'000		£'000
37,275	Balance brought forward	40,937
0	Amount set aside for MRP	0
0	Loan Premium paid	(88)
3,662	Reserved capital receipts	2,873
<u>40,937</u>		<u>43,722</u>

14. Fixed Asset Restatement Reserve

2002/2003		2003/2004
£		£
88,149,420	Balance as at 1 April 2003	84,267,170
(3,712,250)	Surplus/deficit on revaluation and restatement of fixed assets	66,098,840
(170,000)	Disposal of fixed assets	(19,661,700)
<u>84,267,170</u>	Balance as at 31 March 2004	<u>130,704,310</u>

15. Capital Financing Reserve

2002/2003 £'000		2003/2004 £'000
35,895	Balance as at 1 April 2003	38,946
3,662	Capital receipts set aside	2,873
(9)	Housing Assoc. and Voluntary Organisation loan principal repaid	(5)
	Capital financing - capital receipts/grants	
610	- revenue	419
446	- grant write off	562
-	- capital receipts	16,323
28	- commuted sum	624
-	- deposits	76
(63)	Contribution to Revenue (Commutation SCA)	(66)
(325)	Contribution to Revenue (Impairment)	(330)
-	Contribution to Revenue (Loan Premium)	(88)
(1)	Major Repairs Reserve (HRA depreciation)	(1)
(1,143)	MRP (less depreciation provision)	(1,282)
-	Write down of deferred charges -capital	-
(154)	- revenue	(1,835)
<u>38,946</u>	Balance as at 31 March 2004	<u>56,216</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.

16. 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.

17. Fund Balances and Reserves

	2002/2003 £	2003/2004 £
Reserves		
Capital/Special Maintenance Reserve	0	0
Pension Reserve	(18,760,000)	(16,200,000)
Other		
General Fund Working Balance	464,290	638,910
Housing Revenue Account	689,750	937,100
Council Tax	851,760	977,050
Civic	750	710
Royan Twinning Fund	4,470	2,470
Museum Purchases	7,860	8,150
Open Spaces	75,300	75,670
Miscellaneous, suspense and oncost accounts	2,600	2,600
	<u>(16,663,220)</u>	<u>(13,557,340)</u>

18. Operating Leases

The total value of lease agreements at 31 March 2004 is approximately £0.4 m of which the outstanding obligations amount to £274,000 (2002/03 £199,000). Lease payments amounted to £184,000 in 2003/2004.

19. Pension Assets and Liabilities

Note 8 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Superannuation Scheme administered by Hampshire County Council. The following note contains details of the related assumptions made in estimating the figures included in that note.

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.

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 2004. 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 contribution rate over the accounting period was 215% 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.

Assumptions:

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

	31 March 2004	31 March 2003
Discount rate	6.4% pa	6.1% pa
Rate of increase in salaries	4.4% pa	4.1% pa
Rate of increase in pensions in payment	2.9% pa	2.6% pa
Rate of increase in deferred pensions	2.9% pa	2.6% pa
Rate of inflation	2.9% pa	2.6% pa
Long-term expected rates of return on:		
Equities	7.7% pa	7.6% pa
Bonds	4.7% pa	4.6% pa
Property	6.7% pa	6.6% pa
Other assets	4.2% pa	3.1% pa
Average long term expected rate of return	6.9% pa	6.6% pa

Position in the Fund:

Assets are valued at fair value, principally market value for investments. The proportions of total assets held in each asset type by the Fund as a whole at 31 March 2004 and 31 March 2003 are as follows:

	31 March 2004	31 March 2003
Equities	71%	66%
Bonds	21%	23%
Property	4%	6%
Other	4%	5%

The following amounts, needed for reconciliation to the balance sheet, were measured in accordance with the requirements of FRS17:

	31 March 2004	31 March 2003
	£m	£m
Share of assets	32.84	27.91
Estimated Funded Liabilities	-46.59	-44.26
Estimated Unfunded Liabilities	-2.45	-2.41
Gosport Borough Council's deficiency in the Fund	<u>-16.20</u>	<u>-18.76</u>

In accordance with Local Authority Accounting Practice (LAAP) Bulletin 56, the opening unfunded liability balance has been recognised a prior period adjustment to the opening balances of the pensions liability & pensions reserve

The movement in net deficiency for the year to 31 March 2004 is as follows:

	£m
Net deficiency at 1 st April 2003	-18.76
Contributions Paid	0.84
Contributions towards Unfunded Liabilities	0.17
Current Service Cost	-0.89
Past Service Costs	-0.01
Gain/loss on any Settlements or Curtailments	0.00
Expected return on Pension Fund Assets	1.82
Interest on Pension Scheme Liabilities	-2.83
Actuarial gain/loss	3.46
Net deficiency at 31 st March 2004	<u>-16.20</u>

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

	Amount	Percentage
	£m	
Actual return less expected return on assets	3.44	10.5% of scheme assets
Experience gains and losses on pension liabilities	-0.11	0.2% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	0.13	0.3% of scheme liabilities
Total	<u>3.46</u>	7.1% of scheme liabilities

The liability at 31st March 2004 shows the underlying commitment that the authority has in the long run to pay retirement benefits and impacts on the net worth of the authority as recorded in the balance sheet. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

20. 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.

- 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.

- BrowndownTip

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

- Millenium Project

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. Post Balance Sheet Events

A fire at Priddy's Hard in July 2004 resulted in the destruction of the transfer shed and a shell store and a stock of wheeled recycling bins being stored. Negotiations are ongoing with the Council's insurer and it is envisaged that there will not be any material residual cost to the Council.

22. 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.

24. Trust Fund

The Council administers an Education Trust Fund amounting to approximately £3,400 at 31 March 2004. 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

	2003-2004 £000s	2003-2004 £000s	2002-2003 £000s
Surplus / (deficit) for the year			
- General Fund	175		(36)
- Housing Revenue Account	247		99
- Collection Fund	125		511
- Other Balances	(1)		26
<i>add back</i> Movements on specific revenue reserves	0		(414)
<i>deduct</i> Appropriation from pensions reserve	(900)		(60)
Actuarial gains and losses relating to pensions	3,460		(10,030)
Total increase / (decrease) in revenue resources (note 1)		3,106	(9,904)
Increase / (decrease) in			
Usable capital receipts	613		1,351
Unapplied capital grants and contributions	(57)		(32)
Total increase / (decrease) in realised capital resources (note 2)		556	1,319
Gains / (losses) on revaluation of fixed assets	66,099		(3,712)
Total increase / (decrease) in unrealised value of fixed assets (note 3)		66,099	(3,712)
Value of assets sold or disposed of (note 4)		(19,662)	(170)
Capital receipts set aside	19,196		3,662
Revenue Resources set aside	(1,926)		(611)
Movement on Government Grants Deferred Account	1,300		360
Movement on Major Repairs Reserve	0		0
Total increase / (decrease) in amounts set aside to finance capital investment (note 5)		18,570	3,411
Total recognised gains and losses		68,669	(9,056)

Notes to Statement of Total Movement in Reserves

1. Movements in revenue resources

	General Fund Balances	HRA Balances	Collection Fund (Note 1)	Other Revenue Balances (Note 2)	Pensions Reserve (Note 3)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus / (Deficit) in 2003-04	175	247	125			547
Appropriation to / from revenue				(1)	(900)	(901)
Actuarial gains and losses relating to pensions (see note below)					3,460	3,460
	175	247	125	(1)	2,560	3,106
Balance B/Fwd at 1 st April 2003	464	690	852	91	(18,760)	(16,663)
Balance C/Fwd at 31 st March 2004	639	937	977	90	(16,200)	(13,557)

Note 1: The year end surplus/deficit on the Collection Fund is to be distributed between Hampshire County Council, Hampshire Police Authority, Hampshire Fire and Rescue Authority and Gosport Borough Council on the basis of estimates made on 15 January of the year end balance (see also the Collection Fund accounts).

Note 2: Comprises

	2002/2003 £	2003/2004 £
Civic	750	710
Royan Twinning Fund	4,470	2,470
Museum Purchases	7,860	8,150
Open Spaces	75,300	75,670
Miscellaneous, suspense and oncost accounts	2,600	2,600
	90,980	89,600

Note 3: The actuarial gains identified as movements on the Pensions Reserve in 2003-04 can be analysed into the categories above, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2004.

Actuarial gains on the Pensions Reserve:

	£'000	%
Actual return less expected return on assets	3.44	10.5% of scheme assets
Experience gains and losses on pension liabilities	(0.11)	0.2% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	0.13	0.3% of scheme liabilities
Total	3.46	7.1% of scheme liabilities
Comparative total for 2002-03	(10.03)	

2. Movement in realised capital resources

	Usable capital receipts £'000	Unapplied capital grants £'000
Amounts receivable in 2003-04	16,937	1,916
Amounts applied to finance new capital investment	(16,324)	(1,973)
Total increase/(decrease) in realised capital investment in 2003-04	613	(57)
Balance B/Fwd at 1 st April 2003	1,396	177
Balance C/Fwd at 31 st March 2004	2,009	120

3. Movements in unrealised value of fixed assets, &

4. Value of assets sold or disposed of

	Fixed asset restatement reserve £'000
3. Movements in unrealised value of fixed assets	
Gain/(loss) on revaluation of fixed assets in 2003-04	66,099
4. Value of assets sold or disposed of	
Amounts written off fixed asset balances for disposals in 2003-04	<u>(19,662)</u>
Total movement on reserve in 2003-04	46,437
Balance B/Fwd at 1 st April 2003	<u>84,267</u>
Balance C/Fwd at 31 st March 2004	<u>130,704</u>

5. Movements in amounts set aside to finance capital investment

	Capital Financing Reserve £'000	Government Grants Deferred £'000	Major Repairs Reserve £'000	Total £'000
Capital receipts set aside in 2003-04				
- reserved receipts	2,873			
- usable receipts applied	16,323			
Total capital receipts set aside in 2003-04	<u>19,196</u>			19,196
Revenue resources set aside in 2003-04				
- capital expenditure financed from revenue	1,119			
- impairment loss	(330)			
- commutation adjustment	(66)			
- loan premium	(88)			
- reconciling amount for provisions for loan repayment	(2,561)			
Total revenue resources set aside in 2003-04	<u>(1,926)</u>			(1,926)
Grants applied to capital investment in 2003-04		1,862		
Amounts credited to the asset management revenue account in 2003-04		(562)		
Movements on Governments Grants Deferred		<u>1,300</u>		1,300
Depreciation provision to MRR in 2003-04			(2,412)	
Capital expenditure financed in 2003-04			2,412	
Movements on Major Repairs Reserve				0
Total increase / (decrease) in amounts set aside to finance capital investment				18,570
Total movement on reserve in 2003-04	17,270	1,300	0	
Balance B/Fwd at 1 st April 2003	38,946	14,078	0	
Balance C/Fwd at 31 st March 2004	<u>56,216</u>	<u>15,378</u>	<u>0</u>	

CASH FLOW STATEMENT		2003/2004
2002/2003		£'000
£'000		£'000
	<u>OPERATING ACTIVITIES</u>	
	CASH OUTFLOWS	
8,912	Cash paid to and on behalf of employees	9,613
7,207	Housing benefit paid out	7,088
11,409	National non-domestic rate payments to national pool	8,868
20,265	Precepts paid	24,147
<u>22,516</u>	Other operating cash payments	<u>20,091</u>
70,309		69,807
	CASH INFLOWS	
(5,380)	Rents (after rebates)	(5,061)
(21,954)	Council tax income	(25,085)
(1)	Community charge income	0
(3,211)	National non-domestic rate receipts from national pool	(2,665)
(11,990)	Non-domestic rate receipts	(11,899)
(3,004)	Revenue support grants	(3,803)
(10,395)	Other government grants	(9,830)
(1,018)	Cash received for goods and services	(1,088)
<u>(15,932)</u>	Other operating cash receipts	<u>(8,822)</u>
(72,885)		(68,253)
(2,576)	NET REVENUE INCOME	<u>1,554</u>
	<u>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</u>	
	CASH OUTFLOWS	
315	Interest paid	229
	CASH INFLOWS	
(112)	Interest received	(233)
	<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</u>	
	CASH OUTFLOWS	
4,160	Purchase of fixed assets	6,625
307	Payment of improvement grants	295
0	Payment of Local Authority Housing Association grant	981
<u>11</u>	Payment to voluntary organisations	<u>8</u>
4,478		7,909
	CASH INFLOWS	
(4,709)	Sale of fixed assets	(3,955)
(3)	Repayment of improvement loans	0
(1)	Repayment of Housing Act advances	0
(131)	Improvement/Housing Defects grant	(78)
(2,380)	Major Repairs Allowance	(2,411)
(303)	Housing Association grant	0
(707)	Capital schemes - Grant income	(933)
(5)	Repayment of Housing Association loans/ Vol Org	(4)
<u>(95)</u>	Repayment of Sale of Council House loans	<u>(102)</u>
(8,334)		(7,483)
	<u>MANAGEMENT OF LIQUID RESOURCES</u>	
	CASH OUTFLOWS	
24,180	Investments made	41,565
	CASH INFLOWS	
(19,080)	Investments realised	(46,665)
<u>(1,129)</u>	NET CASH FLOW BEFORE FINANCING	<u>(3,124)</u>
	<u>FINANCING</u>	

CASH OUTFLOWS			
0	Repayments of amounts borrowed	3,000	
<u>5,000</u>	Short-term loans repaid	<u>6,000</u>	
5,000			9,000
CASH INFLOWS			
0	New loans raised	0	
<u>(4,000)</u>	Short - term loans raised	<u>(5,000)</u>	
<u>(4,000)</u>			<u>(5,000)</u>
(129)	(INCREASE)/DECREASE IN CASH		<u>876</u>

NOTES TO THE CASH FLOW STATEMENT

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

	2003/2004 £'000
General Fund deficit	175
Housing Revenue Account deficit	247
Collection Fund surplus	320
Contribution to capital reserves	0
Contributions from earmarked reserves	0
Contributions to Collection Fund reserves	(30)
Provisions	0
Deferred charges	(97)
Increase in revenue creditors	(4,018)
Increase in stocks	(1)
Decrease in debtors	5,821
Decrease in debtors provision	(404)
Interest and investment income	(233)
Interest paid	229
Asset management revenue account	(7,625)
Provision for repayment of loans	(1,282)
Other non cash items	8,452
Net cashflow from revenue activities	<u>1,554</u>

2. Movement in cash

	Cash £'000
Cash and bank balance 1 April 2003	(703)
Cash and bank balance 31 March 2004	(1,579)
Increase in cash	<u>(876)</u>

3. Movement in Long Term Borrowing

	As at 31.3.03 £'000	As at 31.3.2004 £'000	Movement £'000
Public Works Loan Board	3,000	-	(3,000)

4. Movement in Government Grants

	As at 31.3.03 £'000	As at 31.3.2004 £'000	Movement £'000
Revenue Support Grant	3,004	3,803	799
Other Government Grants	10,395	9,830	(565)

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.

Councillor
Chair of Policy and Organisation Board
2004

November

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 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 2004 and its income and expenditure for the year then ended.

Mr Peter Wilson
Deputy Chief Executive and Borough Treasurer

November 2004

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.

2. Level of Assurance

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 system of internal control has been in place at the council for the year ended 31 March 2004 and up to the date of approval of the annual accounts.

3. The Internal Control Environment

The key elements of an internal control environment are:

Establishing and monitoring the achievement of the council's objectives

The facilitation of policy and decision-making

Ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the council, how leadership is given to the risk management process and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties

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 as required by the Best Value duty

The financial management of the authority and the reporting of financial management, and

The performance management of the authority and the reporting of performance management

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Management

Business Unit Managers are responsible for the routine monitoring and review of the internal controls operating within their services.

Internal Audit

The responsibility for maintaining and reviewing the system of internal control rests with the Council. In practice, however, the Council is likely to take assurance from the work of Internal Audit.

During the year, the work of Internal Audit included fundamental reviews of the system of internal financial control.

5. Significant Internal Control Issues

There have been no significant internal financial control issues identified. The following action plan has been prepared for the implementation of corporate governance and risk management procedures:

recommend that a Overview & Scrutiny Committee is to have Risk Management as part of his/her Portfolio;

embed risk management into the Council's daily processes;

further Members, managers and section heads training sessions to assist in risk identification, prioritisation and treatment (including a risk management toolkit).

Provide project management training to key staff through 2004/05 with the aim to introduce an endorsed corporate project management methodology for the Council April 2005.

Improve its performance management framework;

Management arrangements have been revised and are being developed through 2004/05 to ensure a more streamlined approach.

Borough Treasurer

Chief Executive

Chair of P&O Board

Date

AUDITORS' REPORT TO GOSPORT BOROUGH COUNCIL

We have audited the financial statements on pages 1 to 41 that have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 9.

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 42 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 internal control on pages 43 to 44 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal financial control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. 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.

Opinion

In our opinion the financial statements present fairly the financial position of Gosport Borough Council as at 31 March 2004 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.

Signature:

Date:

November 2004

**Martin Robinson
District Auditor & Relationship Manager**