



STATEMENT OF ACCOUNTS

2007-2008

GOSPORT BOROUGH COUNCIL
STATEMENT OF ACCOUNTS 2007 / 2008

	CONTENT	PAGE
1	EXPLANATORY FOREWORD	1
2	STATEMENT OF ACCOUNTING POLICIES	7
3	STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	14
4	THE CORE FINANCIAL STATEMENTS	
	1. INCOME AND EXPENDITURE ACCOUNT	15
	2. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	16
	3. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	17
	4. BALANCE SHEET	18
	5. CASH FLOW STATEMENT	20
5	NOTES TO THE CORE FINANCIAL STATEMENTS	
	1. EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS	21
	2. S.137 (3) LOCAL GOVERNMENT ACT 1972	21
	3. S.5 LOCAL GOVERNMENT ACT 1986 PUBLICITY ACCOUNT	21
	4. LOCAL AUTHORITY (GOOD & SERVICES) ACT 1970	21
	5. MEMBERS ALLOWANCES	21
	6. BUILDING CONTROL TRADING ACCOUNT	22
	7. TRUST FUNDS	22
	8. AGENCY INCOME AND EXPENDITURE	23
	9. OFFICERS EMOLUMENTS	23
	10. RELATED PARTIES	23
	11. AUDIT COSTS	24
	12. INTEREST IN OTHER ENTITIES	24
	13. LOCAL AREA AGREEMENT GRANTS	25
	14. EXPLANATION OF THE SIGNIFICANCE OF THE MOVEMENT ON THE GENERAL FUND BALANCE	25
	15. BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	25
	16. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND	26

17.	SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS	27
18.	DEFERRED CHARGES	30
19.	VALUATION INFORMATION	30
20.	COMMITMENTS UNDER CAPITAL CONTRACTS	30
21.	INFORMATION ON ASSETS HELD	31
22.	LEASES	31
23.	INVESTMENTS	31
24.	LONG TERM DEBTORS	32
25.	SUNDRY DEBTORS	32
26.	LONG TERM BORROWING	32
27.	SUNDRY CREDITORS	32
28.	FINANCIAL INSTRUMENTS	33
29.	ANALYSIS OF NET ASSETS EMPLOYED	36
30.	PROVISIONS	36
31.	GRANTS DEFERRED ACCOUNT	36
32.	UNAPPLIED GRANTS AND CONTRIBUTIONS	37
33.	RESERVES	37
34.	CONTINGENT LIABILITIES	41
35.	RETIREMENT BENEFITS	41
36.	NOTES TO THE CASH FLOW STATEMENT	45
37.	EVENTS AFTER THE BALANCE SHEET DATE	46
38.	AUTHORISATION OF ACCOUNTS FOR ISSUE	47
6	SUPPLEMENTARY FINANCIAL STATEMENTS	
1.	HOUSING REVENUE ACCOUNT	49
2.	COLLECTION FUND	57
7	ANNUAL GOVERNANCE STATEMENT	61
8	AUDIT OPINION	69

EXPLANATORY FOREWORD

1. Contents

The Statement of Accounts for 2007/2008 reflects the reporting and accounting requirements encompassed in the Statement of Recommended Practice (SORP) for 2007. The SORP 2007 builds on its predecessor (SORP 2006) by including further accounting changes that must be reflected in the Statement of Accounts for 2007/2008. It is envisaged that this trend will continue as public sector accounting moves towards IFRS (International Financial Reporting Standards) and the Whole of Government Accounts (WGA) agenda.

In accordance with statutory obligations and the Code of Practice on Local Authority Accounting, the accounts for 2007/2008 include the following statements:

- **Income and Expenditure Account**

This statement is a summary of the resources generated and consumed by the authority during the year.

It reports the net cost for the year of all functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The income and expenditure recorded is essentially in line with the conventions of UK GAAP (Generally Accepted Accounting Practice) which is adhered to by large private sector companies.

- **Statement of Movement on the General Fund Balance**

This statement is a reconciliation showing how the balance of resources generated or consumed in the year links to the statutory requirements for raising Council Tax.

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year in line with UK GAAP. There are, however, items that are required to be credited or charged to the General Fund in order to determine the local authority's budget requirement and Council Tax demand – both of which are determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP. This reconciliation statement firstly summarises, and secondly details, the differences between the outturn on the Income and Expenditure Account and the General Fund Balance

- **Statement of Total Recognised Gains and Losses**

This statement demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus or deficit and to other unrealised gains and losses.

Not all of the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

- **Balance Sheet**

The Balance Sheet sets out the Council's financial position at 31 March 2008. It summarises the Council's assets and liabilities including the available balances and reserves. The Council's share of the pension fund deficit is also shown.

- **Cash Flow Statement**

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

- **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, Fire and Rescue Authority and Central Government.

2. Summary of Financial Performance during the year

The Council's overall financial position remains stable and a balanced and robust budget has been set for 2008/2009. However, projections of future tax requirements from 2009/2010 are a primary concern and need to be addressed in order to ensure that council tax rises are acceptable and reserve levels remain adequate.

- **General Fund**

The Council's revised budget for 2007/2008 included a contribution to the General Fund working balance of £20,000 and a contribution from the Revenue Financing Reserve of £169,000.

After making these contributions as budgeted, the General Fund was underspent by £280,000 which has been allocated to the Revenue Financing Reserve in line with Council policy. .

The table below summarises 2007/2008 in the format of the Council's budget book as opposed to the statutory reporting format in the Income and Expenditure Account on page 15.

GENERAL FUND BUDGET 2007/2008

	REVISED 2007/2008 £'000	ACTUAL 2007/2008 £'000	VARIANCE £'000
<u>GENERAL FUND</u>			
Community & Environment	7,114	7,674	560
Housing	532	645	113
Policy & Organisation	4,810	3,857	(953)
Total Net Expenditure	12,456	12,176	(280)
Transfer to GF Working Balance	20	20	0
Transfer from Revenue Financing Reserve	(169)	(169)	0
Transfer to Revenue Financing Reserve - GF Surplus	0	280	280
Transfer from Building Control Reserve	(5)	(5)	0
Budget Total	12,302	12,302	0

2007/2008

	£'000	%
FINANCED BY		
Gosport Council Tax	5,137	41.8%
Revenue Support Grant	1,022	8.3%
Non Domestic Rates Distribution	6,088	49.5%
Collection Fund Surplus	55	0.4%
	12,302	100.0%

The main variations in the General Fund budget include:

- o Waste – reduced contract costs and additional recycling income (£24,630)
- o Concessionary Travel – an overspending of £62,380 arising from the successful appeal by bus operators in respect of 2006/2007.
- o Homelessness – reduced net service costs of (£38,450)
- o Local Tax Collection – improved costs income of (£37,860)
- o Benefits – lower than expected net of subsidy costs (subject to the external audit certification of the subsidy grant claim) (£71,090)
- o Net interest receivable was budgeted at £674,500 with the actual net interest received being £712,720, an increase in income of (£38,220)
- o Item 8 Interest and Debt Management Expenses chargeable to the HRA (£24,040)
(note: figures in brackets represent a cost reduction or underspending)

Revenue budget carried forwards totalling £73,180 will partially offset the underspending

The Council also received a second tranche of Business Growth Incentive Grant income of £55,801 in 2007/2008. This appears on the Income and Expenditure Account on page 15.

▪ Reserves

- o The General Fund working balance at 31 March 2008 is £860,000 (7% of the net revenue budget) as projected in the Budget Report for 2008/2009.
- o The Revenue Financing Reserve at 31 March 2008 is £502,680 which exceeds the forecast balance of £222,590 by £280,090 because of the underspending outlined above. This balance will, however, be reduced by the revenue carry forwards of £73,180

▪ Housing Revenue Account

The Housing Revenue Account was forecast to have a revenue surplus of £416,000 for 2007/2008 which would increase the account balance to £583,740 at 31 March 2008. The actual position for the year was a surplus of £508,800, an underspending of £92,800, with a resulting account balance of £676,540 at 31 March 2008.

The strategy to restore the HRA working balance has resulted in a revenue surplus of £508,800 for 2007/2008. A major factor in this was the reassessing of the financing of the Housing capital programme so that the revenue contribution was no longer needed

The main variations against the revised budget include

- o Income – improved rental income (£71,000)
- o Supervision and management – additional costs of £184,000, including redundancy costs of £58,000 and pension costs of £10,000.
- o Maintenance – reduced repairs and maintenance costs of (£171,000)

▪ **Treasury Management**

At 31 March 2008, the Council had investments of £9.8 million, including £8 million invested with banks and building societies and £1.8 million short term investments with the money market placed through the Council's Global Treasury Fund and Corporate Deposit Account.

Long term borrowing remains at £8 million. This represents loans taken with the Public Works Loan Board in January 2006 at favourable rates of interest and in line with policy and the need to fund the Council's future capital programme.

The Council was therefore in a net investment position of £1.8 million at the end of the financial year.

▪ **Capital Programme**

The revised Capital Programme for 2007/2008 was budgeted at £7.675 million. The actual capital spend was £7.168 million, an underspending of £0.507 million. Scheme slippage of £1.046 million has been identified and will be carried forward into 2008/2009.

CAPITAL PROGRAMME 2007/2008			
	REVISED 2007/2008 £'000	ACTUAL 2007/2008 £'000	SLIPPAGE £'000
<u>BY BOARD</u>			
Housing Board (HRA)	4,366	4,801	0
Housing Board (GF)	882	641	(130)
Community & Environment Board	1,622	1,196	(550)
Policy & Organisation Board	805	530	(366)
	7,675	7,168	(1,046)
<u>BY MAJOR SCHEME</u>			
Social Housing	470	340	(130)
Housing Grants	412	301	0
Privett Park Pavilion	352	388	0
Information Technology	253	193	(58)
Replacement Landing Stage	250	300	50
Town Hall Major Repairs	222	148	(74)
High Street Refurbishment	203	9	(194)
Council Dwellings	470	340	0
Priddys Hard Heritage Area	105	147	(51)
Cherque Farm - provision of play areas	100	67	(33)
CCTV schemes	84	6	(78)
New Cemetery	78	0	(78)
Aid to Voluntary Organisations	60	32	(28)
Bus Station	45	21	(24)
Mobile Home Park	34	1	(33)
Alverbank Hotel	27	12	(15)
Westfield Road Depot	24	3	(20)
Allotments - Provision of Security	16	24	0
Holbrook Feasibility Study	15	14	0
All other schemes	4,455	4,822	(280)
	7,675	7,168	(1,046)

	REVISED 2007/2008 £'000	ACTUAL 2007/2008 £'000
PROGRAMME FINANCING		
MAJOR REPAIRS ALLOWANCE	2,165	2,164
CAPITAL RECEIPTS	716	704
COMMUTED SUMS	167	301
GRANTS & CONTRIBUTIONS	1,069	623
CAPITAL GRANTS	192	201
BORROWING	3,366	3,175
	7,675	7,168

At 31 March 2008, the Council has funds of approximately £5.5 million which may be utilised for capital expenditure purposes; this includes specific, earmarked and committed funding. Capital funding is also possible under the Prudential Code regime of capital controls.

- **Voluntary Reduction of Debt**

Usable Capital Receipts of £0.8 million have been set aside at year end to reduce the Council's underlying need to borrow for capital purposes (the Capital Financing Requirement) at year end. This set aside will yield revenue savings of £32,000 in 2008/2009 by reducing the statutory charge to revenue (Minimum Revenue Provision) for the repayment of capital debt. This is a temporary saving which will continue until capital funding is needed to progress approved capital schemes when further financing through the use of the Prudential Code will be necessary.

- **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, Hampshire Police Authority and the Hampshire Fire and Rescue Authority is £793,000 which exceeds the forecast

The rates of Council Tax and Non Domestic Rates collection for 2007/2008 were 97.0% and 98.7% respectively (97.0% and 97.9% for 2006/2007).

- **Retirement Benefits**

The Statement of Accounts complies with FRS17 – the financial reporting standard on Retirement Benefits. This is expanded on in note 35 to the core financial statements. The reported figures are supplied by independent actuaries to the Hampshire County Council administered pension fund.

The Balance Sheet and note show an improved position to last year with the net pension deficit reducing by £7.61 million primarily due to revised and updated financial and demographic assumptions in calculating liabilities. Financial assumptions change every year to allow for changes in market conditions and the demographic assumptions have changed in line with those used for the most recent actuarial valuation of the Fund as at 31 March 2007.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2007/2008 financial year and its position at the year end of 31 March 2008. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Any significant non-compliance is disclosed in the following statements. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

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 annual accounts. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Interest payable on borrowings and receivable investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3. Contingent Liabilities

Contingent liabilities are not formally recognised in the accounting statements but are disclosed by way of a note to the accounts. They represent a possible obligation that may require a payment or transfer of economic benefits and are included to aid understanding of the Council's financial position.

4. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but which does not result in the creation of an asset. Deferred charges are written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax. Deferred charges include, for example, housing improvement grants.

5. Events after the Balance Sheet date

A separate disclosure note is made of any material events that may have occurred after the balance sheet date which provided evidence of conditions that existed at that date. Such events may be adjusting or non-adjusting and are reflected up until the date when the Statement of Accounts is authorised for issue.

6. Exceptional Items, Extraordinary Items & Prior Period Adjustments

Exceptional items are included within the net cost of services and extraordinary items are disclosed and described separately on the face of the income and expenditure account. The occurrence of either is explained in the notes to the accounting statements.

Prior period adjustments generally arise from corrections and adjustments that are an inherent part of the estimates used in the accounting process.

Material adjustments arising from changes in accounting policies or from the correction of errors are accounted for by restating the comparative figures in both the accounting statements and notes for the previous period and explaining any adjustments in the accompanying notes.

7. Fixed Assets

Intangible Fixed Assets

Intangible assets do not have physical substance but are identifiable and controlled by the Council (eg software licences) and will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Tangible Fixed Assets

Tangible Fixed Assets are assets that have physical substance and are held for use in the direct or indirect provision of services on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised in the accounts on an accruals basis provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (eg repairs and maintenance) is charged to revenue as it is incurred.

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

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Council dwellings are valued at their EUV-SH [Economic Use Value for Social Housing]. In line with the Guidance on Stock Valuation published by the DETR in May 2000, the housing stock has been valued at 1 April 2007 prices by Countrywide Surveyors on behalf of the Council
- 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, assets that are surplus to requirements and assets under construction are included at market value
- Infrastructure and Community Assets, and Vehicles, Plant and Equipment and Intangible Assets are included in the balance sheet at historical cost

Assets included in the balance sheet at current value are revalued where there have been material changes in value, but as a minimum every five years

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service account
- otherwise it is written against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service accounts.

Where an impairment loss is charged to the Income & Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for land and non-operational investment properties) by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated using the straight-line method over the following periods:

Council Dwellings:	Equal to the Major Repairs Allowance. This represents a capital sum that is allowed annually to maintain the council's housing stock and in 2007/2008 is £2.164 m
Buildings:	Straight line allocation over the estimated life of the property
Vehicles, Plant and Equipment	Straight line allocation over 5 to 10 years depending on the asset except for IT which is depreciated over 4 years. IT equipment was previously depreciated over 3 years, the change to 4 years is in line with revised usage profiles and cyclical replacement of pcs. IT capital costs are therefore now allocated to revenue over a 4 year period.
Infrastructure:	Straight line allocation over 20 to 50 years depending on the asset

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

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

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

Service revenue accounts and support services are charged with the following amounts to record the real cost of holding fixed assets during the year

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (in 2007/2008 this is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

8. Group Accounts

The 2005 Accounting Code of Practice stipulated that the modified Group Accounting requirements were to be fully implemented from the 2005/2006 financial reporting year. Where a local authority has a material interest in subsidiary or associate companies or joint ventures then there is a requirement to produce an additional set of financial statements.

There are no entities where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

The Council's has an interest in an entity that does not require the production of group accounts and this is disclosed in note 12 to the accounting statements.

9. 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. Revenue grants are matched in service revenue accounts with the expenditure to which they relate and general grants (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

10. Leases

Finance leases are leasing arrangements where substantially all the rewards and risks relating to the leased property transfer to the lessor. Council policy is to not enter into finance leases.

Operating leases are leases that are not finance leases. Rentals payable are charged to the revenue accounts of the services that use the assets as they become payable and asset ownership is retained by the lessor. Assets leased in this way are excluded from the balance sheet as they are not owned by the Council

11. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services

12. Provisions

Provisions are made when an event has taken place that gives the council an obligation that probably requires a settlement by a transfer of economic benefits but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year with any necessary increase or decrease being adjusted between the provision and the service revenue account.

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

13. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no charge against the council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits – these do not represent usable resources for the council.

The Council's main reserves are described further in note 33 to the accounting statements.

14. Retirement Benefits

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

The scheme's accounts are prepared in accordance with the Financial Reporting Standard No 17 – Retirement Benefits (FRS17). The pension scheme is detailed in notes 35 to the accounting statements.

The Local Government Scheme is accounted for as a defined benefits scheme.

- The liabilities of the LGPS attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 6.8%
- Assets of the LGPS attributable to the council are included in the balance sheet at their fair value

The council's change in the net pensions liability is analysed into 6 components

Current service costs	The increase in liabilities as a result of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
Past service costs	The increase in liabilities arising from current years decisions whose effect relates to years of service earned in earlier years – charged to Non-Distributed Costs in the Income and Expenditure Account
Interest Cost	The expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Income and Expenditure Account
Expected return on assets in the scheme	The annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account
Actuarial gains and losses	Changes in the pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
Employers' contributions payable to scheme	Cash paid as employers contributions to the pension fund

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

15. Stocks

Stocks are included in the balance sheet at the lower of cost and net realisable value.

16. Value Added Tax

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

17. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

18. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council makes interest free car loans available to certain employees as part of its recruitment and retention package. These constitute 'soft loans' being made at less than market rates. No accounting adjustment is made for these as the effect is not considered material.

The Council has no available for sale assets.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Authority is required to:

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

Councillor D. Smith
Chair of Policy and Organisation Board

25 June 2008

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 of Practice').

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 presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

Mr Peter Wilson
Deputy Chief Executive and Borough Treasurer

25 June 2008

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees during the year.

2006/07 Net Expenditure £'000		2007/08 Gross Expenditure £'000	2007/08 Gross Income £'000	2007/08 Net Expenditure £'000
1,149	Central Services to the Public	5,948	(4,840)	1,108
7,254	Cultural, Environmental and Planning Services	10,776	(3,659)	7,117
1,169	Highways, Roads and Transport Services	3,278	(1,043)	2,235
1,670	Housing Services	29,464	(28,721)	743
2,428	Corporate and Democratic Core	2,967	(190)	2,777
200	Non Distributed Costs	621	0	621
13,870	NET COST OF SERVICES	53,054	(38,453)	14,601
(2,119)	(Gain) / Loss on the disposal of fixed assets			(1,119)
312	Interest payable and similar charges			312
(664)	Interest and Investment income			(721)
762	Contribution of Housing Capital Receipts to Government Pool			599
640	Pensions Interest Cost and Expected Return on Pensions Assets			760
(193)	Business Growth Incentive Grant			(56)
12,608	NET OPERATING EXPENDITURE			14,376
(4,853)	Demand on Collection Fund			(5,137)
(1,111)	General Government Grants - Revenue Support Grant			(1,022)
(5,755)	Non-Domestic Rates distribution			(6,088)
(20)	Transfer from the Collection Fund			(55)
869	DEFICIT / (SURPLUS) FOR THE YEAR			2,074

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise precepts on a different accounting basis, the main differences being:

- (a) Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- (b) Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the precepts that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2006/07 £'000		2007/08 £'000
869	Deficit / (Surplus) for the year on the Income and Expenditure Account	2,074
(888)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(2,094)
(19)		(20)
(821)	General Fund Balance brought forward	(840)
(840)	General Fund Balance carried forward	(860)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006/07 Net Expenditure £'000		2007/08 Net Expenditure £'000
869	Deficit / (surplus) on the Income and Expenditure Account	2,074
(5,907)	Deficit / (surplus) arising from the revaluation of Fixed Assets	(11,077)
20	Actuarial (gains) / losses on pension fund assets and liabilities	(8,939)
	<u>Any other recognised gains or losses</u>	
(27)	Deficit / (surplus) on the Collection Fund	(23)
(59)	Application of Commuted Sums and Deposits to finance capital	(424)
45	Reduction in Deferred Credits & Long Term Debtors	27
	Fixed Asset Register adjustment	91
	Pooling of Housing Receipts receipt following prior year audit	(8)
(5,059)	Total recognised loss / (gain) for the year	(18,279)

BALANCE SHEET as at 31st March 2008			
31st March 2007 (restated) £'000		Notes	31st March 2008 £'000
	Fixed Assets	17-20	
224	Intangible Assets		149
	Tangible Fixed Assets		
	Operational Assets		
148,908	Council Dwellings		158,809
15,179	Other Land & Buildings		15,402
1,474	Vehicles, Plant & Equipment		1,087
12,349	Infrastructure Assets		12,464
3,305	Community Assets		4,018
	Non-Operational		
16,520	Investment Properties		18,040
227	Assets Under Construction		186
<u>198,186</u>			<u>210,155</u>
7,176	Long Term Investments	23	3,033
454	Long Term Debtors	24	427
<u>205,816</u>	Total Long Term Assets		<u>213,615</u>
	Current Assets		
104	Stock		61
6,319	Sundry Debtors	25	6,677
4,379	Investments	23	7,005
7	Cash in Hand		374
<u>10,809</u>			<u>14,117</u>
<u>216,625</u>	TOTAL ASSETS		<u>227,732</u>
	Current Liabilities		
0	Short Term Borrowing		0
0	Long Term Borrowing within 12 mnths		0
6,979	Sundry Creditors	27	7,115
249	Cash Overdrawn		0
<u>7,228</u>			<u>7,115</u>
<u>209,397</u>	Total Assets less Current Liabilities		<u>220,617</u>
8,101	Long Term Borrowing	26	8,101
0	Provisions	30	0
13,831	Grants Deferred Account	31	13,098
4,240	Unapplied Grants & Contributions	32	5,524
<u>183,225</u>	Net Assets before Pension Liability		<u>193,894</u>
26,860	Liability related to Defined Benefit Pension Scheme		19,250
<u><u>156,365</u></u>	TOTAL ASSETS LESS LIABILITIES		<u><u>174,644</u></u>

31st March 2007 (restated) £'000		31st March 2008 £'000
	Note 33	
	FINANCED BY:	
180,937	Capital Adjustment Account	180,048
0	Revaluation Reserve	11,057
271	Usable Capital Receipts	136
140	Deferred Capital Receipts	112
1,877	Fund Balances & Reserves	2,541
(26,860)	Pensions Reserve	(19,250)
<u>156,365</u>	TOTAL NET WORTH	<u>174,644</u>
Mr Peter Wilson Deputy Chief Executive and Borough Treasurer		10 September 2008

2006/2007	CASH FLOW STATEMENT		2007/2008	
£'000		£'000	£'000	
	<u>OPERATING ACTIVITIES</u>			
	CASH OUTFLOWS			
11,770	Cash paid to and on behalf of employees	12,115		
9,379	Housing benefit paid out	10,451		
12,473	Non-domestic rate payments to national pool	13,003		
28,808	Precepts paid	30,966		
1,011	Payment re Pooling of Housing Capital Receipts	795		
4,320	Housing Subsidy	4,262		
14,940	Other operating cash payments	15,046		
82,701				86,638
	CASH INFLOWS			
(4,909)	Rents (after rebates)	(5,310)		
(29,962)	Council tax income	(31,822)		
(5,755)	Non-domestic rate receipts from national pool	(6,088)		
(12,872)	Non-domestic rate receipts	(12,943)		
(1,111)	Revenue support grants	(1,022)		
(23,318)	Other government grants	(24,646)		
(4,232)	Cash received for goods and services	(3,366)		
(2,058)	Other operating cash receipts	(1,525)		
(84,217)				(86,722)
(1,516)	NET REVENUE INCOME			(84)
	<u>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</u>			
	CASH OUTFLOWS			
332	Interest paid			344
	CASH INFLOWS			
(473)	Interest received			(595)
	<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</u>			
	CASH OUTFLOWS			
5,583	Purchase of fixed assets	6,495		
374	Payment of Housing Improvement grants	300		
556	Payment of Affordable Housing initiatives	340		
27	Payment to voluntary organisations	32		
6,540				7,167
	CASH INFLOWS			
(2,338)	Sale of fixed assets	(884)		
(2,154)	Major Repairs Allowance	(2,165)		
(2,412)	Housing grants	(1,290)		
(604)	Capital schemes - Grant income	(1,428)		
0	Repayment of Sale of Council House Loans	(46)		
(7,508)				(5,813)
	<u>MANAGEMENT OF LIQUID RESOURCES</u>			
	CASH OUTFLOWS			
13,990	Investments made	4,160		
	CASH INFLOWS			
(11,301)	Investments realised	(5,795)		
64	NET CASH FLOW BEFORE FINANCING			(616)
	<u>FINANCING</u>			
	CASH OUTFLOWS			
2,000	Short-term loans repaid	0		
2,000				0
	CASH INFLOWS			
0	New loans raised	0		
(2,000)	Short - term loans raised	0		
(2,000)				0
64	NET (INCREASE) / DECREASE			(616)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

Extraordinary Item

There were no extraordinary items.

Prior Year Adjustments

In the 2007/2008 statement of accounts, the council has complied with the SORP 2007 guidance on the creation of a revaluation reserve and capital adjustment account and also by implementing the new accounting and reporting arrangements for financial instruments.

The revaluation reserve and capital adjustment accounts were created on 31 March 2007 by writing off the fixed asset restatement account and capital financing account balances to the capital adjustment account. The revaluation reserve was then included in the Balance Sheet with a zero opening balance. No prior period adjustment was therefore necessary.

Accrued interest at year end for both loans and investments is now shown as part of the principal borrowing or investment figure in the balance sheet and is not included as a creditor or debtor. The 2006/2007 figures have also been restated to reflect this change in approach (note 23 refers).

2. 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) e.g. donations to charities. Actual expenditure under s137 (3), incurred on grants to voluntary organisations in 2007/2008 was £41,070 (£53,500 in 2006/2007).

3. S.5 LOCAL GOVERNMENT ACT 1986 PUBLICITY ACCOUNT

Expenditure on publicity amounted to £159,830 in 2007/2008 (£176,210 in 2006/2007) of which £29,320 (£36,430 in 2006/2007) 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 2007/2008 was £80,320 (£83,420 in 2006/2007).

4. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2007/2008 the Council received £365,670 (£307,230 in 2006/2007) from Hampshire County Council – principally in respect of various Highways Agency functions. Related expenditure was £489,650 in 2007/08 and £432,260 in 2006/2007.

5. MEMBERS' ALLOWANCES

The total allowances paid to members in 2007/2008 were £205,690 (£200,880 in 2006/2007).

6. BUILDING CONTROL TRADING ACCOUNT

Building Control is included within Development Services. 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. This agreement has been renegotiated and a renewed open ended agreement was signed on 31st March 2006.

The Local Authority building control charge regulations require disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control unit cannot be charged for, such as dangerous structure services, enforcement, demolition service, providing general advice and liaising with other statutory authorities. The following table shows the cost of operating the building control unit divided between chargeable and non-chargeable activities, for Gosport Borough Council and the Partnership.

Gosport Borough Council 2007/2008	Chargeable £'000	Non Chargeable £'000	Total £'000
Expenditure			
Employee Expenses	99	96	195
Transport	4	4	8
Supplies and Services	24	9	33
Third Party Payments	8	7	15
Central and Support Services	24	18	42
Total Expenditure	159	134	293
Income			
Building Regulation Charges	168	12	180
Other Fees and Charges	-	2	2
Charges to Fareham Borough Council	1	70	71
Charges to other GBC accounts	-	41	41
Transfer from Futures Account	-	10	10
Total Income	169	135	304
Surplus for 2007/2008	11	-	11
Future Funds transfer to FBC	(11)	-	(11)
Total for 2007/2008	0	-	0
Surplus for 2006/2007	13	-	13
Building Control Partnership			
Total expenditure	504	428	932
Total income	539	428	967
Surplus for 2006/2007	35	-	35
Fareham	24	-	24
Gosport	11	-	11
Surplus for 2006/2007	39	-	39
Fareham	26	-	26
Gosport	13	-	13

7. TRUST FUNDS

The Council administers an Education Trust Fund amounting to £4,000 at 31 March 2008. The purpose of the Trust is to assist the education of necessitous Gosport children unable to avail themselves of educational facilities for financial reasons. The fund balance is now separately identified within the Council's reserves and earns internal interest (note 33 refers).

8. AGENCY INCOME AND EXPENDITURE

The Council's agency agreement for the provision of highways maintenance and management was terminated by Hampshire County Council on 1 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 Income and Expenditure Account.

	2006/2007 £'000	2007/2008 £'000
Routine Maintenance - Aids to Movement	11	13
- Environmental	107	108
Administrative costs	99	99
Total Highway Agency Expenditure	217	220

9. OFFICERS' EMOLUMENTS

Employees receiving a remuneration in excess of £50,000 during 2007/2008 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	
	2006/2007	2007/2008
Between £50,000 and £59,999	7	4
Between £60,000 and £69,999	-	2
Between £70,000 and £79,999	1	1
Between £80,000 and £89,999	1	1

10. RELATED PARTIES

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

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2004/2005, a Council member entered into an agreement with the Council for the rent of office accommodation in his ownership for the provision of council services. The agreement was made in full compliance with the Council's standing orders and with proper declaration of interest. The value of payments from 1 April 2007 to 31 March 2008 was £8,000.

Officers – there were no related party transactions during the year by officers of the Council.

Other Public Bodies – related party transactions are as below:

		£'000
Hampshire County Council	Precept payments	25,752
	Pension Fund payments	1,654
Hampshire Police Authority	Precept payments	3,379
Hampshire Fire & Rescue Authority	Precept payments	1,511
Building Control Partnership	Income from Fareham Borough Council	71

Joint Ventures

Portchester Crematorium: The Council along with 3 neighbouring authorities is part of the Portchester Crematorium Joint Committee, which has control over the functions of Portchester Crematorium. During 2007/2008 the Council received £112,000 from the Joint Committee being its share of the distributable surpluses.

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

11. AUDIT COSTS

In 2007/2008 the Council incurred the following fees relating to external audit and inspection.

2006/2007 £'000		2007/2008 £'000
	Fee payable to the Audit Commission with regard to external audit services carried out by appointed auditors	
94	External audit services	100
0	Statutory inspection	6
60	Certification of grant claims and returns	40
0	Other Services	0
154		146

12. INTEREST IN OTHER ENTITIES

The Council has an interest in the following entity, the accounts of which have not been consolidated into the financial statements of the Council.

Portchester Crematorium Joint Committee: The joint committee manages the operations of Portchester Crematorium and is equally represented by the four constituent authorities: Gosport Borough Council, Fareham Borough Council, Havant Borough Council and Portsmouth City Council. Further information can be obtained from: The Treasurer to the Joint Committee, Civic Centre, Civic Way, Fareham. Gosport Borough Council's share of the net assets of Portchester Crematorium Joint Committee are £1,100,280 (£979,270 in 2006/2007). Transactions between the Joint Committee and the Council are outlined in note 10.

13. LOCAL AREA AGREEMENT GRANTS

The council is a participant in a Local Area Agreement – a partnership with other public bodies involving the pooling of government grants to finance work towards agreed objectives. The accountable body on behalf of the Hampshire authorities that are partners to the scheme is Hampshire County Council. The County Council manages the distribution of the grant on behalf of the government.

In 2007/2008 the council received a total of £170,890 in respect of Safer Stronger Communities Funding (£102,390) and Waste Performance and Efficiency Grant (£68,500).

14. EXPLANATION OF THE SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial performance for the year as encapsulated by generally accepted accounting practice, the movement on the General Fund is also an important aspect of the Council's stewardship. Up until 2005/2006 the local authority statement of performance was the Consolidated Revenue Account (CRA) and the movement on the CRA was also the movement for the year on the General Fund balance.

In accordance with both statute and non-statutory proper practices, certain amounts are required to be charged or credited to the Income and Expenditure surplus or deficit in order to determine the movement on the General Fund balance for the year and relate the Income and Expenditure Account back to Council Tax levels.

The Statement of Movement on the General Fund Balance is the vehicle by which this reconciliation exercise takes place. It consists of two parts – the 'statement' – effectively a summary of the total additional figures linking the Income and Expenditure surplus or deficit to the General Balance brought forward and carried forward and then a more detailed note of the summarised reconciling items which are considered in more detail in note 16.

15. BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The main reconciling items include:

- Reversals of the charges made in the Net Cost of Services for the use of fixed assets. Principally, depreciation, impairment losses attributable to the consumption of economic benefits, amortisation of intangible assets and deferred charges.
- The removal of any net gain or loss on the sale of fixed assets
- Adjustment for the difference between the amount by which pension costs are calculated in accordance with FRS17 and the SORP and the contributions to the pension scheme due under the pension scheme regulations and chargeable to services.
- The statutory provision for the repayment of debt ('the minimum revenue provision') and any voluntary provision for the repayment of debt
- Transfers to and from earmarked reserves
- The statutory transfer of the HRA surplus or deficit for the year to the HRA balance
- Any capital expenditure charge to revenue
- A transfer from usable capital receipts to meet the payments to the Housing Capital Receipts Pool.

These items including their respective values are detailed in note 16

16. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND		
2006/07 £'000	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the	2007/08 £'000
(161)	Amortisation of intangible fixed assets	(150)
(1,417)	Depreciation and impairment of fixed assets	(2,273)
903	Government Grants Deferred amortisation	665
(192)	Deferred Charges to be financed from capital resources	(147)
2,119	Net (gain) / loss on sale of fixed assets	1,119
(2,370)	Net charges made for retirement benefits in accordance with FRS17	(2,960)
(1,118)	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for	(3,746)
17	Statutory provision for the repayment of debt	1
400	Capital Expenditure funded by the HRA	0
(762)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(599)
1,530	Employers contributions payable to the Local Government Pension Scheme and retirement benefits payable directly to pensioners	1,630
1,185	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement	1,032
(823)	HRA surplus / (deficit) transferred to HRA Reserves	509
(132)	Net transfer to / (from) Earmarked Reserves	111
(955)	Net additional amount required to be credited to the	620
(888)	General Fund balance for the year	(2,094)

17. SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

Movement on Fixed Assets

The Revaluation Reserve which replaced the Fixed Asset Restatement Account on 31 March 2007 is derived from the revaluation amounts on individual assets after 1 April 2007.

The table on page 28 shows the movement of fixed assets for 2007/2008 analysed between historic costs and current values. The difference between the two total figures is the total in the Revaluation Reserve at 31 March 2008.

Information about Depreciation methodologies

The table below summarises the methods of depreciation used for the Council's assets. In line with the CIPFA Statement of Recommended Practice, land and non-operational investment properties are not depreciated. There have been no changes in depreciation methods in 2007/2008 except that IT equipment is now depreciated over a four year period (previously three years) in line with the general replacement cycle for IT equipment incorporated into the capital programme.

Asset	Depreciation Method
Intangible Assets	Amortised over 4 years in line with the Council's IT replacement programme
Tangible Assets	
Council Dwellings	Set equal to the Major Repairs Allowance, the capital sum received annually from the government to maintain the Council's Housing Stock
Other Land & Buildings (Operational Property and Garages)	Straight line method with asset lives being individually assessed Garages are not depreciated as it is the Council's view that most of the value is in the land
Vehicles, Plant & Equipment	Straight line method over 5 to 10 years IT equipment is depreciated over 4 years in line with the Council's rolling replacement programme
Infrastructure	Straight line method over 20 to 50 years depending on the asset
Community Assets	No charge – it is the Council's view that most of the value of Community Assets is held in land and is not therefore depreciable
Non Operational Assets (Investment Properties and Assets under Construction)	No depreciation charge

Intangible Fixed Assets

Intangible Assets consist primarily of software licences and in line with SORP guidance do not require revaluation. They are presently depreciated over a 4 year period in line with the Council's replacement IT policy although this will be reviewed as part of the Budget process for 2009/2010.

Movement on Fixed Assets	31st March 2007				Movement in 2007/08						31st March 2008			
	Gross	Depreciation	Impairment	NBV	Additions	Disposals	Revaluation	Impairments	Depreciation	Transfers / Adjustments	Gross	Depreciation	Impairment	NBV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historical Cost														
Intangible Fixed Assets	651	(427)	0	224	75	0	0	0	(150)	0	726	(577)	0	149
Tangible Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operational Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Council Dwellings	151,042	(2,134)	0	148,908	4,795	(858)		(328)	(2,164)	0	154,979	(4,298)	(328)	150,353
Other Land & Buildings	15,895	(716)	0	15,179	166	0		(157)	(462)	0	16,061	(1,178)	(157)	14,726
Vehicles, Plant, Equipment	4,018	(2,544)	0	1,474	133	0		0	(520)	0	4,151	(3,064)	0	1,087
Infrastructure	15,179	(2,830)	0	12,349	511	0		0	(396)	0	15,690	(3,226)	0	12,464
Community Assets	3,305	0	0	3,305	672	0		0	0	41	4,018	0	0	4,018
Non-Operational Assets	0	0	0	0	0	0		0	0	0	0	0	0	0
Investment Properties	16,520	0	0	16,520	77	0		(390)	0	(91)	16,505	0	(390)	16,115
Assets under Construction	227	0	0	227	0	0		0	0	(41)	186	0	0	186
	206,837	(8,651)	0	198,186	6,429	(858)	0	(875)	(3,692)	(91)	212,316	(12,343)	(875)	199,098
Current Value														
Intangible Fixed Assets	651	(427)	0	224	75	0	0	0	(150)	0	726	(577)	0	149
Tangible Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operational Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Council Dwellings	151,042	(2,134)	0	148,908	4,795	(858)	8,456	(328)	(2,164)	0	161,301	(2,164)	(328)	158,809
Other Land & Buildings	15,895	(716)	0	15,179	166	0	696	(157)	(482)	0	16,573	(1,014)	(157)	15,402
Vehicles, Plant, Equipment	4,018	(2,544)	0	1,474	133	0	0	0	(520)	0	4,151	(3,064)	0	1,087
Infrastructure	15,179	(2,830)	0	12,349	511	0	0	0	(396)	0	15,690	(3,226)	0	12,464
Community Assets	3,305	0	0	3,305	672	0	0	0	0	41	4,018	0	0	4,018
Non-Operational Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment Properties	16,520	0	0	16,520	77	0	1,924	(390)	0	(91)	18,430	0	(390)	18,040
Assets under Construction	227	0	0	227	0	0	0	0	0	(41)	186	0	0	186
	206,837	(8,651)	0	198,186	6,429	(858)	11,076	(875)	(3,712)	(91)	221,075	(10,045)	(875)	210,155

Capital Expenditure and Financing

Capital expenditure may be financed in various ways including by the use of internal resources; external grants or contributions; directly from revenue and from borrowing.

The Local Government Act 2003 introduced the Prudential Code and the Capital Financing Requirement (CFR) The CFR shows the overall indebtedness – or underlying need to borrow - of the Council. The underlying need to borrow may not directly relate to external loans but can also include internal funds that have been used to finance capital spending as an alternative to raising external debt – in which case borrowing may be required at a future date.

The following table shows the movements on the CFR for 2007/2008

	2006/2007 £'000	2007/2008 £'000
Opening Capital Financing Requirement	5,982	3,871
Capital Investment		
Operational Assets	5,288	6,352
Non-Operational Assets	398	77
Deferred Charges	193	739
Sources of Finance		
Capital Receipts	(1,413)	(720)
Government Grants & Other Contributions	(2,401)	(3,112)
Sums set aside from Revenue	(400)	0
Other Adjustments		
Long Term Debtors	(59)	(27)
Sum set aside from Revenue (MRP & VRP)	(3,717)	(801)
Closing Capital Financing Requirement	3,871	6,379
Explanation of Movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	6	6
Increase in underlying need to borrow (unsupported by Government financial assistance)	1,651	3,221
Decrease in underlying need to borrow because of Long Term Debtors, MRP & VRP and other adjustments	(3,768)	(719)
Increase / (decrease) in Capital Financing Requirement	(2,111)	2,508

18. DEFERRED CHARGES

Deferred charges represent capital expenditure that does not result in the creation of an asset. Movements on deferred charges during the year were as follows

	Balance 31 March 2007 £'000	Expenditure £'000	Charged to Revenue £'000	Balance 31 March 2008 £'000
Housing Grants	0	284	(284)	0
Affordable Housing	0	340	(340)	0
Other Capital Schemes	0	115	(115)	0
	0	739	(739)	0

19. VALUATION INFORMATION

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. Council Dwellings are valued by Countrywide Surveyors on behalf of the Council. The valuations are gross balance sheet value before depreciation.

	Historical	Revalued when indicated				Total
	Cost	2007/08	2006/07	2005/06	2003/04	
	£'000	£'000	£'000	£'000	£'000	£'000
Intangible Fixed Assets	726					726
Tangible Fixed Assets						
Operational Assets						
Council Dwellings		161,301				161,301
Other Land & Buildings		2,999	11,345	767	1,462	16,573
Vehicles, Plant & Equipment	4,151					4,151
Infrastructure	15,690					15,690
Community Assets	4,018					4,018
Non-Operational Assets						
Investment Properties		7,813	1,386	8,332	899	18,430
Assets under Construction	186					186
	24,772	172,113	12,731	9,099	2,361	221,075

20. COMMITMENTS UNDER CAPITAL CONTRACTS

Significant commitments for future expenditure at 31 March 2008 include:

<u>31 March 2007</u>	<u>£'000</u>	<u>31 March 2008</u>	<u>£'000</u>
Housing Renewal	30	Social Housing	130
Social Housing	110	PHA – Social Housing	1,200
PHA – Social Housing	1,500	Alver Valley	341
Alver Valley	341	High Street Refurbishment	364
High Street Refurbishment	85	Priddys Hard	655
Privett Park Pavilion	128	Transformation Government (IT)	57
Priddys Hard	695		
Transformation Government (IT)	95		
	2,984		2,747

21. INFORMATION ON ASSETS HELD

Major fixed assets held at 31st March 2008 include

Council Dwellings
3,249 Council Dwellings
811 Garages
Other Land and Buildings
1 Town Hall
40 Car Parks
1 Cemeteries
23 Public Conveniences (including 4 boarded up)
1 Disinfestation Centre
Vehicles, Plant and Equipment
CCTV Equipment
IT Hardware
Infrastructure assets
Slipways
Coastal Defences
Community assets
1 Paddling Pool
Parks and open spaces
Collections of art/artefacts
Civic regalia and silverware
Non-Operational assets
1 Leisure Centre with Swimming Pool
1 Depot
Land and tenanted buildings

22. LEASES

Equipment and Software – the authority uses equipment and software financed under terms of an operating lease. The amount paid under these arrangements in 2007/2008 was £73,580 (£64,520 in 2006/2007).

The authority was committed at 31 March 2008 to making payments of £45,000 under operating leases in respect of equipment and software in 2008/2009, comprising the following elements:

	£'000
Leases expiring in 2008/09	11
Leases expiring between 2009/10 and 2012/13	34

23. INVESTMENTS

	2006/2007 (restated) £'000	2007/2008 £'000
Long Term Investments	7,000	3,000
Interest accrued at 31 March	176	33
	7,176	3,033
Current Investments	2,000	5,000
Interest accrued at 31 March	70	182
Money Market Funds - Principal	2,112	1,477
Money Market Funds – Interest	197	346
	4,379	7,005
Total Investments	11,555	10,038

24. LONG TERM DEBTORS

	2006/2007 £'000	2007/2008 £'000
Housing Act Advances	7	3
Sale of Houses	140	112
Voluntary and Sporting Organisations	9	9
Car Loans to Staff (payable after 12 months)	298	303
	454	427

25. SUNDRY DEBTORS

	2006/2007 (restated) £'000	2007/2008 £'000
Sundry Debtors	2,816	3,501
Car Loans to Staff (payable within 12 months)	150	162
Housing Rents - arrears (including General Fund)	613	612
Council Tax – arrears	2,344	2,768
NNDR – arrears	490	337
Government Departments	1,740	1,424
Agency/Contract Service	7	0
	8,160	8,804
Less Provision for Bad Debts		
Sundry Debtors	659	802
Housing Rents (inc General Fund)	203	243
Council Tax	743	900
NNDR	236	182
	6,319	6,677

26. LONG TERM BORROWING

	2006/2007 (restated) £'000	2007/2008 £ '000
Public Works Loan Board – repayable in ten years or more	8,000	8,000
Interest accrued at 31 March	101	101
	8,101	8,101

Long term borrowing is loans with over 12 months to maturity

27. SUNDRY CREDITORS

	2006/2007 (restated) £'000	2007/2008 £ '000
Sundry Creditors	2,372	2,984
Collection Fund (HCC, HPA, HFRA)	529	679
Capital Accruals	234	240
Payments in Advance	3,833	2,822
Government Departments	10	389
Agency/Contract Services	1	1
	6,979	7,115

28. FINANCIAL INSTRUMENTS

The purpose of the disclosure information for financial instruments is to provide information that enables users to evaluate:

- The significance of financial instruments for the authority's financial position and performance
- The nature and extent of risks arising from financial instruments to which the authority was exposed and how the authority manages those risks

(a) Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

	Long Term		Current	
	31 March	31 March	31 Mar	31 Mar
	2007	2008	2007	2008
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost	(8,101)	(8,101)	-	-
Total borrowings	(8,101)	(8,101)	-	-
Loans & receivables	7,176	3,033	4,379	7,005
Total investments	7,176	3,033	4,379	7,005

The figures for 31 March 2007 have been restated for accrued interest where applicable.

(b) Financial Instrument Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows

	2006/2007	2007/2008
	£'000	£ '000
Financial Liabilities		
Interest from financial liabilities measured at amortised cost	312	312
Financial Assets		
Interest from loans and receivables	(664)	(721)
	(352)	(409)

There are no losses or gains on de-recognition, impairment or revaluation to disclose for either of the above financial years.

(c) Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Long Term Borrowing (PWL B) is calculated by reference to the premature repayment set of rates in force 31 March
- Long Term Investments: using applicable discount rates for individual loans relative to the balance sheet date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows

	31 March 2007		31 March 2008	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial Liabilities	(8,101)	(7,150)	(8,101)	(7,783)
<p>The fair value of financial liabilities is less than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the balance sheet date. This commitment to pay interest below current market rates reduces the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.</p>				
Loans & Receivables	14,117	14,098	12,309	12,352
<p>The fair value of loans & receivables is lower than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the balance sheet date. This guarantee to receive interest below current market rates reduces the amount that the authority would receive if it agreed to early repayment of the loans</p>				

(d) Disclosure of the Nature and Extent of Risks arising from Financial Instruments

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity Risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the associated risks.

The procedures for risk management are set out through a legal framework that is included in the Local Government Act 2003 and associated regulations. Compliance with the CIPFA Prudential Code, the CIPFA Treasury Management Code of Practice and Treasury Management Strategy is compulsory.

Before the start of the forthcoming financial year and in conjunction with the annual budget approval process, the Council must formally adopt the Treasury Management Code of Practice, Treasury Management Strategy and Prudential Indicators.

The Treasury Management Strategy provides written principles for overall risk management as well as written policies covering specific areas such as borrowing, debt and investment strategy

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are conform to the following investment criteria.

Subject to a minimum credit rating of P1 Short Term, A3 Long Term and a maximum of £4million with any single borrower other than the Council's bank, the approved organisations for investment comprise:

- UK and Irish Clearing Banks and their wholly-owned subsidiaries
- UK Building Societies
- Other Local Authorities

- The Bank of England
- Money Market funds and deposit accounts as operated by the Council's bank

The Council has no history of default with any of its counterparties in relation to deposits made or received. No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

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

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

	Note	Amount at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions at 31 Mar 2008	Estimated maximum exposure to default & uncollectability
		£'000	%	%	£'000
Deposits with banks & financial institutions	a	10,038	-	-	-
General debtors	b	683	54%	54%	366
Housing rents	b	612	40%	40%	243
Other	a	1,585	-	-	-
					609

(a) The council does not expect any default in relation to these elements

(b) The council does not generally allow credit for customers and the estimated risks are covered by bad debt provisions which derive from aged debt analysis and historical experience.

Liquidity Risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council has no short term debt and the existing long term debt is repayable more than five years ahead.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

Movement in interest rates can have a complex impact on an authority, depending on the complexity and policies of treasury management activity employed. For instance, a rise in interest rates would have the following effects

- Borrowings at variable rates – the interest cost will rise
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Investments at variable rates – the interest earned will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the

Income and Expenditure account and affect the General Fund balance £ for £. Movements in the fair value of fixed rate investments would be reflected in the STRGL.

The Council's Treasury Management Strategy only permits fixed interest rate investment and borrowing transactions so while the Council has some risk exposure to interest rate movements, this is limited to the effect that interest rate movements have on the marketplace generally when placing investments or raising loans in relation to the annual budget. Cash flows and interest rate changes are actively monitored.

If average interest rates in 2007/2008 had been 1% higher or lower then an additional £125,000 interest may have been earned or foregone.

Price Risk

The authority has no shareholdings and is therefore not exposed to losses from movements in the prices of shares.

29. ANALYSIS OF NET ASSETS EMPLOYED

	2006/2007 £'000	2007/2008 £'000
General Fund	33,647	33,915
Housing Revenue Account	149,578	159,979
Total	183,225	193,894

30. PROVISIONS

The Council has no provisions apart from the Provision for Bad Debts which is included in note 25

31. GRANTS DEFERRED ACCOUNT

The Grants Deferred account reflects grants receivable in the year and the amount released to meet the cost of depreciating associated capital expenditure items usually over the useful life of the asset.

	2006/2007 £'000	2007/2008 £ '000
Balance 1 st April	14,579	13,831
Grant Receivable	155	81
Uncommitted to Unapplied Grants & Contributions		(150)
Grant Released	(903)	(664)
Balance 31st March	13,831	13,098

Grants received totalling £150,000 but as yet unapplied to fund capital projects have been moved from the Government Grants Deferred Account to the Unapplied Grants and Contributions Account.

32. UNAPPLIED GRANTS AND CONTRIBUTIONS

Unapplied grants and contributions represent developer deposits and contributions which are held to be utilised to fund capital expenditure

	2006/2007 £'000	2007/2008 £ '000
Balance 1 st April	3,345	4,240
Receipts	1,579	1,962
Uncommitted Grants from GGDA		150
Payments	(684)	(828)
Balance 31 st March	4,240	5,524

33. RESERVES

Reserve	1 April 2007 £'000	Net Movement in Year £'000	31 March 2008 £'000	Purpose of Reserve	Further details of Movements
Capital Adjustment Account	180,937	(889)	180,048	Store of capital resources set aside to meet past expenditure	Note a below
Revaluation Reserve	0	11,057	11,057	Store of gains on revaluation of fixed assets not yet realised through sales	Note b below
Usable Capital Receipts	271	(135)	136	Proceeds of fixed asset sales available to meet future capital investment	Note c below
Deferred Capital Receipts	140	(28)	112		Note d below
Fund Balances and Reserves	1,877	664	2,541		Note e below
Pensions Reserve	(26,860)	7,610	(19,250)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 35 to the Core Financial Statements
Total	156,365	18,279	174,644		

Capital Financing Account and Fixed Asset Restatement Account

The Balance Sheet figures at 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 7, Fixed Assets). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £116,956,000 on the FARA at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

By creating the Revaluation Reserve in this way on 31 March 2007, it has been implemented without prior period adjustments and the 2006/07 comparative figures have been brought forward unchanged.

The Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) balances from 2006/07 have been detailed below for comparison purposes and then shown as transfers to the new Capital Adjustment Account from 31st March 2007.

Fixed Asset Restatement Account 2006/2007

	2006/2007 £ '000
Balance as at 1 April	112,625
Gains / losses on revaluation of fixed assets	5,907
Disposal of fixed assets	(1,576)
Balance as at 31 March - to Capital Adjustment Account	116,956

Capital Financing Account 2006/2007

	2006/2007 £'000
Balance as at 1 April	59,227
Capital Financing	
- revenue	400
- grant write off	903
- capital receipts	1,438
- commuted sum	63
- deposits	3
- deferred charges	(192)
Capitalisation Direction (Commutation adjustment)	
Major Repairs Reserve (HRA depreciation)	
MRP / Depreciation Provision / Impairment	(1,561)
Voluntary Set Aside of Capital Receipts	3,700
Balance as at 31 March - to Capital Adjustment Account	63,981

Note (a): Capital Adjustment Account

	2006/2007 £'000	2007/2008 £ '000
Balances at 31 March 2007		
Fixed Asset Restatement Account	116,956	
Capital Financing Account	63,981	
Balance as at 1 April		180,937
Write down of Assets		
Depreciation		(1,548)
Government Grants Deferred		665
Impairments		(875)
Disposals		(858)
Fixed Asset Register adjustment		(91)
Depreciation adjustment		20
Resources used to finance Capital		
Capital Receipts		720
Deferred Charges		(147)
Commutated Sums		301
Other Financing Grants and Contributions		123
Repayment of Debt		801
Balance as at 31 March	180,937	180,048

The Capital Financing Account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. This process also applies to expenditure that is only capital by statutory definition (deferred charges). The balance on the account therefore represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

Note (b): Revaluation Reserve

	2007/2008 £'000
Balance as at 1 April	0
GF revaluation gains	2,592
GF depreciation adjustment	(20)
HRA revaluation gains	8,485
Balance as at 31 March	11,057

The Revaluation Reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value. It contains revaluation gains recognised since the date of its formal implementation, 1 April 2007. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

Note (c): Usable Capital Receipts Reserve

	2006/2007 £'000	2007/2008 £'000
Balance as at 1 April	2,482	271
Receipts	2,933	1,385
	<u>5,415</u>	<u>1,656</u>
Financing of capital expenditure	1,444	720
Voluntary Set Aside of Capital Receipts	3,700	800
Balance as at 31 March	271	136

The Usable Capital Receipts balance at 31st March 2008 comprises £136,000 in respect of Camden Allotments which must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

Note (d): 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.

	2006/2007 £'000	2007/2008 £'000
Houses Built for Sale	11	11
Sale of Council Houses	129	101
	<u>140</u>	<u>112</u>

Note (e): Fund Balances and Reserves

	1 st April £'000	Receipts £'000	Payments £'000	31 st March £'000
<u>Fund Balances</u>				
General Fund surplus	840	20		860
Housing Revenue Account	168	509		677
Collection Fund	91	498	475	114
Civic	1			1
Royan Twinning Fund	6		4	2
Museum Purchases	9	1		10
Open Spaces	110		6	104
Education Fund	4			4
Miscellaneous	3			3
Business Growth Incentive Grant	193	56	44	205
<u>Earmarked Reserves</u>				
Capital	0			0
Major Repairs Reserve	0			0
Revenue:				
Building Control Partnership	61	10	12	59
Revenue Financing Reserve	391	280	169	502
Total	<u>1,877</u>	<u>1,374</u>	<u>710</u>	<u>2,541</u>

34. CONTINGENT LIABILITIES

- 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 of the company results in a loss. The current forecast is that a small surplus will result – part of which will be distributed to Gosport Borough Council. The latest available scheme statement is for the six months ended 31 March 2007.

- Browndown Tip

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

- Millennium Project

On the 19 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 incurred expenditure of approximately £11m which was partially offset by Millennium Grant of £6.6m. The three partners are jointly and severally responsible for delivering the project and the Commission can withhold grant from across the whole project if any one of the three partners defaults on the delivery of their part of the scheme. The final stages of the scheme have been completed in 2005/06.

In addition there is potential for the reclaiming of approximately £600,000 by the South East Development Agency that was used for infrastructure works on the Priddys Hard site. This will depend on the nature of the future redevelopment and employment opportunities that are identified.

35. RETIREMENT BENEFITS

Participation in Pension Schemes

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 Pension Scheme, administered by Hampshire County Council – this is a defined benefit scheme based on final pensionable salary. It is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension 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.

Gosport Borough Council's contribution rate, expressed as a percentage of members contributions, for 2007/2008 was 295%. The contribution rate for 2008/2009 is 305%.

Transactions relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund during the year:

	2006/2007 £'000	2007/2008 £'000
Income and Expenditure Account		
Net Cost of Services		
▪ Current service costs	1,550	1,580
▪ Past service costs	180	620
Net Operating Expenditure		
▪ Interest Cost	3,310	3,730
▪ Expected return on assets in the scheme	(2,670)	(2,970)
Net Charge to the Income and Expenditure Account	2,370	2,960
Statement of Movement in the General Fund Balance		
▪ Reversal of net charges made for retirement benefits in accordance with FRS17	(840)	(1,330)
Actual amount charged against the General Fund Balance for pensions in the year		
▪ Employers' contributions payable to scheme	1,530	1,630

Assets and Liabilities in relation to Retirement Benefits

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

	31 March 2007 £m	31 March 2008 £m
Estimated Assets	43.80	44.68
Estimated Funded Liabilities	(67.75)	(61.26)
Estimated Unfunded Liabilities	(2.91)	(2.67)
Gosport Borough Council's deficiency in the Fund	(26.86)	(19.25)

The liability at 31 March 2008 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. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The liabilities have been assessed by Hewitt Bacon and Woodrow, an independent firm of actuaries, with estimates for Hampshire County Council being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used for the purposes of FRS 17 in their calculations are:

	31 March 2007	31 March 2008
Rate of inflation	3.2% pa	3.7% pa
Rate of increase in salaries	4.7% pa	5.2% pa
Rate of increase to pensions in payment	3.2% pa	3.7% pa
Rate of increase to deferred pensions	3.2% pa	3.7% pa
Discount rate	5.3% pa	6.8% pa
Take up of option to convert annual pension into retirement grant	50.0%	50.0%

Assets are valued at total monetary fair value, principally market value for investments. The estimated rates of return of assets were

	31 March 2007	31 March 2008
Long-term expected rates of return on:		
Equities	7.7% pa	7.6% pa
Property	6.7% pa	6.6% pa
Government Bonds	4.7% pa	4.6% pa
Corporate Bonds	5.3% pa	6.8% pa
Other assets	5.6% pa	6.0% pa
Average long term expected rate of return	6.9% pa	6.7% pa

The proportions of total assets held in each asset type by the Fund as a whole at 31 March 2007 and 31 March 2008 are as follows:

	31 March 2007	31 March 2008
Equities	67%	62%
Bonds	23%	27%
Property	5%	6%
Other	5%	5%
Total fair value of assets in Fund	£2,885.5m	£2,918.2m

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2007/2008 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

	2003/2004		2004/2005		2005/2006		2006/2007		2007/2008	
	£m	£m	£m	£m	%	%	£m	%	£m	%
Differences between the expected and actual return on assets	3.44	10.5	0.93	2.7	5.63	13.5	(0.06)	(0.1)	(1.64)	(3.7)
Differences between actuarial assumptions about liabilities and actual experience	(0.11)	(0.2)	1.55	2.6	0.04	0.1	(0.16)	(0.2)	(0.27)	(0.4)
Changes in the demographic and financial assumptions used to estimate liabilities	0.13	0.3	(11.16)	(18.6)	(4.60)	6.8	0.20	0.3	10.85	17.0
Total	3.46	7.1	(8.68)	(14.4)	1.07	1.6	(0.02)	0.0	8.94	14.0

36. NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of net surplus on I&E Account to the movement in cash

2006/2007 £'000		2007/2008 £'000
19	General Fund surplus	20
(1,787)	Fixed Assets	(1,801)
60	Deferred Charges & Long Term Debtors	27
(2,832)	Investments	1,517
62	Current Assets other than cash	(315)
2,141	Current Liabilities other than cash	35
860	Long Term Liabilities	(7,610)
0	Long Term Borrowing	101
(45)	Provisions & Deferred Capital Receipts	0
312	Capital Financing Account & Grants Deferred	(733)
2,376	Unapplied Grants & Usable Receipts	1,149
(370)	Other Balances	636
(860)	Pension Scheme Liability	7,590
(64)	Movement in Cash	616

2. Movement in cash

2006/2007 £'000		2007/2008 £'000
(185)	Cash and bank balance 1 April	(249)
(249)	Cash and bank balance at 31 March	367
(64)	Increase / (Decrease) in cash	616

3. Reconciliation of movement in Cash to Net Debt

31-Mar-07 £'000			31-Mar-08 £'000
(64)	Increase / (Decrease) in Cash	Note 2	616
	Increase / (Decrease) in Cash	Note 4	
2,832	Temporary Investments		(1,487)
0	Short Term Borrowing		0
0	Long Term Borrowing		0
2,768	Change in Net debt arising from Cashflows		(871)
292	Net Funds 1st April		3,060
3,060	Net Funds 31st March		2,189

4. Analysis of changes in financing & management of liquid resources

31-Mar-07 £'000		31-Mar-08 £'000	Movement
11,309	Temporary Investments	9,822	(1,487)
0	Short Term Borrowing	0	0
(8,000)	Long Term Borrowing	(8,000)	0
<u>3,309</u>		<u>1,822</u>	<u>(1,487)</u>

Temporary Investments and Short Term Borrowing are primarily treasury management and cash flow transactions with building societies. The former also includes short term deposits on the money market through the Council's Global Treasury Fund and Corporate Deposit Accounts. Long Term Borrowing is with the Public Works Loan Board (PWLb).

5. Analysis of Government Grants

31-Mar-07 £'000		31-Mar-08 £'000
	<u>Revenue Grants</u>	
<u>(1,111)</u>	Revenue Support Grants	<u>(1,022)</u>
(18,758)	Housing Benefit Subsidy	(22,348)
4,320	Housing Subsidy	4,262
<u>(14,438)</u>		<u>(18,086)</u>
	<u>Capital Grants</u>	
<u>(2,154)</u>	Major Repairs Allowance	<u>(2,165)</u>
(126)	Disabled Facilities Grant	(133)
(215)	Regional Housing Pot Grant	(155)
(2,071)	Affordable Housing Grant	(1,002)
<u>(2,412)</u>		<u>(1,290)</u>
	Capital schemes - Grant & Contributions	
(377)	Public Amenity Open Space	(396)
(53)	Heritage Lottery - Town Centre Historic Parks	0
(56)	CCTV	0
(50)	Town Centre Strategy - DEFRA/HCC	(22)
(2)	Town Centre Parks - Hants Playing Fields	0
(66)	Waste Performance & Efficiency DEFRA	(69)
0	Cherque Farm - Developers Contributions	(37)
0	A32 Bus Shelter - HCC Contribution	(100)
0	Other	(804)
<u>(604)</u>		<u>(1,428)</u>

37. EVENTS AFTER THE BALANCE SHEET DATE

On 2 April 2008, the Department for Communities and Local Government announced details of provisional further grant allocations under the Local Authorities Business Growth Incentives Scheme. Gosport's proposed allocation is £92,514 which will be accounted for when the final determination is made, which is expected to be during the financial year 2008/2009.

38. AUTHORISATION OF ACCOUNTS FOR ISSUE

The accounts were authorised for issue on 20 June 2008 by Mr Peter Wilson, Deputy Chief Executive and Borough Treasurer.

HRA INCOME AND EXPENDITURE ACCOUNT		
2006/07		2007/08
£'000		£'000
	INCOME	
(9,198)	Dwelling Rents	(9,790)
(214)	Non Dwelling Rents - Shops & Garages	(226)
(378)	Service Charges	(380)
<u>(9,790)</u>	TOTAL INCOME	<u>(10,396)</u>
	EXPENDITURE	
3,057	Repairs & Maintenance	2,570
2,801	Supervision & Management	2,948
81	Rents, Rates, Taxes & Other Charges	63
2,231	Negative HRA Subsidy Payable	2,105
2,154	Depreciation & Impairment of Fixed Assets	2,493
0	Debt Management Costs	28
<u>10,324</u>	TOTAL EXPENDITURE	<u>10,207</u>
<u>534</u>	NET COST OF HRA SERVICES PER AUTHORITY INCOME & EXPENDITURE ACCOUNT	<u>(189)</u>
0	HRA Services share of Corporate & Democratic Core	0
<u>534</u>	NET COST OF HRA SERVICES	<u>(189)</u>
29	(Gain) / Loss on the disposal of Fixed Assets	59
762	Contribution of Housing Capital Receipts to Government Pool	599
0	Interest Payable	44
(94)	Interest and Investment income	(31)
56	Pensions Interest Cost and Expected Return on Pensions Assets	8
<u>1,287</u>	(SURPLUS) OR DEFICIT FOR THE YEAR ON HRA SERVICES	<u>490</u>

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006/07 £'000		2007/08 £'000
1,287	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	490
(464)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(999)
823	(Increase) or decrease in the HRA Balance	(509)
(991)	HRA Surplus brought forward	(168)
<u>(168)</u>	HRA Surplus carried forward	<u>(677)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Local Government and Housing Act 1989

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

The amounts included in the HRA differ from those included in respect of HRA services in the Income and Expenditure Account for the authority as a whole. The latter includes income and expenditure in accordance with the SORP rather than in accordance with statutory and non-statutory proper practices. The HRA statement has two parts in order to reconcile these two approaches – the Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority income and expenditure account and this is reconciled to the movement on the HRA balance for the year in the Statement of Movement on the HRA Balance.

2006/07		2007/08
£'000		£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
	0 Impairment of Fixed Assets	(328)
(29)	Net (gain) / loss on sale of Fixed Assets	(59)
(206)	Net charges made for retirement benefits in accordance with FRS17	(29)
(235)		(416)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
(762)	Contribution of Housing Capital Receipts to Government Pool	(599)
	133 Employers contributions payable to the Local Government Pension Scheme and retirement benefits payable directly to pensioners	16
	400 Capital Expenditure funded by the HRA	0
(229)		(583)
(464)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(999)

3. Charges for Services and Facilities

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

4. Housing Stock

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

	31 March 2007	31 March 2008
Houses	1,329	1,320
Bungalows	440	440
Flats	1,490	1,489
	3,259	3,249
Analysis of bedroom type		
	31 March 2007	31 March 2008
1 bedroom	1,613	1,611
2 bedroom	546	544
3 bedroom	1,013	1,008
4 or more bedrooms	87	86
	3,259	3,249
Analysis of stock by age		
	31 March 2007	31 March 2008
Pre 1945	271	271
1945 – 1964	1,334	1,334
1965 – 1974	687	686
1974 onwards	967	958
	3,259	3,249

5. Value of Housing Revenue Account Property

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

	31 March 2007		31 March 2008	
	Number	Value £'000	Number	Value £'000
Operational Assets				
Standard Dwellings	2,992	142,851	2,978	152,622
Sheltered Housing	267	6,057	271	6,187
Garages and Parking Spaces	825	900	811	935
Community Asset	1	33	1	33
	4,085	149,841	4,061	159,777
Non Operational Assets				
Premises	3	144	2	74
Total		149,985		159,851

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

	31 March 2007 Value £'000	31 March 2008 Value £'000
Dwellings	330,907	352,911
Other Land and Buildings	900	935
	331,807	353,846

6. 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).

	2006/2007 £'000	2007/2008 £'000
Balance Brought Forward	0	0
Receipts in year	2,154	2,164
Expenditure in year		
o Houses and Flats	(2,154)	(2,141)
o Environmental Improvements	0	(23)
o Surveys / Other	0	0
Balance Carried Forward	0	0

7. Housing Repairs

	2006/2007 £'000	2007/2008 £'000
Expenditure on repairs	6,932	6,705
Of which planned	4,546	5,053
% of Planned / Response	65.6%	75.4%

£4,750,770 of the 2007/2008 expenditure on repairs was capital

The main categories of expenditure were central heating, window and door replacement and the modernisation of kitchens and bathrooms.

8. Capital Financing

The financing of capital expenditure on the housing revenue account property during the year is shown below. Capital expenditure totalled £4,800,770, comprising £4,750,770 on repairs and £50,000 on local authority tenants disabled persons grants.

	Land £'000	Houses and Flats £'000	Other £'000	Total £'000
Government Grants		2,164		2,164
Borrowing		2,487		2,487
Capital Receipts		150		150
	0	4,801	0	4,801

9. Capital Receipts

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

	2006/2007 £'000	2007/2008 £'000
Right to Buy sales	1,303	858
Auction sales	83	0
Land sales	0	0
	1,386	858

10. Depreciation and Impairment

The total charge for depreciation in 2007/2008 was £2,164,529 (£2,153,916 in 2006/2007) which is equated to the major repairs allowance for Council Dwellings. The impairment charge in 2007/08 was £327,781 (nil in 2006/2007). This is in respect of a reduction in value of the Sheltered Housing element of the Councils stock which cannot be offset against a Revaluation Reserve balance as this is set to zero at 1 April 2007 in line with recommended practice.

11. Subsidy

	2006/2007 £'000	2007/2008 £'000
Management and maintenance	5,107	5,141
Major Repairs Allowance	2,154	2,164
Charges for capital and interest	64	0
Rental constraint allowance	31	586
Interest on receipts	(12)	(12)
Rent income	(9,538)	(9,979)
Other items	0	0
Total for year	(2,194)	(2,100)
Adjustment for prior years	(37)	(5)
Modified Schemes		
Total subsidy under 1989 Act	(2,231)	(2,105)

12. Rent Arrears

	2006/2007 £'000	2007/2008 £'000
Current Tenants	182	195
Former Tenants	50	56
Garages	1	1
Total Rent Arrears	234	252
Gross Rent Income	(9,198)	(9,790)
Arrears as a % of Gross Rent Income	2.5%	2.6%

The provision for HRA bad debts at 31 March 2008 is unchanged from that at 31 March 2007 at £125,000.

13. Rent Income from Dwellings

	2006/2007 £'000	2007/2008 £'000
Full rental income from dwellings	9,369	9,912
Less Rent due on void properties	(133)	(89)
Less Irrecoverables	(38)	(33)
Total	9,198	9,790

14. Service Charge Breakdown

The £380,000 included under service charges income is broken down as follows.

	£'000	
Service Charges	53	Leaseholders
Housing Care	192	Care element of sheltered rent
Insurance	35	Leaseholders insurance repayments
Water / Alarms	21	Sheltered accommodation recharge
Court Costs	12	From tenants
Service Charges	15	Tenants
Management	52	Non care element sheltered rent
	380	

15. Pensions

The following transactions have been included in the HRA Income and Expenditure Account and Statement of Movement on the HRA Balance for 2007/2008 with no net residual cost to the HRA.

	2006/2007 £'000	2007/2008 £'000
Net Cost of Services		
▪ Current service costs and past service costs	17	6
Surplus or (Deficit) for the year on HRA Services		
▪ Pensions interest cost and expected return on Pensions Assets	56	7
Statement of Movement on the HRA Balance		
▪ Reversal of net charges made for retirement benefits in accordance with FRS17	(206)	(29)
Actual amount charged against Rents		
▪ Employers' contributions payable to scheme	133	16

COLLECTION FUND		
2006/07		2007/08
£'000		£'000
	INCOME	
(30,066)	Council Tax	(32,356)
(3,944)	Transfers from General Fund Council Tax Benefits	(4,132)
(12,341)	Income collectable from Business Ratepayers	(11,615)
<u>(46,351)</u>		<u>(48,103)</u>
	EXPENDITURE	
33,545	Precepts and demands from County and District	35,779
	Business Rate	
12,261	Payment to National Pool	11,533
80	Costs of Collection	81
	Bad and Doubtful Debts	
(34)	Write Offs	(48)
174	Provisions	205
136	Contributions - release of surplus	380
<u>46,162</u>	TOTAL EXPENDITURE	<u>47,930</u>
<u>(189)</u>	MOVEMENT ON FUND BALANCE	<u>(173)</u>
	APPROPRIATIONS	
(431)	(Surplus) at 1st April	(620)
(189)	Deficit (Surplus) for the year	(173)
<u>(620)</u>	(Surplus) at 31st March	<u>(793)</u>

NOTES TO THE COLLECTION FUND

1. The Collection Fund

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

Any surplus or deficit in respect of Council Tax at the end of the year is, during the next year distributed between the billing authority and the major precepting authorities in proportion to their precepts in the year that the surplus or deficit occurred.

2. Council Tax

Council Tax income is calculated by estimating the amount of income required from the Collection Fund for Hampshire County Council, Hampshire Fire and Rescue Authority, 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	4,828.45	6/9	3,219.0
B	10,640.75	7/9	8,276.1
C	7,568.50	8/9	6,727.6
D	4,012.50	9/9	4,012.5
E	1,643.50	11/9	2,008.7
F	1,226.25	13/9	1,771.3
G	307.00	15/9	511.7
H	5.25	18/9	10.5
			26,537.4
			Plus MOD contributions in lieu 595.9
			Less allowance for losses on collection (266.2)
			Add second homes adjustment 81.1
			Tax Base for 2007/2008 26,948.2

The Band D Council Tax for a Gosport property in 2007/08 was £190.63

3. Non-Domestic Rateable Value

The NNDR multiplier for the year was 44.4 pence. The total non-domestic rateable value at the year-end was £33,464,490

4. Precepts and Demands

	2006/2007 £'000	2007/2008 £'000
Hampshire County Council	24,110	25,752
Hampshire Fire & Rescue Authority	1,420	1,511
Hampshire Police Authority	3,162	3,379
Gosport Borough Council	4,853	5,137
	33,545	35,779

5. Release of Collection Fund surpluses

	2006/2007 £'000	2007/2008 £'000
Hampshire County Council	97	273
Hampshire Fire & Rescue Authority	6	16
Hampshire Police Authority	13	36
Gosport Borough Council	20	55
	136	380

6. Accounting for the Collection Fund Balance

The surplus on the Collection Fund at 31 March 2008 of £793,000 has been accounted for as follows:

- In the Balance Sheet at 31 March 2008, the council included the £793,000 surplus on a disaggregated basis as below.

	2006/2007 £'000	2007/2008 £'000
<u>Creditors</u>		
Hampshire County Council	445	570
Hampshire Fire & Rescue Authority	26	34
Hampshire Police Authority	58	75
<u>Fund Balances and Reserves</u>		
Gosport Borough Council	91	114
	620	793

- The additional surplus accruing to the council in 2007/08 is reflected in the Statement of Total Recognised Gains and Losses on page 17.

GOSPORT BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

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

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

This statement explains how Gosport Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The governance framework has been in place at Gosport Borough Council for the date of approval of the 2007/08 Statement of Accounts.

The governance framework

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

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

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

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

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

The Sustainable Community Strategy sets out Gosport's 2026 Vision which has been developed in parallel with the Local Development Framework (which sets out future land use in the Borough).

The first stage in developing the Vision involved extensive data collection on a range of quality of life issues which provided a statistical picture of the Borough. This is the [data baseline](#). The second stage involved a large-scale community consultation, 'Make your Mark', which allowed residents, businesses and visitors to comment and prioritise the key issues. Over 1200 people took part in this highly successful participation event and the [results](#) were used to inform the Vision.

In addition to this key service providers were consulted and other consultation findings and local and regional plans and strategies were assessed.

Drawing on the information obtained from the research and consultations Gosport's 2026 Vision was produced.

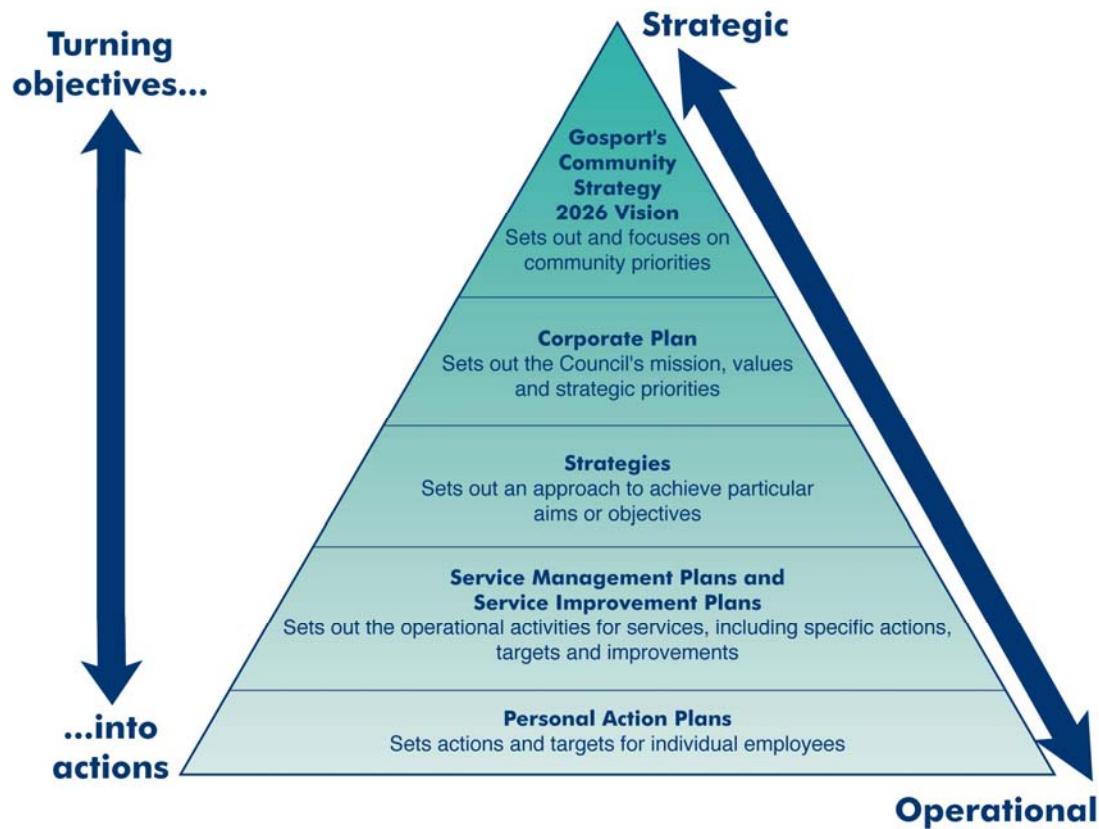
The Sustainable Community Strategy will be refreshed annually and fully reviewed every three to five years.

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

The Council's mission is:

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

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



The Council has a well established Performance Management Framework and will be further enhanced with the imminent roll out of new software to maintain this key information.

The Overview & Scrutiny Committee and Performance Sub Group monitor and scrutinise progress against targets and performance in priority areas effecting relevant service areas, and consider corrective action where necessary, on a quarterly basis.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams (service efficiency reviews), the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council's Corporate Procurement Strategy, approved in August 2005, provides a consistent strategic framework within which to undertake and continuously develop procurement to deliver the Council's corporate objectives, to improve performance and deliver efficiencies. The Strategy encompasses the policy objectives of the National Procurement Strategy and adapts and prioritises them to meet the Council's local context. The Strategy recognises that the Council cannot achieve its objectives alone and emphasises the need to work in collaboration with public, private, social enterprise and voluntary sector partners. A core theme throughout the Strategy is the Council's commitment to social, economic and environmental sustainability. This strategy is planned to be updated in 2008/09.

The Council reviewed its Financial Regulations in 2006. These Regulations are planned to be updated in 2009/10.

Risk Management is monitored by the Corporate Risk Management Group, which meets approximately every six weeks. The Group reviews risk arrangements and advises Management Team on risk issues within the Council and on existing and planned risk controls.

Risks are reported by use of risk registers. Each section is required to update its own register. These registers will be further enhanced with the roll out of the "risk module" as part of the new performance management software.

A Risk Management Guide will be published shortly. Also, an updated risk management policy will be published as soon as it has been approved by the Standards & Governance Committee.

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

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

The option to employ 'alternative arrangements' allows the Council to retain a Committee structure for making decisions but together with a system that allows other Councillors to scrutinise decisions that have been made. Members of the Policy and Organisation Board are disqualified from membership of the twelve strong Overview and Scrutiny Committee. There are six meetings of the Overview and Scrutiny Committee each year.

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

- Council
- Policy and Organisation Board
- Community and Environment Board
- Housing Board
- Regulatory Board
- Licensing Board

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

In addition to the Boards, there is also a Standards and Governance Committee in place to promote and maintain the highest standards of conduct by members and officers of the Council. The Committee comprises six Councillors and two Independent Members. Additionally, from May 2008 the Standards and Governance Committee is required to deal with complaints made about the conduct of Councillors as the majority of these cases will, from that point, be determined locally.

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

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

The Council Management Team (CMT) meet weekly to develop policy and strategic issues commensurate with the Council's aims, objectives and priorities. CMT also considers other internal control issues, including risk management, performance management, compliances, efficiency and financial management. Three CMT sub-groups, Performance, Organisation and Resources, are in place to consider specific areas of work. The Leader and Deputy Leader of the Council hold twice-weekly meetings with the Chief Executive Officer to review progress in achieving the Council's objectives, priorities for action, performance management and forward planning for major issues.

Pre-Agenda meetings are held for the three operational Boards, Policy and Organisation, Housing and Community and Environment two weeks before the meeting of the Board. The Chairman of the Board will be present at Pre-Agenda meetings along with relevant officers of the Council. At the Pre-Agenda meeting the Chairman will consider a list of items that it has been proposed to take forward to the Board meeting and will make a decision on whether each item in his opinion should be placed on the final Agenda, decided under the delegated powers approved by Council or referred to the Overview and Scrutiny Committee. Following such Pre-Agenda meetings all Members of the Council are furnished with a Key Decision List of items allowing four working days from publication to call in an item for scrutiny. Informal briefings are also held for the Chairmen of the Regulatory Board and Licensing Board shortly before the Board meeting.

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

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

- Code of Conduct for Members of Gosport Borough Council
- Code of Conduct for the Guidance of Employees
- Code of Conduct for Councillors in the Regulatory Process
- Protocol for Councillor/Officer Relationships
- Anti-Fraud and Corruption Policy
- Whistle Blowing Policy
- Protocol on Principles of Scrutiny

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

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

The Council has achieved re-accreditation under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

The Environmental Health Unit has achieved accreditation under the Charter Mark standards, which is the Government's national standard for excellence in customer service.

The financial management of the Authority is conducted in accordance with the financial rules set out in the Constitution and underpinned with Financial Regulations. The Council has designated the Deputy Chief Executive and Borough Treasurer as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council operates an Internal Audit section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. However, this section now operates under a partnership arrangement with Eastleigh Borough Council.

Service Improvement Plans and Service Management Plans are regularly updated by Unit and Line Managers and are a standing item on monthly team meetings. These plans incorporate Corporate Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

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

The Overview and Scrutiny Committee will accept and investigate formal requests for scrutiny and receive selected policies and strategies for review throughout the year.

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

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

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

New Members are provided with an induction training programme to prepare them for their new role, commencing with an induction evening hosted by the Chief Executive, Borough Solicitor and Borough Treasurer that covers topics such as the role of the councillor, finance, standards, code of conduct and major projects. A rolling programme of topical briefings such as those on economic

prosperity, crime reduction, local government finance and making decisions on planning and licensing issues are held throughout the year to correlate with the Board cycle.

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

Review of effectiveness

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

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

1. The Borough Solicitor (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. The Council has an Overview and Scrutiny Committee. They can establish sub-groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Board/Council.
3. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager. The report includes recommendations for improvements that are included within an action plan (and regarded as critical, essential, important & advisory) and requires agreement or rejection by service managers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.
4. Submission of Annual Assurance Statements from all Service Unit Managers in support of this Statement.

The Standards & Governance Committee also received Internal Audit monitoring reports on a quarterly basis throughout 2007/08.

In March 2008, the Standards & Governance Committee considered the performance of Internal Audit for the period 1 April 2007 to 31 March 2008; this was the final monitoring statement for the period. All major audits would be completed by the end of March 2008 in preparation for the interim audit by the Council's external auditors. Members were made aware of significant issues that arose from the reviews that included:

- Election Accounts
- VAT
- Business Continuity
- CRM
- Accounts Payable
- IT Inventory

Internal Audit reviews and computer-based assignments had been undertaken in accordance with the risk index previously agreed with Members and the Council's external auditors. The latest release of data under the National Fraud Initiative had been delayed pending discussion between the Ministry of Justice, Electoral Registration Officers and the Audit Commission on the right of access by the Audit Commission.

Significant governance issues

The following governance issues were identified during 2007/08 as a result of the review of arrangements and by the work of external and internal audit.

NO	ISSUE	ACTION/PROGRESS TO DATE
1	Closely monitor the repairs contract budget	Increased information and systems in place to ensure contract is financially controlled
2	Homelessness debt management	Working group established to streamline the process and reduce the level of arrears
3	Accounting reconciliations require evidence of review	Evidence to be retained on file
4	Review the current procurement strategy and contract standing orders	Will be updated in 2008/09

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

Signed

.....

Councillor Dave Smith

Ian Lycett

Leader of the Council

Chief Executive

25 June 2008

25 June 2008



Independent auditors' report to the Members of Gosport Borough Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Gosport Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of Gosport Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.



We read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes 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 information in the Authority accounting statements and related notes.

Opinion

In our opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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



Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Gosport Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's Best Value Performance Plan for the financial year 2007/08 on 14 December 2007. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

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.

A handwritten signature in red ink, appearing to read 'Mazars LLP'.

Mazars LLP
Chartered Accountants and Registered Auditors
Southampton

19 September 2008