



STATEMENT OF ACCOUNTS

2023/24

STATEMENT OF ACCOUNTS 2023/24

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NARRATIVE REPORT

This narrative report is divided into five sections

1. An overview of Gosport
2. A summary of the financial performance for the year
3. An explanation of the financial statements
4. An explanation of the 2023/24 financial statements status
5. Outlook and key issues

1. GOSPORT AREA AND ORGANISATION OVERVIEW

This report provides a detailed summary of the financial performance of Gosport Borough Council for the financial year 2023/24. At the February 2024 Council meeting a robust budget was set as well as setting Medium Term Financial Forecast estimates for the following financial years up to 2026/27.

Introduction to the Council

Council Structure

Following the Local Elections held in May 2024 where 15 of the 28 local councillor seats were up for election, the current political structure of the council is:

- 15 Liberal Democrats
- 10 Conservatives
- 2 Labour
- 1 vacancy

Full Council meets every two months to review strategic issues and decisions affecting the entire Council. The Council is supported by a series of Boards and Committees that allow councillors to review issues and make decisions in areas of particular detail. These Committees are:

- The Policy and Organisation Board covering all issues of Council wide policy and strategy as well as any key financial and procurement considerations;
- The Community and Environment Board which covers issues associated with Council services regarding Waste, Leisure, Open Spaces, environment and health and climate change;
- The Housing Board which covers issues associated with the Council's housing stock, Housing Revenue Account (HRA) financial oversight and issues with General Fund Council Housing services including Homelessness and Private Sector Housing
- The Regulatory Board which reviews proposed planning applications, carries out regulatory functions of the Council as a Building Control Authority.
- The councillors are supported by officers of the Council. The Council Senior Management Team is provided by a combination of directly employed staff from Gosport Borough Council and some officers who are employed by Portsmouth City Council. The Borough Treasurer and Borough Monitoring Officer (Solicitor) are shared between the two authorities and the Chief Executive and Deputy Chief Executive are employed directly by Gosport Borough Council. Some officers are also employed by Fareham Borough Council.

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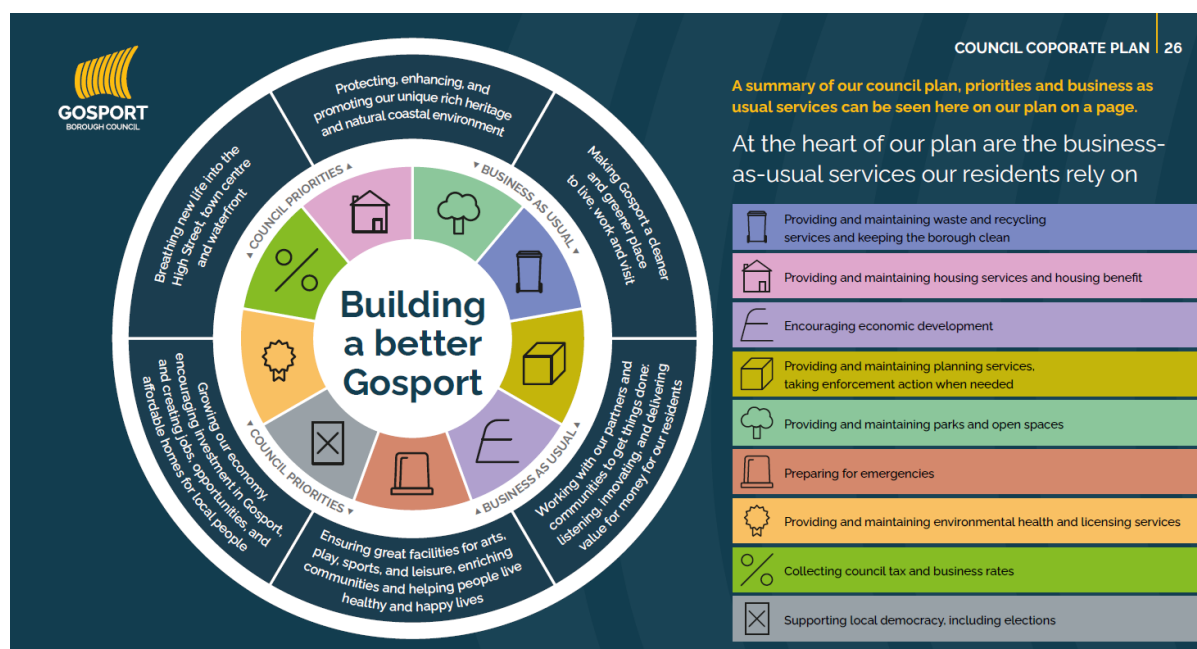
Council Corporate Plan

The purpose of the Council's Corporate Plan is to set out clearly what our priorities are for the borough, so our residents, staff and other stakeholders can understand what the Council is working to achieve for Gosport and where we think it is most important that we focus our attention and resources right now.

The Council's current priorities as set out in the Corporate Plan are:

Building a better Gosport for everyone by:

- 1) Breathing new life into Gosport's high street, town centre and waterfront
- 2) Protecting, enhancing, and promoting Gosport's unique rich heritage and natural coastal environment
- 3) Making Gosport a cleaner and greener place to live, work and visit
- 4) Growing our economy, encouraging investment in Gosport, and creating jobs, opportunities and affordable homes for local people
- 5) Making sure Gosport has great facilities for arts, play, sports and leisure, enriching communities and helping people live healthy and happy lives
- 6) We will do this by being a council that works together with our partners and communities to get things done, listening, innovating and delivering value for money for the people of Gosport



2. Financial Narrative

In undertaking this important work, the Council also needs to ensure it operates with a system of sound financial management and stewardship, not least as the vast majority of funding that the Council receives is provided by Gosport residents either in the form of Council Tax or Business Rates.

The Council's 2023/24 medium term financial strategy indicated that the Council needed to make savings of £485,000 in 2024/25, however due to unplanned cost pressures exceeding £1,000,000 and without compensating increase in funding, budget savings of £845,000 were identified when setting the 2024/25 budget.

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The Council benefited from a delay to the implementation of Local Government Funding Reform and Business Rates Retention reset. This enabled the Council to delay implementing a planned savings programme of £0.7m from 2024/25.

The 2024/25 updated medium term financial strategy indicates that the Council needs to make further savings of £401,000 to achieve a balanced budget.

Ongoing impact of the Cost of Living Crisis

The cost of living crises impacts the Council's finances beyond 2023/24 as we experience a higher demand for essential services and pressure on our budgets to be able to assist the residents who need our help the most.

Bad debt in the form of unpaid housing benefit and council tax impact the overall costs incurred by the council, we proactively manage our levels of debt and monitor these frequently. We have also seen a rise in the levels of homelessness occurrences – strategic measures are in place to look at how we can best deal with this.

During 2023/24, the Council continued to experience the “hang-over” of the heightened levels of inflation of the past 2 years, the consequent impact on residents of the cost of living, which in turn has resulted in a significant demand for Council Services, mainly relating to Housing. Other unavoidable cost pressures experienced have been driven by National Living Wage rises in 2023/24 of 9.7%. This has had a “knock on” impact on council contracts and council pay. Despite this the Council set a revised budget for 2023/24 without having to draw on its reserves as much as was estimated.

The cost of living crises impacts the Council's finances beyond 2023/24 as inflationary cost increases outstrip the rates at which sources of Council funding increase, this leads to a “structural gap” between spending and funding.

The impact of inflation has been seen across all of our cost bases, including capex where build cost pressure has been significant as the cost of materials increase.

Financial Performance Report

The Council reviews its financial performance in a number of different ways:

- Performance of the General Fund (this is the funding the Council has for its day-to-day activities which is predominantly funded by Council Tax and Business Rates);
- The extent to which the Council holds adequate financial Reserves (holding reserves enables the Council to fund future specific projects or services and also to ensure it has sufficient financial resilience in the event of unexpected financial impacts);
- Performance of its Housing Revenue Account (HRA). The HRA is where income and costs for our 3,000+ social housing units is monitored, including specific HRA reserves;
- Performance of the Council's Capital Programme (as well funding for day-to-day services, the Council undertakes in the region of £10million per annum of capital investment in its services, social housing stock, economic opportunities and other development plans);

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General Fund

The General Fund Underspent by £362,000 compared to the 2023/24 revised budget. The underspending can be split between operational activities £85,000 and revenue financing of the Capital programme £277,000.

In Summary the main variations giving rise to the revenue (operational) underspend of (£85,000) are set out below.

Budgets carry forward to 2024/25 for work planned to be completed in 2023/24 which will now complete in 2024/25 amounting to £67,000. The carry forwards reflect work associated with the completion of Local Development Plan studies and IT planned upgrades.

- Service net underspending £18,000; mainly in the following areas

<u>General Fund Service (Under) / Over spend compared against Revised Budget (excl. budgets carried forward to 2024/25)</u>	
	£'000
<i><u>Main favourable variances</u></i>	
Reduced Net Interest Costs borne by the General Fund	(£139,000)
Staffing Costs chargeable to the General Fund	(£105,000)
Capacity Support Grant (Levelling Up)	(£86,000)
Foreshore Maintenance	(£60,000)
Cost of Homelessness and Homelessness Prevention	(£25,000)
<i><u>Main Adverse variances</u></i>	
Recycling Income	£70,000
Additional unfunded contract payments (Urbaser)	£70,000
Development Control Income	£54,000
Net Cost of Operating Stokes Bay Mobile Home Park	£37,000
Net Cost of Car Parking	£31,000
All other variances	£135,000
(Under) / Overspend compared with Revised Budget	(£18,000)

The table below shows the transfer to and from the Council's main General Fund Revenue reserves during the year, in particular:

- Revenue Financing Reserve – under spend compared to revised budget during 2023/24 including budget carry forwards to 2024/25 and revenue funding of the capital programme.
- EZ Retained Rates Reserve - £0.574 million was transferred to this reserve during 2023/24 which is available to fund projects meeting the criteria set out when the Solent Enterprise Zone was established.

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GENERAL FUND - MAIN REVENUE RESERVES	ACTUAL 01-Apr-23 £'000	ACTUAL 31-Mar-24 £'000	MOVEMENT £'000
General Fund Working Balance	(1,000)	(1,000)	0
Revenue Financing Reserve	(5,495)	(4,920)	575
Stability and Resilience Reserve	(1,451)	(1,846)	(395)
EZ Retained Rates Reserve	(225)	(799)	(574)
Homelessness Support Grant Reserve	(488)	(603)	(115)
Revenue Reserve for Capital	(439)	(385)	54

Housing Revenue Account

The following table summarises the movement in useable reserves arising from the Housing Revenue Account (HRA) outturn compared to the approved budget.

HOUSING REVENUE ACCOUNT - OUTTURN	REVISED 2023/24 £'000	ACTUAL 2023/24 £'000	MOVEMENT £'000
Net HRA (Surplus) / Deficit for Year	1,443	805	(638)
Revenue Funding of Capital Programme	-	-	-
Transfer (to) / from the New Build and Loan Repayment Reserve	1,443	805	(638)
# (Red) figures are income & in the variance column indicate an underspending or additional income			

The HRA made a Surplus of £805,000 during 2023/24 which was transferred to the New Build and Loan Repayment Reserve. Compared to the 2023/24 revised budget the HRA overspent by £638,000

In Summary the net overspend can be explained as follows

- Increased cost of repairs and maintenance of the Housing Stock £444,000.
- Increased costs of Supervision and Management £238,000
- Increased net interest costs on HRA Debt £122,000
- Increased income from rents and service charges -£79,000
- All other variations -£90,000.

A net transfer of £402,000 was made to the Major Repairs Reserve to fund capital expenditure. This transfer is the difference between depreciation charged to the HRA and the capital expenditure subsequently financed from the MRR reserve. This reserve is available to fund future HRA Capital expenditure.

Useable Reserves available to the HRA are summarised below.

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HRA - REVENUE RESERVES	ACTUAL 01-Apr-23 £'000	ACTUAL 31-Mar-24 £'000	MOVEMENT £'000
Revenue Account Balance	(992)	(992)	-
New Build & Loan Repayment Reserve	(3,381)	(4,186)	(805)
	<u>(4,373)</u>	<u>(5,178)</u>	<u>(805)</u>
HRA - CAPITAL RESERVES	ACTUAL 01-Apr-23 £'000	ACTUAL 31-Mar-24 £'000	MOVEMENT £'000
Capital Receipts New Build	(3,134)	(3,224)	(90)
HRA Capital Receipts Reserve	(923)	(434)	489
Major Repairs Reserve	(953)	(1,355)	(402)
	<u>(5,010)</u>	<u>(5,013)</u>	<u>(3)</u>

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Capital Programme

A summary of capital expenditure for 2023/24 is detailed in the table below, presented in the Budget Book format. The programme overall underspent by £1,169,000 compared to the revised forecast. The project milestones and costs incurred are regularly reviewed. Where appropriate and subject to governance steps actions are taken to ensure maximum efficiency and effectiveness are made within with funds available. Major scheme variations are set out in the table below.

SCHEME	REVISED 2023/24 £'000	ACTUAL 2023/24 £'000	VARIANCE £'000	SLIPPAGE to 2024/25 £'000
BY BOARD				
Community Board - Housing (HRA)	4,300	4,157	(143)	0
Housing Board	908	1,193	285	0
Community Board	1,472	626	(846)	880
Policy & Organisation Board	971	506	(465)	245
	7,651	6,482	(1,169)	1,125
BY MAJOR SCHEME				
Improvements to Housing Stock (HRA)	2,500	2,896	396	0
House Purchases (HRA)	1,400	1,184	(216)	0
Disabled Facilities Grant	900	1,180	280	0
Coastal Flood Schemes (All)	539	245	(294)	294
New Build (HRA)	400	77	(323)	0
Stokes Bay Seawall	217	114	(103)	103
Heritage Grants	200	145	(55)	55
Replacement of NNDR System	188	173	(15)	0
IT - various upgrades / replacements	130	39	(91)	0
Heritage Action Zone - Studies / Match Funding	92	0	(92)	72
Splash Park Maintenance	80	45	(35)	35
Criterion Building - Acquisition & Refurbishment	69	54	(15)	15
Car Park Resurfacing and Upgrading	65	55	(10)	10
UK Shared Prosperity Project	64	14	(50)	50
Allotments - Improved Access to Sites	60	1	(59)	59
Manor Way Allotments	57	57	0	0
All other schemes	690	203	(487)	432
	7,651	6,482	(1,169)	1,125
# (Red) figures in the variance column indicate an underspending				

3. THE FINANCIAL STATEMENTS

The Statement of Accounts sets out the Council's financial position at 31 March 2024 and a summary of its income and expenditure in the year to 31 March 2024. It is, in parts, a complex document which is prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2023/24 (the Code) which is underpinned by International Financial Reporting Standards (IFRS). It comprises of core and supplementary statements together with disclosure notes and is subject to external audit. These are summarised over four headings below:

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a. Core financial statements

- **Comprehensive Income and Expenditure Statement (CI&ES)**

This statement records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis in line with the Council's reporting structure and the bottom half includes corporate transactions and funding.

The content shows the service cost in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements and this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

- **Movement in Reserves Statement (MIRS)**

This statement summarises the change in the Council's reserves over the year – with the reserves being divided into 'usable reserves' (i.e. those that can be used to fund expenditure) and 'unusable reserves' (i.e. those which are set aside for specific purposes)

It includes the adjustments needed to show the Council's net expenditure and income in line with statutory requirements as reported to the Council's management and members

- **Balance Sheet**

The Balance Sheet provides a snapshot of the Council's assets, liabilities, cash and reserves at the year-end date.

- **Cash Flow Statement**

The Cash Flow Statement shows the reasons for the changes in the Council's cash balances over the year by analysing them over operating, investing and financing activities.

b. Notes to the financial statements

These provide supporting information and analysis including detail about the Council's accounting policies which underpin the reported figures.

The Expenditure and Funding Analysis (E&FA) note underpins the CI&ES and the MIRS – the latter reconciling the CI&ES to the Council's statutory funding arrangements. The E&FA shows the reconciling adjustments from the MIRS in more detail against the Council's main reporting structure, as included in the CI&ES, to show the annual change in usable reserves

c. Supplementary financial statements

- **Housing Revenue Account (HRA) and notes**

The Housing Revenue Account (HRA) reflects the statutory obligation to maintain a separate revenue account for income and expenditure on council housing and related activities in accordance with the Local Government and Housing Act 1989. The notes provide further supporting information.

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- **Collection Fund and notes**

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

d. Important governance statements

- **Statement of Responsibilities**

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

- **Annual Governance Statement**

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

4. AN EXPLANATION OF THE 2023/24 FINANCIAL STATEMENTS STATUS

Context for the 2022/23 and 2023/24 audits – Ministry of Housing, Communities & Local Government (MHCLG) (formerly Department for Levelling-up, Housing and Communities and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers.

There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DHCLG has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog.

The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.

- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ MHCLG announced on 30th July 2024 on the action to be taken to tackle the audit backlog in England. Secondary Legislation will be laid before parliament to provide for an initial backstop date of 13th December 2024 for financial years up to and including 2022/23 and five subsequent backstop dates for the financial years 2023/24 to 2027/28. Subject to parliamentary approval, for financial years 2024/25 to 2027/28, the date by which local

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bodies should publish “draft” (unaudited) accounts will change from 31 May to 30 June following the financial years to which they relate.

The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to:

- ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
- ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to launch consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

The Government intend to lay secondary legislation to provide for an initial backstop date of 13 December 2024 for financial years up to and including 2022/23

As a result of the system wide implementation of backstop dates it is anticipated there would be modified and disclaimed opinions on accounts from the 13 December 2024 backstop.

5. KEY ISSUES AND OUTLOOK

Key financial figures included in the statement

- Pensions liability

The Balance Sheet shows a reduction the net pension liability of £3.991m during 2023/24. This is due to an increase in the pension asset by £5.994m to £99.576m offset by an increase in the pension liability by £2.003m to £102.888m.

The liability is a volatile figure and has a tendency to vary by several millions from year to year depending on actuarial assumptions and government guidance.

Financial Assumption	31 March 2023	31 March 2024
Pension increase rate (CPI)	2.7% p.a.	2.8% p.a.
Salary increase rate	3.7% p.a.	3.8% p.a.
Discount rate	4.7% p.a.	4.8% p.a.

The Hampshire Local Government Pension Fund is subject to triennial valuations and employee and employer contributions are adjusted accordingly to ensure a fully funded pension position over the life of the fund. The Council's budget and forward projections fully provide for required pension fund contributions.

31-Mar-23 £'000	31-Mar-24 £'000
(7,303) Net Pension Liability	(3,312)

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- Borrowing and Cash**

The table below summarises the Council's net borrowing position at the year end. Local Authority treasury management functions are closely regulated and the Council complies with all managerial and reporting guidelines

31-Mar-23 £'000	31-Mar-24 £'000
3,405 Cash and Cash Equivalents	3,020
(11,168) Short Term Borrowing	(10,503)
(46,550) Long Term Borrowing	(49,150)
(54,313) Net Borrowing position	(56,633)

- Capital Financing Requirement**

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

31-Mar-23 £'000	31-Mar-24 £'000
81,769 Capital Financing Requirement	81,155
<i>Explanation of movement in the year</i>	
502 Increase in need to borrow to fund capital expenditure	57
(631) Decrease in need to borrow due to Minimum Revenue Provision	(671)

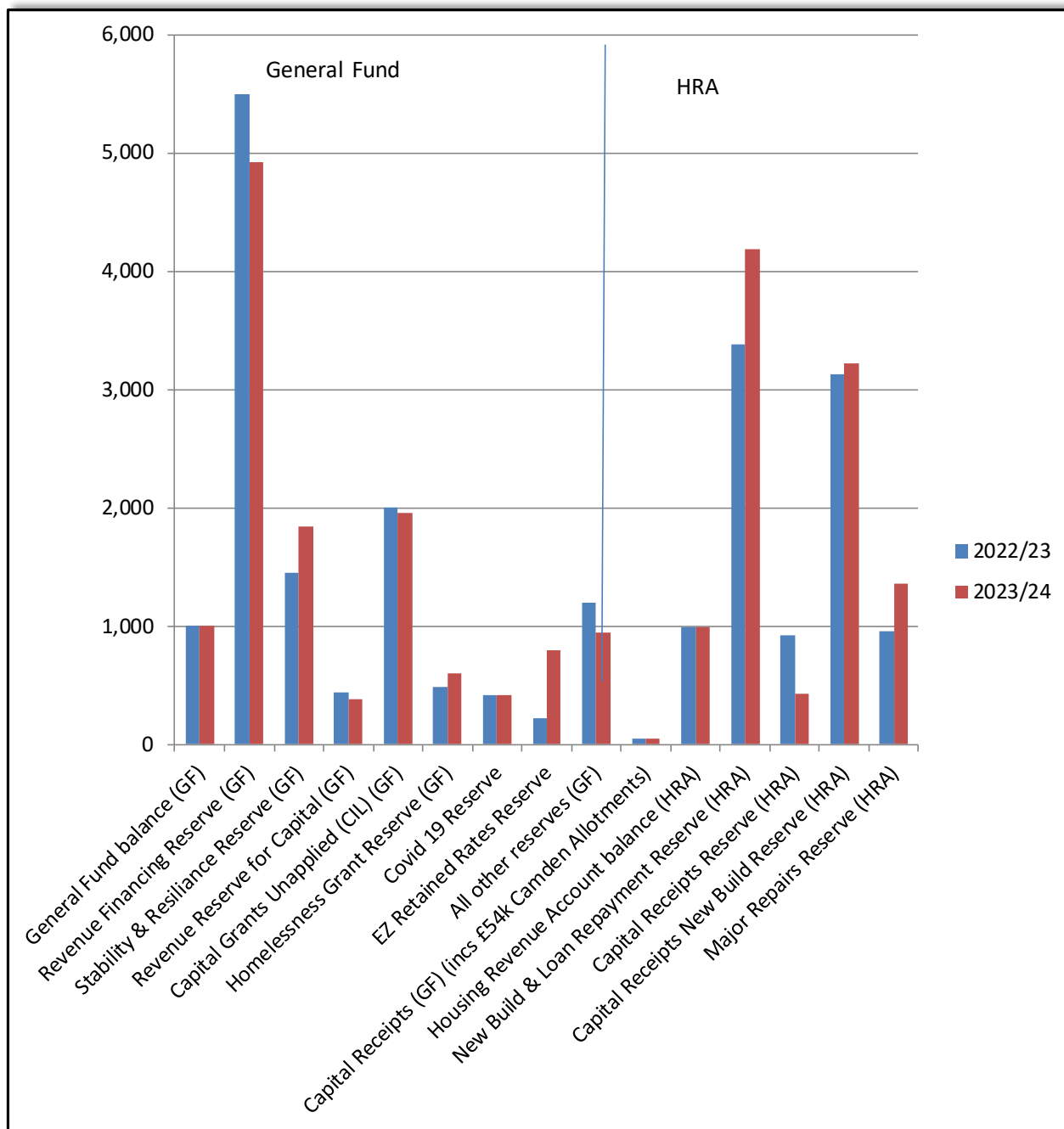
- Resources**

The council's available reserves at the end of 2023/24 to meet both General Fund and Housing Revenue Account capital and revenue expenditure plans are summarised below:

31-Mar-23 £'000	31-Mar-24 £'000
<u>Revenue</u>	
(10,271) General Fund (GF)	(10,531)
(4,373) Housing Revenue Account (HRA)	(5,178)
<u>Capital</u>	
(2,494) General Fund (GF)	(2,396)
(5,010) Housing Revenue Account (HRA)	(5,013)
(22,148)	(23,118)

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- The Council's year on year balances on available reserves (£'000)



In addition the Council has £2.530 million of developers' contributions and other grants and contributions available to spend at 31st March 2024 (£4.087 million at 31 March 2023).

These are categorised as 'Receipts in Advance – Capital Grants' as they are subject to conditions as to the nature and timescale of their use and could therefore be returnable. The Council manages these sums to mitigate that possibility.

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Outlook

- **General Fund (GF)**

The Council's Medium Term Financial Strategy (MTFS) is designed to meet the following overall aim:

"In year expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services, improving the overall prosperity of residents and businesses and ensuring adequate financial resilience"

The Budget for 2024/25 made proposals for the following:

- i) Savings in excess of £0.485m as required by the Council resolution of February 2023, the increased level of savings being required to offset the unavoidable and unplanned inflationary and demand pressures experienced in 2023/24 and continuing into 2024/25
- ii) Inflationary uplifts for all Services
- iii) A Council Tax increase of 2.99%
- iv) A withdrawal from the Revenue Financing Reserve of £0.622m to reflect a £0.475m contribution to the Capital Programme and to fund an underlying Budget Deficit of £0.147m.

Considering the Revised Budget 2023/24, the proposed Budget for 2024/25 and the Council's Future Years' Forecasts, the Council will have a Forecast 3 Year Budget Deficit to remedy amounting to **£1.204m**. This compares to a forecast 3 Year Budget Deficit of £1.456m estimated in February 2023.

The most significant risks to the assumptions used in our projections are

Government Reviews affecting funding of Local Government (both of which are now assumed to be implemented in 2026/27).

- The outcome of the Fair Funding review
- The outcome of the Business Rate Retention review

Health of Economy and other cost pressures

- Collection rates for Council Tax and Business Rates
- The level of successful business rate appeals arising from the national revaluation of business rates in 2023/24
- The extent to which levels of demand and inflation will persist and increase at levels in excess of funding.

The combination of the risks above could lead to a variation in the forecasted deficit of +/- £0.5m

Our Response (Strategy)

The Council has a strong track record of being able to live within its means, make savings and secure financial resilience. Adequate reserves are a necessary requirement of financial resilience enabling any in-year deficits between funding and spending to be "smoothed out" over time as well as enabling investments to be made that will improve the financial sustainability of the Council in the future

Looking forward, the Council's financial strategy will include

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- Income generation and protection as well as a commercialisation programme
- Use the strategic review of all Council property assets to capture the opportunities for income generation, regeneration, efficiencies or disposal
- Enhance income generation through spend to save initiatives and other commercial activities
- Pursue efficiency by undertaking a full review of existing Revenue Budgets, ensuring that both Council performance and value for money are achieved
- Ensure that the organisational design of the Council meets the Council's priorities
- Invest in the Borough for regeneration to stimulate employment and also to increase funding by improving the Business Rate Base and the Council Tax Base for the Council; this will also positively improve prosperity for the Borough generally and reduce the dependency on Council Services.

Conclusion

Significant risks to the Council's future funding still remain over the next 3 years, particularly relating to the volatility and elevated levels of inflation, the increased demands for Council Service (e.g. Homelessness) being driven by the cost of living crisis, the continued, and the forthcoming overhaul of the Local Government funding system.

The level of the Council's useable reserves puts the council on a sound footing to meet the financial challenges ahead and allow it to make savings in a smooth and managed way over the next 3 years.

• Housing Revenue Account (HRA)

Notable points from the latest HRA Business Plan and budget report include

- Over the 30 year period, the Business Plan is forecast to remain in balance with HRA Reserves forecast to steadily accumulate over this period. At the end of the 30 years [these will amount to £58 million](#). It provides a smooth profile of repairs and maintenance funding at average levels of [£9 million per annum](#). [High inflation](#) has had an impact on balances in the shorter term as have continuing high numbers of RTB sales.
- Government policy on social rents have allowed increases of CPI +1% since April 2020 for the next five years. As a result of this rents increased by [7.7%](#) in April 2024. Gross HRA borrowing at 31 March 2024 is £46.8 million. The HRA's capital financing requirement (underlying need to borrow) is £61.4 million and so the HRA is therefore presently under-borrowed by £14.6 million; effectively this amount is borrowed from the Council's General Fund.
- The Council currently has three social house building schemes identified, estimated costs have increased since the scheme was first planned and now are budgeted to cost £7m, these costs will be met from reserves and 1-4-1 RTB receipts and a small amount of borrowing from the PWLB.

• Capital Programme

The currently approved capital programme covers the period from 2024/25 to 2026/27 for both the GF and the HRA and is summarised below.

The programme will be updated following the 2023/24 outturn to incorporate any slippage, re-phasing and under or over spends.

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	2024/25 £,000	2025/26 £,000	2026/27 £,000	Total £'000
CAPITAL BUDGETS BY BOARD				
HOUSING REVENUE ACCOUNT				
SCHEMES	9,110	5,700	4,150	18,960
GENERAL FUND SCHEMES	8,810	2,748	3,950	15,508
	17,920	8,448	8,100	34,468
FUNDING				
HRA RESOURCES	7,490	5,700	4,150	17,340
HRA BORROWING	1,620	-	-	1,620
<i>General Fund Resources</i>				
EXTERNAL GRANTS AND				
CONTRIBUTIONS	4,887	2,523	3,719	11,129
LOCAL RESOURCES	842	175	210	1,227
BORROWING	3,081	50	21	3,152
	17,920	8,448	8,100	34,468

The Council has been awarded over £18m in Levelling Up Funding from the Department of Levelling Up Housing and Communities to transform the Historic Gosport Waterfront. This will be included within the Capital programme subject to Full Council Approval.

STATEMENT OF RESPONSIBILITIES

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 P Chegwyn
Chair of Policy and Organisation Board

10th February 2025

The Chief Finance Officer's responsibilities

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

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

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

The Chief Finance Officer has also:

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

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2024.

Mr Chris Ward
Borough Treasure, Section 151 officer

10th February 2025

FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (and rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

Gross Exp £'000	2022/23 Gross Income £'000	Net Exp £'000		Notes	Gross Exp £'000	2023/24 Gross Income £'000	Net Exp £'000
9,261	(2,332)	6,929	Community Board		9,071	(2,262)	6,809
4,752	(3,310)	1,442	Housing Board		4,482	(3,480)	1,002
24,157	(17,322)	6,835	Policy and Organisation Board		24,381	(18,249)	6,132
14,796	(15,898)	(1,102)	Housing Revenue Account		14,330	(16,792)	(2,462)
52,966	(38,862)	14,104	Cost Of Services		52,264	(40,783)	11,481
		3,330	Other Operating Expenditure	6			2,894
		764	Financing and Investment Income and Expenditure	7			443
	(12,335)		Taxation and Non Specific Grant Income and Expenditure	8			(13,111)
		5,863	Deficit on Provision of Services				1,707
	(12,471)		Surplus on revaluation of Property, Plant and Equipment assets	25			(9,529)
	(24,345)		Actuarial losses / (gains) on pension assets / liabilities	25			(4,191)
	(36,816)		Other Comprehensive (Income)				(13,720)
	(30,953)		Total Comprehensive (Income)/Expenditure				(12,013)

FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2023	(10,271)	(4,373)	(4,551)	(953)	(1,999)	(22,147)	(133,628)	(155,775)
Movement in reserves during 2023/24								
Total Comprehensive Income and Expenditure	(233)	1,940	-	-	-	1,707	(13,720)	(12,013)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(27)	(2,745)	453	(402)	43	(2,678)	2,678	-
(Increase)/decrease in 2023/24	(260)	(805)	453	(402)	43	(971)	(11,042)	(12,013)
Balance at 31 March 2024	(10,531)	(5,178)	(4,098)	(1,355)	(1,956)	(23,118)	(144,670)	(167,788)
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2022	(12,152)	(4,480)	(2,924)	(978)	(2,945)	(23,479)	(101,343)	(124,822)
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure	1,714	4,149	-	-	-	5,863	(36,816)	(30,953)
Adjustments between accounting basis & funding basis under regulations (Note 9)	167	(4,042)	(1,627)	25	946	(4,531)	4,531	-
(Increase)/decrease in 2022/23	1,881	107	(1,627)	25	946	1,332	(32,285)	(30,953)
Balance at 31 March 2023	(10,271)	(4,373)	(4,551)	(953)	(1,999)	(22,147)	(133,628)	(155,775)

FINANCIAL STATEMENTS

Balance Sheet

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

31-Mar-23 £'000	Notes	31-Mar-24 £'000
208,017 Property, Plant & Equipment	13	213,977
342 Heritage Assets	14	336
8,978 Investment Properties	15	9,519
317 Intangible Assets	16	373
4,621 Long Term Debtors	19	4,554
222,275 Long Term Assets		228,759
9,736 Short Term Debtors	19	9,494
3,405 Cash and Cash Equivalents	20	3,020
13,141 Current Assets		12,514
(11,168) Short Term Borrowing	17	(10,503)
(10,086) Short Term Creditors	21	(7,383)
(259) Short Term Provisions	22	(420)
(21,513) Current Liabilities		(18,306)
(45) Long Term Provisions	22	(45)
(46,550) Long Term Borrowing	17	(49,150)
(142) Other Long Term Liabilities	32	(142)
(4,087) Receipts in Advance - Capital Grants	29	(2,530)
(7,303) Net Pension Liability	33	(3,312)
(58,127) Long Term Liabilities		(55,179)
155,776 Net Assets		167,788
(22,148) Usable Reserves	24	(23,118)
(133,628) Unusable Reserves	25	(144,670)
(155,776) Total Reserves		(167,788)

The unaudited Statement was issued on 10th June 2024 and the audited Statement was issued on 10/02/2025.

Chris Ward CPFA
Borough Treasurer,
10/02/2025

FINANCIAL STATEMENTS

Cash Flow Statement

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

2022/23 £'000	Notes	2023/24 £'000
(5,863) Net surplus or (deficit) on the provision of services		(1,707)
1,720 Adjustments to surplus or deficit on the provision of services for non-cash movements	36	6,498
(3,625) Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36	(2,439)
(7,768) Net Cash flows from Operating Activities		2,352
(598) Net Cash flows from Investing Activities	36	(4,018)
496 Net Cash flows from Financing Activities	36	1,281
(7,870) Net increase or (decrease) in cash and cash equivalents		(385)
11,275 Cash and cash equivalents at the beginning of the reporting period		3,405
3,405 Cash and cash equivalents at the end of the reporting period		3,020

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024.

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

b) Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

Inflation and demand related cost pressures continue to outstrip the increases in funding from Central Government, Business Rates and Council Tax causing a "structural gap" between spending and funding. These factors impact Gosport Borough Council's finances through a number of ways

- Additional costs of providing day to day services
- Creation of a structural imbalance between the rate at which costs rise and lower funding rises (mainly Council Tax which is capped at a level below inflation)
- Increased demand for Council Services
- Additional costs of financing the Council's capital programmes as interest rates increase
- The impact on the Council's cash flow and treasury management
- Collection fund collection rates
- The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves

The current medium term financial strategy was refreshed in February 2024 taking into account the pressures referred to above and indicates that cumulative savings of £1,204,000 over the period 2025/26 to 2027/28 are required to produce a balanced budget, any shortfalls in individual years being met by using existing reserves.

The Council's useable revenue reserves at 31st March 2024 are as follows

General Fund	General Fund Earmarked Reserves	Housing Revenue Account Reserves
£1,000,000	£9,399,000	£5,178,000

It is not anticipated that the availability of cash will be a concern. At the 31st March 2024 the Council held cash equivalents of £3,020,000 and can borrow a further £21,600,000 (within the currently

NOTES TO THE FINANCIAL STATEMENTS

approved Treasury Management Strategy) from a number of sources including the Public Works Loans Board as it has deferred borrowing to fund its prior year's capital programme. In the unlikely circumstance that this level of cash is insufficient, the Council could approve a higher Authorised Borrowing Limit. The Council has prepared a detailed cash flow up to 31st March 2026 and remains confident in its ability to maintain sufficient cash for its services throughout the medium term. The Council is of course also able to borrow short term for cash management if ever needed.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated future financial shocks in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

c) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with the Council's main bank account.

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

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

e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is

NOTES TO THE FINANCIAL STATEMENTS

applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

f) Charges to Revenue for Non-Current Assets

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

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

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

g) Council Tax and Non-Domestic Rates (NDR)

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

Accounting for Council Tax and NDR

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

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

h) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (i.e. Cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (including flexi time but not time off in lieu which is judged not to be material) earned by

NOTES TO THE FINANCIAL STATEMENTS

employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is calculated at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit and charged to the Surplus or Deficit on the Provision of Services. It is then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The majority of the Council's employees belong to the Local Government Pension Scheme (LGPS) administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council. Detailed regulations govern rates of contribution and scales of benefit.

- The Local Government Pension scheme is accounted for as a defined benefit 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 – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% based on the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities.
 - Assets of the LGPS attributable to the council are included in the balance sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities current bid price
 - property – market value

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

Service cost comprising	
Current service cost	The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
Past service cost	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure

NOTES TO THE FINANCIAL STATEMENTS

	Statement as part of Non Distributed Costs
Net interest on the net defined benefit liability (asset) i.e. the net interest expense for the authority	The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Remeasurements comprising	
The return on plan assets	Excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
Actuarial gains and losses	Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
Contributions paid to the Hampshire Pension Fund	Cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

i) Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a

NOTES TO THE FINANCIAL STATEMENTS

material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

j) **Financial Instruments**

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

Financial Liabilities

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

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

Financial Assets

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

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI). The Council does not have any assets that fall into this class.

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

Financial Assets Measured at Amortised Cost

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

NOTES TO THE FINANCIAL STATEMENTS

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets (if considered material) held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

k) Government Grants and Contributions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Community Infrastructure Levy

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

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

I) Heritage Assets

The Council's Heritage Assets are

- held in the Town Hall.
- Heritage related regeneration capital schemes under the Council's Heritage Action Zone status

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

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules in relation to heritage assets are permitted to be relaxed as detailed, together with a description of the assets held, in Note 14.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Heritage assets apart from regeneration projects are considered to have an indefinite life and no depreciation is therefore charged. Depreciation will be charged on regeneration projects in accordance with the Council's depreciation policy.

m) Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

n) Joint Arrangements

The Council has a 25% share in the Portchester Crematorium that is disclosed in note 30 to the accounting statement. The Council's share of the assets and liabilities are also disclosed in note 30 as they are not considered of sufficient materiality to warrant inclusion in the Council's Balance Sheet.

o) Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods and services transferred to the service recipient during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

p) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

q) Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Operating Leases

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

r) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

s) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost. The carrying amount of a replaced or restored part of an infrastructure asset is derecognised, with the carrying amount of the new component being recognised

NOTES TO THE FINANCIAL STATEMENTS

- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Depreciation

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

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

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

- Council Dwellings – straight line method over the estimated useful life of the property
- Buildings - straight-line method over the useful life of the property as estimated by the Valuer
- Vehicles, Plant and Equipment - straight line method over the estimated useful life of the asset
- Infrastructure – straight line method over the estimated useful life of the asset

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

Componentisation of an asset will be considered where the carrying value of an asset is greater than £1,000,000, the component is at least 20% of the carrying value of the asset and there is a potentially significant impact on depreciation.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government under the Government's pooling arrangements. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

t) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

The Council maintains a provision for bad debts, MMI Insurance claims and successful business rates appeals.

Contingent Liabilities

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

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

Contingent Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

u) Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

The Council's main reserves are described further in Notes 24 and 25 to the accounting statements

v) Revenue Expenditure funded from Capital under Statute

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

w) Value Added Tax

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

x) Fair Value Measurement of non-financial assets

The Council measures some of its non-financial assets and financial instruments at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

The Council uses external valuers to provide a valuation of its assets using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed are categorised within the fair value hierarchy as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards in the 2024/25 Code.

The new standards in the 2024/25 Code that apply from 1 April 2024 are:

- IFRS 16 Leases
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) is

Apart from the IFRS16 Leases standard it is not expected that the other new standards will have a material impact on the Council's financial statements.

3. Critical Judgements in applying Accounting Policies

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

- **Future funding for local government** – while there is a high degree of uncertainty about future levels of funding for local government, the Council has determined that this uncertainty is not sufficient to provide an indication that the Council's assets might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Asset classifications** – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These are based on the main reason that the council is holding the asset with the classification determining the valuation method to be used.
- **Lease classifications** – the Council has made judgements on whether its lease arrangements are operating leases or finance leases. There is an element of subjectivity in these assessments and de-minimis levels have been applied. The accounting treatment for operating and finance leases is different (see accounting policy on Leases) and may have a significant effect on the accounts.
- **Contractual arrangements** - the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets)
- **Joint Arrangement** - The four member authorities of the Portchester Crematorium Joint Committee (PCJC) have made an assessment of the relationship against IFRS11, Joint Arrangements, to determine the appropriate accounting treatment. PCJC decisions take place through majority voting with no one authority having overall control, although each can exercise a significant influence over the PCJC. This joint arrangement means that each member authority has equal 25% voting rights. PCJC is an entity in its own right, with the ability to make binding decisions, employ staff and enter into contracts. The entity (PCJC) has been assessed as being an Associate and each member is required to reflect its 25% share of the PCJC assets and liabilities in its respective statement of accounts. The Council has made a judgement on the

NOTES TO THE FINANCIAL STATEMENTS

grounds of materiality that group accounts are not required and has therefore disclosed its share of the assets and liabilities as part of the Related Parties disclosure note (Note 30) rather than incorporate them into its Balance Sheet.

- **Potential Liabilities** - the Council has made judgements about the likelihood of potential liabilities and whether any provisions should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Note 22 refers.
- **Doubtful debts allowances** - the council has made judgements on a prudent level of allowances for doubtful debts. These are based on historical experience of debtor defaults and the current economic climate.
- **Receipt of grants in advance** – the Council is in receipt of funding and incentive monies that have been awarded on the basis of future spend. A judgement is made surrounding the ability to meet the required criteria in the specified time period and the appropriate accounting entry is made accordingly.

4 Uncertainties relating to Assumptions and Estimates used

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

The items in the Authority's Balance Sheet at 31 March 2024 for which material assumptions and estimates have been made are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>The introduction of Business Rates Retention from 1 April 2013 has placed a significant risk for shortfalls in business rate funding onto the Council and precepting authorities. This is particularly true for factors outside of the Council's direct control such as rating appeals.</p> <p>A provision is held in the Collection Fund for the estimated total value of rating appeals that may require refunding but have not yet been formally agreed by the Valuation Office.</p>	<p>At 31 March 2024, the Council's share of the total provision of £1.049 million (£0.649 million in 2022/23) is £0.420 million (£0.259 million in 2022/23).</p> <p>The actual cost of appeals – whether above or below the provision - will impact on retained business rate income.</p>
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about individual assets service delivery and level of repairs and maintenance. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance which may bring into</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £49,000 for every year that useful lives had to be reduced.</p>

NOTES TO THE FINANCIAL STATEMENTS

	doubt the useful lives assigned to assets. Assets are valued on a five-year rolling basis	
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability for funded LGPS benefits of changes in individual assumptions can be measured and a sensitivity analysis is included in note 33 e.g. a 1 year increase in member life expectancy will increase the liability of the pension fund by £4.232 million.</p> <p>However, the assumptions interact in complex ways. During 2023/24, the authority's actuaries advised that the net pensions liability had reduced by £1.184 million due to changes in demographic assumptions and increased by £3.790 million as a result of estimates being corrected as a result of experience.</p>
Doubtful Debt Allowances	<p>The Covid 19 pandemic and legacy impact and cost of living crisis has increased the risk of non-payment of debt.</p> <p>The Council has made allowances for doubtful debts of £3.523 million in 2023/24 (£3.626 million in 2022/23) based on what it believes to be a prudent but realistic level.</p>	<p>If debt collection rates were to deteriorate or improve, a 5% change in the General Fund allowances would require an adjustment to the allowance of £176,000 (£181,000 in 2022/23).</p>
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), then fair value is measured using valuation techniques, which, where possible, are based on observable data. Where this is not possible then judgement is required in establishing fair values – including comparison with market transactions of similar properties, Depreciated Replacement Cost (DRC), cash flow analysis etc.</p>	<p>Information about the valuation techniques and inputs used in determining the fair value of the Council's Investment Properties and Financial Instruments are disclosed in notes 15 and 17 to the financial statements.</p> <p>The judgements and unobservable inputs used include considerations of uncertainty and risk and changes in these assumptions and inputs could affect the fair value of the authority's assets and liabilities</p>

NOTES TO THE FINANCIAL STATEMENTS

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Borough Treasurer on 30/09/2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have been identified.

6. Other Operating Expenditure

2022/23 £'000	2023/24 £'000
- Payments to the Government Housing Capital Receipts Pool	-
3,330 (Gain) or Loss on the disposal of non-current assets	2,894
3,330	2,894

7. Financing and Investment Income and Expenditure

2022/23 £'000	2023/24 £'000
1,750 Interest payable and similar charges	1,848
776 Pension interest on net defined benefit liability	251
(495) Interest receivable and similar income	(572)
(1,267) Net income and expenditure in relation to investment properties and changes in their fair value	(1,084)
764	443

8. Taxation and Non Specific Grant Income and Expenditure

2022/23 £'000	2023/24 £'000
(6,272) Council Tax Income	(6,507)
(2,449) Retained Business Rates	(2,973)
(2,984) Non-Ringfenced Government Grants (Note 29)	(2,944)
(630) Capital Grants and Contributions (Note 29)	(687)
(12,335)	(13,111)

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The Council's reserves against which the adjustments are made are described in Notes 24 and 25

NOTES TO THE FINANCIAL STATEMENTS

2023/24	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transfers to or (from) the Pensions Reserve)	(146)	(54)	-	-	-
Council Tax and Business Rates (transfers to or (from) the Collection Fund adjustment account)	(84)	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	10	4	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,607)	(6,855)	-	-	-
Total Adjustments to Revenue Resources	(2,827)	(6,905)	-	-	-
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	111	654	(765)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(9)	9	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,298	-	(3,298)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	671	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	658	-	-	-	-
Transfers to / (from) Capital Reserves	(97)	-	54	-	43
Total Adjustments between Revenue and Capital Resources	1,343	3,943	(702)	(3,298)	43
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,199	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,896	-
Application of capital grants to finance capital expenditure	1,457	217	-	-	-
Cash payments in relation to deferred capital receipts	-	-	(44)	-	-
Total Adjustments to Capital Resources	1,457	217	1,155	2,896	-
Total Adjustments	(27)	(2,745)	453	(402)	43

NOTES TO THE FINANCIAL STATEMENTS

2022/23	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transfers to or (from) the Pensions Reserve)	(1,478)	(730)	-	-	-
Council Tax and Business Rates (transfers to or (from) the Collection Fund adjustment account)	1,563	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	8	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,726)	(8,615)	-	-	-
Total Adjustments to Revenue Resources	(2,633)	(9,345)	-	-	-
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve					
	10	2,036	(2,046)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(23)	23	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,290	-	(3,290)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	631	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,715	-	-	-	-
Transfers to / (from) Capital Reserves	(1,088)	-	142	-	946
Total Adjustments between Revenue and Capital Resources	1,268	5,303	(1,881)	(3,290)	946
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure					
	-	-	296	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,315	-
Application of capital grants to finance capital expenditure	1,532	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	(42)	-	-
Total Adjustments to Capital Resources	1,532	-	254	3,315	-
Total Adjustments	167	(4,042)	(1,627)	25	946

NOTES TO THE FINANCIAL STATEMENTS

10. Expenditure and Funding Analysis

This note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's boards. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23			2023/24		
Net Expenditure chargeable to the GF & HRA Balances £'000	Adjustments between Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	Net Expenditure chargeable to the GF & HRA Balances £'000	Adjustments between Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
5,029	(1,900)	6,929	5,432	(1,377)	6,809
1,267	(175)	1,442	(70)	(1,072)	1,002
8,929	2,094	6,835	8,238	2,106	6,132
(1,717)	(615)	(1,102)	(2,227)	235	(2,462)
13,508	(596)	14,104	11,373	(108)	11,481
(10,432)	(2,191)	(8,241)	(12,341)	(2,567)	(9,774)
3,076	(2,787)	5,863	(968)	(2,675)	1,707
(19,577)		Opening General Fund and HRA Balance	(16,643)		
3,076		Less / Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	(968)		
(142)		Less Transfer to Revenue Reserve for Capital	(54)		
(16,643)		Closing General Fund and HRA Balance at 31 March #	(17,665)		
# for a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement and Note 24					

NOTES TO THE FINANCIAL STATEMENTS

11. Note to the Expenditure and Funding Analysis

This note provides a further analysis of the reconciling adjustments shown in the Expenditure and Funding Analysis that convert the Code based presentation in the Comprehensive Income and Expenditure Statement to the Council reporting structure presentation.

Adjustments between Funding and Accounting Basis 2023/24	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Community Board	(1,163)	10	(224)	(1,377)
Housing Board	(954)	2	(120)	(1,072)
Policy and Organisation Board	854	16	1,236	2,106
Housing Revenue Account	208	23	4	235
Net Cost Of Services	(1,055)	51	896	(108)
Other income & expenditure from the Expenditure & Funding Analysis	(1,351)	(251)	(965)	(2,567)
Difference between the General Fund surplus or deficit & the Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	(2,406)	(200)	(69)	(2,675)

Adjustments between Funding and Accounting Basis 2022/23	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Community Board	(1,433)	(240)	(227)	(1,900)
Housing Board	(17)	(40)	(118)	(175)
Policy and Organisation Board	1,538	(658)	1,214	2,094
Housing Revenue Account	(121)	(494)	-	(615)
Net Cost Of Services	(33)	(1,432)	869	(596)
Other income & expenditure from the Expenditure & Funding Analysis	(2,117)	(776)	702	(2,191)
Difference between the General Fund surplus or deficit & the Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	(2,150)	(2,208)	1,571	(2,787)

NOTES TO THE FINANCIAL STATEMENTS

Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, Minimum Revenue Provision; Refcus expenditure and grant income included in services and for

- **Other operating expenditure** – gain or loss on disposal of capital assets including adjustments for income and asset derecognition; payments to the Government's Housing Capital Receipts Pool
- **Financing and investment income and expenditure** – investment property changes in value
- **Taxation and non-specific grant income and expenditure** – capital grants applied to funding the capital programme

Net Change for the Pensions Adjustments – adjustment for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

Other Differences - include

- **Financing and investment income and expenditure** – interest and similar items paid and received; investment property expenditure and income
- **Taxation and non-specific grant income and expenditure** - the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

12. Expenditure and Income Analysed by Nature

The Council's surplus or deficit on the provision of services from the Comprehensive Income and Expenditure Statement may also be shown by the type of expenditure or income as below

2022/23 £'000	2023/24 £'000
13,546 Employees	11,977
7,101 Premises	6,674
303 Transport	275
5,478 Supplies & Services	5,845
4,120 Third Party Payments (<i>includes major contracts</i>)	4,467
17,227 Transfer Payments (<i>includes Benefit payments</i>)	17,648
10,443 Depreciation, amortisation, impairment	9,716
2,397 Capital/Financing (<i>includes interest payable and receivable</i>)	2,519
(5,686) Fees & Charges (<i>see analysis below</i>)	(5,047)
(49,066) Non Fees & Charges (<i>see analysis below</i>)	(52,275)
5,863 Deficit on Provision of Services	1,799

NOTES TO THE FINANCIAL STATEMENTS

Income can be further analysed over the following headings

2022/23 £'000	2023/24 £'000
<u>Fees & Charges (see segmental analysis below)</u>	
(541) Cust & Client Receipts - Sales	(405)
(2,372) Cust & Client Receipts - Rents	(2,026)
(2,773) Cust & Client Receipts - Fees & Charges	(2,616)
<u>Non Fees & Charges</u>	
(25,134) Government Grants (<i>includes Business Rates, Revenue Support Grant & Benefits Subsidy payments</i>)	(24,768)
(1,438) Other Grants, Reimbursements & Contributions (<i>a broad range of service grants & contributions, including Business Rates Cost of Collection</i>)	(1,938)
(2,254) Interest (<i>includes interest reimbursed by the HRA to the GF</i>)	(2,254)
(4,758) Taxation & Non Specific Grants (<i>includes Council Tax precept</i>)	(6,880)
(15,272) HRA - income (<i>includes Benefits rental income</i>)	(16,324)
(210) Other	(111)
(54,752)	(57,322)
<u>Fees & Charges by reporting segment</u>	
(2,582) Community & Environment Board	(2,492)
(1,640) Housing Board	(1,332)
(638) Policy and Organisation Board	(551)
(623) Housing Revenue Account	(497)
(203) Business Units	(175)
(5,686)	(5,047)

13. Property, Plant and Equipment and Impairments

Depreciation

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

Asset	Depreciation Method
Council Dwellings	Straight line method over the estimated useful life of the asset which on average is 50 years
Other Land & Buildings (Operational Property and Garages)	Straight line method over the estimated useful life of the asset which range between 2 and 60 years 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 the estimated useful life of the asset which are between 3 and 20 years
Infrastructure	Straight line method over the estimated useful life of the asset which are between 15 and 60 years
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

NOTES TO THE FINANCIAL STATEMENTS

Movement in Plant, Property and Equipment for 2023/24	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2023	165,960	25,388	3,712	13,719	4,764	844	3,602	217,989
Additions	4,079	75	116	0	73		545	4,888
Revaluation increases/(decreases) to RR	(6)	5,852	-	-	-	(211)	-	5,635
Revaluation increases/(decreases) to SDPS	-	68	-	-	-	-	-	68
De-recognition - Disposals	(654)	-	-	-	-	-	-	(654)
De-recognition of replacement parts	(2,896)	(76)	-	-	-	-	(50)	(3,022)
Assets reclassified	-	-	-	-	-	-	-	-
At 31 March 2024	166,483	31,307	3,828	13,719	4,837	633	4,097	224,904
Accumulated Depreciation & Impairment								
At 1 April 2023	-	(62)	(2,215)	(7,695)	-	-	-	(9,972)
Depreciation Charge	(3,298)	(775)	(426)	(376)	-	-	-	(4,875)
Depreciation & Impairment written out to RR	3,298	597	-	-	-	-	-	3,895
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition of replacement parts	-	25	-	-	-	-	-	25
Assets reclassified	-	-	-	-	-	-	-	-
At 31 March 2024	0	(215)	(2,641)	(8,071)	0	0	0	(10,927)
Net Book Value								
At 31 March 2024	166,483	31,092	1,187	5,648	4,837	633	4,097	213,977

NOTES TO THE FINANCIAL STATEMENTS

Movement in Plant, Property and Equipment for 2022/23	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2022	162,109	23,349	3,336	13,719	4,445	773	1,985	209,716
Additions	3,315	28	376	-	311	-	1,701	5,731
Revaluation increases/(decreases) to RR	5,856	2,251	-	-	-	90	-	8,197
Revaluation increases/(decreases) to SDPS	-	(280)	-	-	-	(19)	-	(299)
De-recognition - Disposals	(2,005)	-	-	-	-	-	-	(2,005)
De-recognition - Other	(3,315)	(28)	-	-	-	-	(8)	(3,351)
Assets reclassified	-	68	-	-	8	-	(76)	-
At 31 March 2023	165,960	25,388	3,712	13,719	4,764	844	3,602	217,989
Accumulated Depreciation & Impairment								
At 1 April 2022	-	(573)	(1,800)	(7,319)	-	(19)	-	(9,711)
Depreciation Charge	(3,290)	(726)	(415)	(376)	-	-	-	(4,807)
Depreciation & Impairment written out to RR	3,290	1,236	-	-	-	-	-	4,526
Impairment losses/(reversals) to RR	-	-	-	-	-	-	-	-
Impairment losses/(reversals) to SDPS	-	-	-	-	-	-	-	-
De-recognition - Disposals	-	1	-	-	-	19	-	20
De-recognition - Other	-	-	-	-	-	-	-	-
Assets reclassified	-	-	-	-	-	-	-	-
At 31 March 2023	-	(62)	(2,215)	(7,695)	-	-	-	(9,972)
Net Book Value								
At 31 March 2023	165,960	25,326	1,497	6,024	4,764	844	3,602	208,017

SUPPLEMENTARY FINANCIAL STATEMENTS

Capital Commitments

There were no significant commitments for future expenditure at 31 March 2023 or 31 March 2024

Revaluations

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

	Historical £'000	Fair Value - revalued when indicated				Total £'000
		2023/24 £'000	2022/23 £'000	2021/22 £'000	2019/20 £'000	
Property, Plant & Equipment						
Council Dwellings	-	166,483	-	-	-	166,483
Operational Property		20,445	9,492	46	0	29,983
Garages	-	1,324	-	-	-	1,324
Equipment	3,828		-	-	-	3,828
Infrastructure	13,719		-	-	-	13,719
Community Assets	4,837		-	-	-	4,837
Surplus Assets	-	633	-	-	-	633
Assets under Construction	4,097		-	-	-	4,097
	26,481	188,885	9,492	46	0	224,904

For the avoidance of doubt both Capita Ltd and Savills (UK) Ltd consider their valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Surplus Assets

Surplus Assets have been value assessed as Level 3 on the fair value hierarchy for valuation purposes (see Note 1 Accounting Policy (y) for an explanation of the fair value levels).

A desktop valuation has been used to determine Level 3 fair value for surplus assets, the assets have not been inspected, reliance has been placed on similar development opportunities for these assets being offered for sale in similar towns or district centres across the Hampshire area some beyond.

Impairments

There were no general impairments identified in 2023/24 or 2022/23.

Any revaluation gains or losses for those assets that were reported on by the Council's valuers for 2023/24 have been reflected in the Revaluation Reserve or the Capital Adjustment Account (the latter through the Comprehensive Income and Expenditure Statement) as appropriate.

Assets Held For Sale

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

SUPPLEMENTARY FINANCIAL STATEMENTS

14. Heritage Assets

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

	Civic Regalia inc Mayoral Chain (Held in the Town Hall)	Paintings	Other	Historical Sites	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
01-Apr-22	260	117	18	204	599
Additions	-	-	-	-	-
Revaluation increases/(decreases) to RR	(210)	(42)	-	-	(252)
Reclasifications	8	-	(8)	-	-
Depreciation	-	-	-	(5)	(5)
31-Mar-23	58	75	10	199	342
Additions	-	-	-	-	-
Revaluation increases/(decreases) to RR	-	-	-	-	-
Depreciation	-	-	-	(6)	(6)
31-Mar-24	58	75	10	193	336

The Council's Heritage Assets are held by the Council in the Town Hall and cost of work on sites of a Historical Nature are accounted for and valued as follows:

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

The Council's Heritage Assets held at the Town Hall are considered to have an indefinite life and no depreciation is therefore charged. These assets were last revalued during 2022/23.

- Historical Sites – the borough of Gosport has been designated as a Heritage Action Zone by Historic England which is aimed at preserving the town's military heritage. Works to Historic Sites are valued at Depreciated Historic Cost.

The existing inventory of items remains unchanged for 2023/24 and the insurance cover has been re-evaluated.

SUPPLEMENTARY FINANCIAL STATEMENTS

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

15. Investment Properties

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

2022/23 £'000	2023/24 £'000
45 Direct operating expenses arising from investment property	111
(760) Rental income from investment property	(667)
(715) Net gain	(556)

Fair Value Hierarchy

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

Valuation Techniques used to determine Level 3 Fair Values for Investment Property

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

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

Highest and best use

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

Valuation process for Investment Properties

The Council's investment property has been valued as at 31 March 2024 by Capita Ltd in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations are not reported as being subject to material valuation uncertainty (see note 13)

SUPPLEMENTARY FINANCIAL STATEMENTS

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

2022/23 £'000	2023/24 £'000
8,426 Balance at the start of the year	8,978
- Subsequent expenditure	13
- Assets reclassified	-
(7) De-recognition - Disposals	(39)
559 Net gains or (losses) from fair value adjustments	567
8,978 Balance at the end of the year	9,519

16. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets primarily comprise purchased licenses and software.

The carrying amount of intangible assets is based on historic cost and is amortised on a straight-line basis on estimated lives between 3 and 10 years. The amortisation of £127,000 charged to revenue in 2023/24 (£91,000 in 2022/23) was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2022/23 £'000	2023/24 £'000
Balance at the start of the year	
607 Gross carrying amount	882
(474) Accumulated amortisation	(565)
133 Net carrying amount at the start of the year	317
275 Purchases	183
(91) Amortisation for the year	(127)
317 Net carrying amount at the end of the year	373
Comprising	
882 Gross carrying amount	1,065
(565) Accumulated amortisation	(692)

17. Financial Instruments

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

SUPPLEMENTARY FINANCIAL STATEMENTS

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

Financial Assets

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

The following categories of Financial Liabilities and assets held at the year end are shown in the table below.

31-Mar-23			31-Mar-24	
Long Term	Current		Long Term	Current
£'000	£'000		£'000	£'000
<u>Financial Liabilities</u>				
(46,550)	(3,100)	PWLB Debt	(49,150)	(3,400)
-	(41)	PWLB Debt - Accrued Interest	-	(61)
-	(8,000)	Market Loans	-	(7,000)
-	(27)	Market Loans - Accrued Interest	-	(42)
-	(384)	Bank Overdraft **	-	(93)
(46,550)	(11,552)	Total Borrowings	(49,150)	(10,596)
-	(3,196)	Trade Payables at amortised cost	-	(2,644)
(46,550)	(14,748)	Total Financial Liabilities	(49,150)	(13,240)
All borrowing is at fixed rates and is shown at amortised cost				
<u>Financial Assets</u>				
-	-	- Investments at amortised cost	-	-
-	-	-	-	-
-	-	- Cash and Cash Equivalents	-	-
-	28	- Amortised cost	-	101
-	3,761	- Fair Value through profit or loss	-	3,012
-	-	-	-	-
-	-	- Debtors at amortised cost	-	-
63	-	- Staff Loans (Car, Bike and Bus Pass)	44	-
4,526	44	Finance Lease	4,480	46
-	2,673	Trade Receivables	-	2,954
4,589	6,506	Total Financial Assets	4,524	6,113
** Bank Overdraft is netted of cash and cash equivalents in the balance sheet				

Income, Expense, Gains and Losses

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

SUPPLEMENTARY FINANCIAL STATEMENTS

31-Mar-23 £'000		31-Mar-24 £'000
	<u>Financial Liabilities:</u>	
1,750	Interest from financial liabilities measured at amortised cost	1,848
	<u>Financial Assets:</u>	
(495)	Interest from Financial Assets	(572)
1,255	Included in the Surplus or Deficit on the Provision of Services	1,276

Financial Instruments – Fair Values

Financial assets and financial liabilities represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the net present value of the remaining contractual cash flows at 31 March 2024, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the remaining contractual cash flows over the remaining life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.
- The fair value of finance lease assets have been calculated by discounting the contractual cash flows at an estimate of an appropriate corporate bond yield reflecting the creditworthiness of the lessor.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

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31-Mar-23		Fair Value Level	31-Mar-24		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£'000	£'000		£'000	£'000	
<u>Financial Liabilities held at amortised cost</u>					
(49,691)	41,376	PWLB Loans (Long and Short Term)	2	(52,611)	(45,053)
(49,691)	41,376	Total Financial Liabilities		(52,611)	(45,053)
(11,607)		<u>Liabilities for which fair value is not disclosed</u>		*	(9,779)
(61,298)		Total Financial Liabilities		(62,390)	
<u>Recorded on the balance sheet as</u>					
(46,550)		Long Term Borrowing		(49,150)	
(384)		Bank Overdraft		(93)	
(11,168)		Short Term Borrowing		(10,503)	
(3,196)		Short Term Creditors		(2,644)	
(61,298)		Total Financial Liabilities		(62,390)	

31-Mar-23				31-Mar-24	
Carrying Amount	Fair Value		Fair Value Level	Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
<u>Financial Assets held at amortised cost</u>					
4,526	2,786	Long Term Lease receivables	3	4,480	2,811
63	63	Long Term Staff Loans (Car, Bike and Bus Pass)	3	44	44
4,589	2,849	Total		4,524	2,855
6,506		<u>Assets for which fair value is not disclosed</u>	*	6,113	
11,095		Total Financial Assets		10,637	
<u>Recorded on the balance sheet as:</u>					
4,589		Long Term Debtors		4,524	
2,717		Short Term Debtors	*	3,000	
-		Short Term Investments	*	-	
3,789		Cash and Cash Equivalents	*	3,113	
11,095		Total Financial Assets		10,637	

* The fair value of short-term financial liabilities/assets including trade payables/receivables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is high than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the

SUPPLEMENTARY FINANCIAL STATEMENTS

interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date.

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar financial transactions is now higher than that obtained when the financial transaction was originally made.

18. Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes a Treasury Investment Strategy in compliance with the Department for Levelling Up, Housing and Communities guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The key risks are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

The table below summarises the credit risk exposures of the Council's short term treasury investment portfolio at 31st March by credit rating (includes investments categorised as cash and cash equivalents).

Credit Rating	2022/23 £'000	2023/24 £'000
A	25	100
Unrated Local Authorities	-	-
Total	25	100
Credit risk not applicable *	3,761	3,012
Total Investments	3,786	3,112
* Credit risk is not applicable to Money Market Funds where the Council has no contractual right to receive any sum of money		

Loss allowances on treasury investments have been calculated by reference to historical default data published by credit rating agencies adjusted for current and forecast economic conditions; these allowances are not significant and have not been included within the accounts on grounds of materiality.

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Lease Receivables: The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

Trade Receivables: The following analysis summarises the council's potential maximum exposure to credit risk based on experience of default and future collectability. (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).

	Note	Amount at 31 March 2024 £'000	Historical experience of default %	Adjustment for market conditions at 31 March 2024 %	Estimated maximum exposure to default £
General debtors	a	419	17.7%	17.7%	74
Housing rents	a	2,120	56.0%	56.0%	1,187
Other	a	415	0%	0%	0
In addition to the above Financial Instruments the Council is exposed to risk arising from non payment of statutory Housing Benefit debt and costs associated with Council Tax and Business Rates collection. The risks are shown below					
Overpaid Housing Benefits		2,148	90.0%	90.0%	1,933
Costs associated with Council Tax and Business Rates Collection		811	40.6%	40.6%	329
(a) The council does not generally allow credit for customers and the estimated risks are covered by doubtful debt allowances which derive from aged debt analysis, historical experience and assessment of future collectability.					

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loan maturities within approved parameters set out in the Council's approved treasury and investment strategies.

The maturity analysis of financial liabilities is as follows:

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<u>Maturity Structure of All Borrowings (excluding accrued interest)</u>						
31-Mar-23		2023/24 Approved Limits		31-Mar-24		
Amount	Maturing within:-	Minimum	Maximum	Amount		
£'000	%	%	%	£'000	%	
8,100	14.0% Up to 1 year	0%	25%	10,400	17.0%	
3,100	5.0% Over 1 but not over 2 years	0%	25%	8,400	14.0%	
11,300	20.0% Over 2 but not over 5 years	0%	25%	7,200	12.0%	
3,500	6.0% Over 5 but not over 10 years	0%	20%	2,000	3.0%	
750	1.0% Over 10 but not over 20 years	0%	20%	550	1.0%	
31,000	54.0% Over 20 but not over 40 years	30%	50%	31,000	53.0%	
57,750	100.0%			59,550	100.0%	

Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movement in interest rates can have a complex impact on the Council, for instance, a rise in interest rates would have the following effects

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

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance.

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of £23,000 on the 12-month revenue impact of a 1% rise in interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been - £42,000 in 2023/24 (2022/23 -£134,000).

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

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19. Debtors

Long Term Debtors

31-Mar-23 £'000	31-Mar-24 £'000
4,526 Finance Lease - Landing Stage	4,480
95 Other entities and individuals	74
4,621	4,554

Short Term Debtors (net of allowances for doubtful debts)

31-Mar-23 £'000	31-Mar-24 £'000
759 Central Government bodies	1,057
4,815 Other Local Authorities	4,864
4,162 Other entities and individuals	3,573
9,736	9,494

20. Cash and Cash Equivalents

31-Mar-23 £'000	31-Mar-24 £'000
3,761 Money Market Funds	3,012
25 Call Accounts	100
3 Cash imprests / cash in hand	1
(384) (Overdraft) / Cash at bank [Grouped accounts]	(93)
3,405	3,020

21. Creditors

Short Term Creditors

31-Mar-23 £'000	31-Mar-24 £'000
(2,741) Central Government bodies	(2,762)
(3,175) Other Local Authorities	(1,100)
(4,170) Other entities and individuals	(3,521)
(10,086)	(7,383)

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22. Provisions

	Short Term (S) Long Term (L)	Balance 01-Apr-23 £'000	< ----- Additional provisions made £'000	2023/24 Amounts used £'000	> ----- Unused amounts reversed £'000	Balance 31-Mar-24 £'000
Business Rates Appeals	S	(259)	(161)	-	-	(420)
MMI Scheme of Arrangement	L	(45)	-	-	-	(45)
		(304)	(161)	-	-	(465)

The provision for Business Rates valuation appeals is required by Business Rates Retention funding system - the Council's share of the total provision of £1.049 million is £0.420 million. Provisions for doubtful debts are included within Note 19.

23. Agency Services

A contribution is paid by the County Council towards grass cutting (environmental maintenance). The Council acted as agent for central government to make payments of Energy Rebates to households during 2022/23. These are summarised below.

31-Mar-23 £'000	31-Mar-24 £'000
219 Grasscutting	234
(103) Hampshire County Council contribution	(113)
4,841 Payment of Energy Rebates on Behalf of Central Government	-
4,957	121

24. Usable Reserves

Usable reserves are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations.

The Council's main reserves are described below:

Revenue - General Fund

General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the balance. It is effectively a working balance for both unforeseen events and fluctuating income streams. It may not be used to fund HRA services.

Revenue Financing Reserve

A reserve available for general use, although it is particularly targeted at ensuring that fluctuations in annual maintenance requirements can be met, underwriting uninsured risks and funding spend-to-save revenue and capital initiatives.

Stability and Resilience Reserve

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

Other Usable Reserves

Represent earmarked sums for contributing to specific service revenue expenditure includes commuted sums, major contract reserves and safety and housing related grants.

Revenue - Housing Revenue Account

HRA balance

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

Major Repairs, New Build and Loan Repayment Reserve

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

Capital – General Fund

The Capital Receipts reserve holds proceeds from land and other asset disposals and may only be utilised to fund capital expenditure. The balance of £55,000 is the residual receipt from the sale of Camden Allotments which must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

Capital – Housing Revenue Account

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

Major Repairs Reserve

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

The detailed balances and movements on usable reserves are shown below:

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	2022/23				2023/24		
	01-Apr-22	Transfers In	Transfers Out	31-Mar-23	Transfers In	Transfers Out	31-Mar-24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue							
General Fund Balance	(1,000)	-	-	(1,000)	-	-	(1,000)
Earmarked General Fund Reserves							
Revenue Financing Reserve	(5,740)	(356)	601	(5,495)	(85)	660	(4,920)
Stability & Resilience Reserve *	(3,047)	-	1,596	(1,451)	(395)		(1,846)
EZ Retained Rates Reserve	-	(225)	-	(225)	(574)		(799)
Cherque Farm Open Space	(122)	-	19	(103)		19	(84)
Supporting Troubled Families	(95)	-	16	(79)		2	(77)
Priddys Play Area Maintenance	(29)	-	4	(25)		2	(23)
Building Control Partnership	(101)	-	10	(91)			(91)
Community Safety Partnership	(43)	-	2	(41)	(21)	1	(61)
Preventing Repossessions	(14)	-	-	(14)			(14)
Open Spaces Maintenance	(14)	-	2	(12)		2	(10)
Bus Shelter Maintenance	(30)	-	-	(30)			(30)
Business Growth Incentive Grant	(22)	-	-	(22)	-	-	(22)
Urbaser Contract Reserve	(247)	-	2	(245)	-	117	(128)
Healthy Homes	(20)	-	-	(20)	-		(20)
Benefits DWP External Funding	(19)	(46)	20	(45)	(46)	46	(45)
Homeless Support Grant Reserve	(553)	(60)	125	(488)	(115)	-	(603)
Planning DCLG Grants Reserve	(69)	-	21	(48)	(27)	37	(38)
COVID-19 Govt Grant Reseve	(452)	-	35	(417)	-	-	(417)
Income Compensation Reserve	(255)	-	127	(128)		128	-
Civic Events Reserve	(15)	-	-	(15)	-	-	(15)
Levelling Up Reserve	(125)	-	91	(34)	-	1	(33)
Cyber Security Reserve	(108)	-	-	(108)	-	3	(105)
UK Shared Prosperity Fund Reserve	-	(72)	-	(72)			(89)
					(30)	13	
Afghanistan Resettlement Fund	-	(35)	-	(35)	-	-	(35)
All Other Reserves with balances less than £10,000	(32)	-	4	(28)			
					-	2	(26)
	(11,152)	(794)	2,675	(9,271)	(1,293)	1,033	(9,531)
Housing Revenue Account							
Housing Revenue Account	(992)	-	-	(992)	-	-	(992)
New Build & Loan Repayment Reserve	(3,488)	-	107	(3,381)	(805)	-	(4,186)
	(4,480)	-	107	(4,373)	(805)	-	(5,178)
Capital							
Capital Receipts Reserve (GF)	(55)	(52)	52	(55)	(155)	155	(55)
Revenue Reserve for Capital (GF)	(581)	-	142	(439)	-	54	(385)
Capital Receipts Reserve (HRA)	(329)	(763)	169	(923)	(273)	762	(434)
Capital Receipts New Build (HRA)	(1,959)	(1,272)	97	(3,134)	(372)	282	(3,224)
Major Repairs Reserve (HRA)	(978)	(3,290)	3,315	(953)	(3,298)	2,896	(1,355)
Capital Grants Unapplied	(2,945)	(950)	1,895	(2,000)	(202)	246	(1,956)
	(6,847)	(6,327)	5,670	(7,504)	(4,300)	4,395	(7,409)
Total Usable Reserves	(23,479)	(7,121)	8,452	(22,148)	(6,398)	5,428	(23,118)
* The Stability and Resilience reserve included an exceptional balance of £1.048m at 31/3/22 being S31 grant received to offset reliefs given to businesses during lockdown.							

* The Stability and Resilience reserve included an exceptional balance of £1.048m at 31/3/22 being S31 grant received to offset reliefs given to businesses during lockdown.

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25. Unusable Reserves

31-Mar-23 £'000		31-Mar-24 £'000
(94,940)	Revaluation Reserve	(104,456)
(40,945)	Capital Adjustment Account	(38,595)
(4,570)	Deferred Capital Receipts Reserve	(4,526)
7,303	Net Pension Reserve	3,312
(625)	Collection Fund Adjustment Account	(540)
149	Accumulated Absences Account	135
(133,628)		(144,670)

Revaluation Reserve

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

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

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

2022/23 £'000		2023/24 £'000
(82,452)	Balance at 1 April	(94,940)
(13,741)	Upward revaluation of assets	(10,065)
1,270	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	536
(12,471)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(9,529)
(17)	Difference between fair value depreciation and historical cost depreciation	13
(17)	Amount written off to the Capital Adjustment Account	13
(94,940)	Balance at 31 March	(104,456)

Capital Adjustment Account

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

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The Account contains accumulated gains and losses on investment properties and any gains recognised on any donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2022/23 £'000		2023/24 £'000
(44,814)	Balance at 1 April	(40,945)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,812	Charges for depreciation, impairment of noncurrent assets	4,879
280	Revaluation losses (gain) on Property, Plant and Equipment	(68)
91	Amortisation of intangible assets	127
1,356	Revenue expenditure funded from capital under statute	1,399
5,361	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,691
11,900		10,028
17	Adjusting amounts written out of the Revaluation Reserve	(13)
	Net written out amount of the cost of non-current assets consumed in the year	
11,917		10,015
	Capital financing applied in the year:	
(296)	Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR	(1,199)
(3,315)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,896)
(902)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(987)
(630)	Application of grants to capital financing from the Capital Grants Unapplied Account	(687)
(631)	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(671)
(1,715)	Capital expenditure charged against the General Fund and HRA balances	(658)
(7,489)		(7,098)
(559)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(567)
(40,945)	Balance at 31 March	(38,595)

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Deferred Capital Receipts Reserve

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

2022/23 £'000	2023/24 £'000
(4,612) Balance at 1 April	(4,570)
42 Transfer to the Capital Receipts Reserve upon receipt of cash	44
(4,570) Balance at 31 March	(4,526)

Pensions Reserve

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

2022/23 £'000	2023/24 £'000
29,440 Balance at 1 April	7,303
(24,345) Remeasurements of the net defined benefit liability/(asset)	(4,191)
3,887 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,875
(1,679) Employer's pensions contributions and direct payments to pensioners payable in the year	(1,675)
7,303 Balance at 31 March	3,312

Collection Fund Adjustment Account

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

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2022/23			2023/24	
Council Tax £'000	Business Rates £'000		Council Tax £'000	Business Rates £'000
(67)	1,005	Balance at 1 April	247	(872)
314	(1,877)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(32)	117
247	(872)	Balance at 31 March (Surplus) / Deficit	215	(755)

Accumulated Absences Account

The account absorbs the differences from accruing for compensated absences earned but not taken in the year i.e. annual leave entitlement carried forward at 31 March and statutory arrangements requiring the impact on the General Fund Balance is neutralised by transfers to or from this Account.

26. Members' Allowances

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

2022/23 £'000	2023/24 £'000
263 Allowances	282
2 Expenses	3
265	285

27. Officers Remuneration

Number of employees 2022/23	Left during 2022/23	The number of employees (excluding senior officers which are disclosed individually in separate tables) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were: Remuneration band	Number of employees 2023/24	Left during 2023/24
2	-	£50,000 - £54,999	7	-
7	-	£55,000 - £59,999	6	1
3	-	£60,000 - £64,999	4	-
-	-	£65,000 - £69,999	2	-
1	-	£70,000 - £74,999	2	2
-	-	£75,000 - £79,999	-	-
1	-	£80,000 - £84,999	-	-
-	-	£85,000 - £89,999	-	-
-	-	£90,000 - £94,999	1	-

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Exit Packages

Exit package cost band (including special repayments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £000's	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	1
£40,001 - £60,000	0	0	0	0	0	0	0	1
£60,001 - £80,000	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	2

SENIOR OFFICER EMOLUMENTS (Salaries more than £50,000 but less than £150,000 per year)

The roles of the Chief Executive (ceased from 1st August 2023) Borough Treasurer (from 1st October 2016) and Monitoring Officer (from 10th February 2023) are fulfilled by Portsmouth City Council under a shared management arrangement. The remuneration details of the equivalent posts are disclosed in full by Portsmouth City Council at

<https://www.portsmouth.gov.uk/services/council-and-democracy/transparency/transparency-agenda/>

The amount recharged to Gosport Borough Council relating to these posts is set out below.

2022/23 £000's	2023/24 £000's
75 *Chief Executive	26
54 Borough Treasurer	58
Monitoring Officer (see ** below)	
129	84
* Shared arrangements for Chief Executive Officer ceased on 1st August 2023	
** From 10th February 2023 the Council entered into a shared legal services agreement with Portsmouth City Council. The appointment and provision of the Council's monitoring officer is included within the overall cost of the shared legal services.	

SUPPLEMENTARY FINANCIAL STATEMENTS

2023/24					
Senior Officer Emoluments - Salaries more than £50,000 but less than £150,000 per year					
Post Title	Salary (Including Allowances)	Expense Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
* Chief Executive (appointed on the 1st August 2023)	83,024	-	83,024	16,485	99,509
	83,024	0	83,024	16,485	99,509
* up to 1st August 2023 this role was provided via a shared services agreement with Portsmouth City Council					

2022/23					
Senior Officer Emoluments - Salaries more than £50,000 but less than £150,000 per year					
Post Title	Salary (Including Allowances)	Expense Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
* Head of Legal Services and Monitoring Officer	50,357	-	50,357	9,669	60,026
	50,357	0	50,357	9,669	60,026
* Post vacant from 5th December 2022					

28. External Audit Costs

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

2022/23 £'000	2023/24 £'000
Fee payable to Ernst & Young with regard to external audit services carried out by appointed auditors	
84 Statutory External Audit Services	201
84	201
<p>The Council contracts for its external audit service through the "Public Sector Audit Appointments" procurement framework. The latest fee scale has been approved for a 5 year contract commencing with the 2023/24 accounts audit. The scale fee for the Council has been agreed at £151,463 for 2023/24 compared to an agreed scale fee of £49,844 for 2022/23. Each year the auditor can submit a fee variation proposal to the PSAA should the work involved in a particular audit was substantially more or less than envisaged by the appropriate scale.</p>	

SUPPLEMENTARY FINANCIAL STATEMENTS

29. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2023/24

2022/23 £'000	Grant Income	2023/24 £'000
	Included in Taxation and Non Specific Grant Income	
	<u>Non-Ringfenced Government Grants</u>	
	Department for Communities and Local Government:	
-	Revenue Support Grant	(79)
(114)	Lower Tier Services Grant	-
(173)	Services Grant	(101)
-	Funding Guarantee Grant	(202)
-	Capacity Support Grant (Levelling Up)	(86)
(147)	Council Tax Energy Rebate Administration Grant	-
(47)	New Homes Bonus Grant	-
(91)	UK Shared Prosperity Fund	-
(72)	New Burdens Grants - various	(123)
(1,849)	S31 - Business Rate Relief Grants	(1,904)
-	DWP New Burdens Grant	(66)
-	Defra - Biodiversity Net Gain Grant	(14)
(59)	Covid 19 - New Burdens Grants	-
(56)	Household (Discretionary) Support Grant	-
	<u>Department for Work and Pensions</u>	
(327)	HB / CTB Administration	(209)
(49)	Community Infrastructure Levy	(160)
(2,984)		(2,944)
	<u>Capital Grants and Contributions</u>	
(106)	Developers Contributions - Open Spaces	(103)
(522)	Coast Protection	(327)
-	Local Authority Housing Fund (HRA)	(217)
(2)	Other	(40)
(630)		(687)
	Service Specific Revenue Grants and Contributions (included)	
	<u>Department for Work and Pensions</u>	
(16,552)	HB / CTB Subsidy	(16,663)
	<u>Department for Communities and Local Government</u>	
(902)	Disabled Facilities Grant	(987)
(77)	NNDR Cost of Collection	(78)
(598)	Homelessness Prevention Grants	(1,019)
(6)	Re-opening High Street Grant	-
(130)	Historic England Grant	(102)
-	Household (Discretionary) Support Grant	(374)
-	Council Tax Support Grant	(124)
-	UK Shared Prosperity Fund	(143)
-	Local Development Plan (One Public Estate Funding)	(88)
(46)	Covid 19 and other grants	-
-	Other	(13)
	<u>Cabinet Office</u>	
-	Elections / Register of Electors Grants	(12)
(18,311)		(19,603)

SUPPLEMENTARY FINANCIAL STATEMENTS

Receipts in Advance

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

2022/23 £'000		2023/24 £'000
Receipts in Advance - Capital Grants		
(1,002)	Open Spaces and Play Areas	(958)
(427)	Transport Contributions	(427)
(2,200)	Brownfield Land Release Fund	(850)
(206)	Coast Protection Grants	(86)
(112)	Local Authority Housing Fund Grant	(158)
(80)	Changing Places Grant	-
(60)	Other grants and contributions	(51)
(4,087)		(2,530)

30. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (i.e. council tax bills, housing benefits). Grants received from government departments are included in Note 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in Note 26. The table below shows the material transactions during 2023/24 with organisations where a member has declared an interest.

All member declaration of interests are recorded in the Register of Member's interests which is open to public inspection.

SUPPLEMENTARY FINANCIAL STATEMENTS

Material Related Party Transactions Involving Members 2023/24			
Relationship	Organisation	Nature of Payment	Payment
Trustee	Rowner Community Trust	Services	£ 31,247
Trustee	Lee on Solent Community Association	Community Grant	£ 2,287
Trustee	Elson Community Library & Hub	Community Grant	£ 3,000
Trustee	Hub4Stuff	Community Grant	£ 1,500
Trustee	Lee Hub Independent Community Library	Heritage Grants	£ 7,900
Treasurer	The Friends of Hardway	Community Grant	£ 4,000
Voluntary non-executive director	Business South Group Limited	Services	£ 5,496
Vice Chairman	The Historical Diving Society	Heritage Grant	£ 15,500

Officers

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

Portsmouth City Council – Shared Management arrangements

In June 2016, the Council approved entering into a shared management arrangement with Portsmouth City Council (PCC). This encompasses the following posts and functions: Chief Executive; Borough Treasurer; Housing Services; Personnel and Pay and Central Services and other services as required.

In February 2023 the Council approved that Portsmouth City Councils' City Solicitor and Monitoring Officer be appointed as Monitoring Officer for the Council.

During 2023/24, the Council paid PCC £939,979.93 (£767,856 in 2022/23).

There is no political merger and the two Councils remain distinct and separate entities, the collaboration is at officer level only.

Gosport and Fareham Building Control Partnership

The Partnership provides building control services on behalf of Gosport Borough Council, Fareham Borough Council and Portsmouth City Council; it has been in operation since 2003 and was expanded to include Portsmouth City Council from May 2015. During 2023/24, the Partnership charged Gosport Borough Council £90,484 (£95,316 in 2022/23) for statutory building control services. The Partnership has a policy of dividing generated surpluses between authorities based on fee generating work from each Authority. At the 31 March 2024, the balance of retained surplus for future investment in the service held by Gosport Borough Council was £93,954 (£90,923 in 2022/23), £156,143 (£151,108 in 2022/23) by Fareham Borough Council and £60,023 (£58,088 in 2022/23) by Portsmouth City Council.

Gosport and Fareham Environmental Services Partnership

The Gosport and Fareham Environmental Health Partnership provides environmental health services to both Fareham and Gosport Borough Council. The Partnership has been in operation since 2014. During 2023/24, the Partnership charged Gosport Borough Council £710,310 for statutory environmental health services (£666,718 in 2022/23). The Partnership has a policy of sharing expenditure (excluding internal recharges) on a 50/50 basis. All income is retained by the relevant authority.

Portchester Crematorium

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

SUPPLEMENTARY FINANCIAL STATEMENTS

During 2023/24 the Council received £100,000 (£170,000 in 2022/23) from the Joint Committee being its share of the distributable surpluses. The Council's 25% share of the crematorium's assets, liabilities, income and expenditure for 2023/24 are shown below

2022/23 £'000	2023/24 £'000
Portchester Crematorium - Gosport share (25%)	
1,670 Long Term Assets	1,649
887 Current Assets	871
(17) Current Liabilities	(8)
(40) Long Term Liabilities	(37)
(870) Usable Reserves	(863)
(1,630) Unusable Reserves	(1,612)
0	0
(572) Income	(580)
572 Expenditure	580

Other Public Bodies

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

2022/23 £'000	2023/24 £'000
39,063 Hampshire County Council	39,851
6,469 Hampshire Police & Crime Commissioners	6,575
2,175 Hampshire Fire & Rescue Authority	2,291
1,679 Hampshire Pension Fund	1,675
Business Rates (excluding Hampshire Police & Crime Commissioners) and Council Tax precepts	
Pension Fund payments	

31. Capital Expenditure and Capital Financing

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

SUPPLEMENTARY FINANCIAL STATEMENTS

2022/23 £'000	2023/24 £'000
81,898 Opening Capital Financing Requirement	81,769
<u>Capital Investment</u>	
5,729 Plant, Property & Equipment	4,888
- Heritage Assets	-
- Investment Properties	13
275 Intangible Assets	183
1,356 Revenue Expenditure funded from Capital under Statute	1,399
<u>Sources of Finance</u>	
(296) Capital Receipts	(1,199)
(1,532) Government Grants & Other Contributions	(1,674)
(5,030) GF and HRA Revenue and Reserves including Major Repairs Reserve	(3,553)
<u>Other Adjustments</u>	
(631) Sums set aside from Revenue (including Minimum and Voluntary Repayments of Principal)	(671)
81,769 Closing Capital Financing Requirement	81,155
Explanation of Movements in year	
502 Increase in underlying need to borrow (unsupported)	57
(631) (Decrease) in underlying need to borrow due to MRP, VRP and lease payments	(671)
(129) (Decrease) / Increase in Capital Financing Requirement	(614)

Revenue Expenditure Funded From Capital under Statute

Revenue expenditure funded from capital under statute represents capital expenditure that does not result in the creation of an asset. Revenue expenditure funded from capital under statute during the year is shown below.

	2022/23 £'000	2023/24 £'000
Housing Grants	1,330	1,180
Other Capital Schemes	26	219
Total	1,356	1,399

SUPPLEMENTARY FINANCIAL STATEMENTS

32. Leases

Council as Lessee

Finance Leases

The Council does not currently have any items held under finance leases.

Operating Leases

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

The future estimated minimum lease payments are:

	31-Mar-23 £'000	31-Mar-24 £'000
Not later than one year	634	522
Later than one year and not later than five years	2,320	2,176
Later than five years	12	14
	<u>2,966</u>	<u>2,712</u>

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

	31-Mar-23 £'000	31-Mar-24 £'000
Minimum lease payments	687	589
	<u>687</u>	<u>589</u>

SUPPLEMENTARY FINANCIAL STATEMENTS

Council as Lessor

Finance Leases

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

	31-Mar-23 £'000	31-Mar-24 £'000
Finance lease debtor		
current	44	46
non current	4,526	4,480
Unearned finance income	5,373	5,157
Gross investment in the lease	9,943	9,683

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

	Gross Investment in the Lease		Finance Lease payments	
	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000
Not later than one year	260	260	260	260
Later than one year, not later than five years	1,040	1,040	1,040	1,040
Later than five years	8,645	8,385	8,643	8,383
	9,945	9,685	9,943	9,683

Operating Leases

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

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

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

	31-Mar-23 £'000	31-Mar-24 £'000
Not later than one year	599	522
Later than one year and not later than five years	2,216	2,055
Later than five years	14,435	14,175
	17,250	16,752

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

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

	31-Mar-23 £'000	31-Mar-24 £'000
Not later than one year	1	1
Later than one year and not later than five years	4	4
Later than five years	137	136
	142	141

SUPPLEMENTARY FINANCIAL STATEMENTS

33. Pensions

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire Pension Fund (administered by Hampshire County Council) – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The funded nature of the LGPS requires Gosport Borough Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement.

The last actuarial valuation was at 31 March 2022 and the contributions to be paid until 31 March 2026 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

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

The principal risks to the authority of the scheme are the longevity assumptions, statutory change to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

SUPPLEMENTARY FINANCIAL STATEMENTS

Fund Actuaries

The reported figures and disclosure notes below are predominantly supplied by Hymas Robertson LLP, the independent actuaries to the Fund.

Estimated pension expenses for the year ending 31 March 2025

The actuary has provided the following estimates of the pension expense recognised in the Comprehensive Income and Expenditure Statement in 2024/25 based on assumptions at 31st March 2024.

Projected Current service costs	£1.569m
Projected Employer's contribution to the Pension Fund	£1.480m

Assumptions

The latest actuarial valuation of Gosport Borough Council's funded liabilities and unfunded LGPS benefits took place as at 31 March 2022. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were

2022/23	Key assumptions (% per annum)	2023/24
4.7%	Discount rate	4.8%
2.7%	Pension increase Rate (CPI)	2.8%
3.7%	Salary increases	3.8%
	Assumed life expectancy at age 65	
	<u>Males</u>	
23.3	Member aged 65 at accounting date	22.1
23.8	Member aged 45 at accounting date	22.6
	<u>Females</u>	
25.7	Member aged 65 at accounting date	24.7
26.7	Member aged 45 at accounting date	25.7

SUPPLEMENTARY FINANCIAL STATEMENTS

Transactions Relating to Post-Employment Benefits

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

2022/23 Funded £'000	Transactions relating to Post-employment Benefits	2023/24 Funded £'000
	<u>Comprehensive Income and Expenditure Statement</u>	
	Cost of Services	
3,111	Current service costs #	1,608
0	Past service costs	16
0	Financing and Investment Income and Expenditure	
776	Interest on net defined benefit liability	251
3,887	Pension expense recognised in the Surplus or Deficit on the Provision of Services	1,875
	Remeasurements of the Net Defined Liability, comprising	
8,624	Return on plan assets (in excess of) / below that recognised in net interest	(4,014)
(43,146)	Actuarial (gains) / losses due to change in financial assumptions	31
3	Actuarial (gains) / losses due to changes in demographic assumptions	(1,977)
10,174	Actuarial (gains) / losses due to liability experience	1,769
(24,345)	Total amount recognised in Other Comprehensive Income and Expenditure	(4,191)
(20,458)	Total included in Comprehensive Income and Expenditure Statement	(2,316)
	<u>Movement in Reserves Statement</u>	
(3,887)	Reversal of charges made for retirement benefits	(1,875)
1,509	Employers contribution payable to scheme	1,490
170	Retirement benefits payable to pensioners	185
(2,208)	Total included in Movement in Reserves Statement	(200)
	# Allowance for administration expenses included in current service cost 0.3% of payroll	

SUPPLEMENTARY FINANCIAL STATEMENTS

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31-Mar-23	Reconciliation to Balance Sheet	31-Mar-24
£m		£m
	<u>Local Government Pension Scheme (Funded)</u>	
93.582	Fair value of assets	99.576
(99.125)	Present value of funded defined benefit obligation	(101.117)
(5.543)	Pension liability recognised on the Balance Sheet	(1.541)
	<u>Discretionary Benefits (Unfunded)</u>	
(1.760)	Present value of defined benefit obligation	(1.771)
(1.760)	Pension liability recognised on the Balance Sheet	(1.771)
(7.303)	Net Liability arising from defined benefit obligation	(3.312)
Membership Data at the most recent funding valuation date of 31st March 2022		
		Number
	Actives	242
	Deferred Pensioners	305
	Pensioners	536

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures.

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

31-Mar-23			31-Mar-24		
Quoted	Unquoted	Asset allocation	Quoted	Unquoted	Total
42.0%	15.6%	57.6% Equities	38.0%	8.0%	46.0%
1.4%	5.4%	6.8% Property	0.0%	7.0%	7.0%
16.5%	0.0%	16.5% Government Bonds	15.0%	0.0%	15.0%
0.0%	0.0%	0.0% Corporate Bonds	5.0%	5.0%	10.0%
1.1%	0.0%	1.1% Cash	1.0%	0.0%	1.0%
0.0%	18.0%	18.0% Other	5.0%	16.0%	21.0%
61.0%	39.0%	100.0% Total	64.0%	36.0%	100.0%

SUPPLEMENTARY FINANCIAL STATEMENTS

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2022/23 £m	Changes to the present value of the defined benefit obligation	2023/24 £m
129.278	Present value of funded obligations	99.125
2.078	Present value of unfunded obligations	1.760
131.356	Opening defined benefit obligation	100.885
3.111	Current service cost	1.608
	Past Service costs (including curtailments)	0.016
3.492	Interest expense on defined benefit obligation	4.594
0.494	Contributions by participants	0.496
(43.146)	Actuarial (gains)/losses due to change in financial assumptions	0.031
	Actuarial (gains)/losses due to changes in demographic assumptions	(1.977)
10.174	Actuarial (gains)/losses due to liability experience	1.769
(4.429)	Net benefits paid out	(4.349)
(0.170)	Unfunded benefits paid	(0.185)
100.885	Closing defined benefit obligation	102.888
	Split between unfunded and funded	
99.125	Present value of funded obligations	101.117
1.760	Present value of unfunded obligations	1.771

Reconciliation of the movement in the fair value of pension fund assets

2022/23 £m	Changes to the fair value of assets	2023/24 £m
	Funded	
101.916	Opening fair value of assets	93.582
2.716	Interest income on assets	4.343
(8.624)	Remeasurement gains/(losses) on assets	4.014
1.509	Contributions by the employer	1.490
0.170	Contributions in respect of unfunded benefits paid	0.185
0.494	Contributions by participants	0.496
(4.429)	Net benefits paid out	(4.349)
(0.170)	Unfunded benefits paid	(0.185)
93.582	Closing fair value of assets	99.576
	Unfunded	
0.170	Contributions by the employer	0.185
(0.170)	Net benefits paid out	(0.185)
-	Closing fair value of assets	-

SUPPLEMENTARY FINANCIAL STATEMENTS

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised on page 80.

Sensitivity of unfunded benefits is not included on materiality grounds.

Sensitivity analysis for funded LGPS benefits		
	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	1%	1,590
1 year increase in member life expectancy	4%	4,116
0.1% increase in the Salary Increase Rate	0%	34
0.1% increase in the Pension Increase Rate (CPI)	1%	1,585

34. Contingent Liabilities

▪ Browndown Tip

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

▪ Alver Valley Country Park

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

35. Contingent Assets

▪ Priddys Hard Profit Share

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

SUPPLEMENTARY FINANCIAL STATEMENTS

36. Cash Flow Statement – notes

2022/23 £'000	Adjustments to surplus or deficit on the provision of services for non-cash movements	2023/24 £'000
4,812	Depreciation and Impairments	4,880
280	Impairment and Downward Valuations	(68)
91	Amortisation	126
(10,644)	Increase/(Decrease) in Creditors	(2,356)
885	(Increase)/Decrease in Debtors	433
2,208	Movement in Pension Liability	200
5,360	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,691
(1,272)	Other non-cash items charged to the net surplus or deficit on the provision of services	(408)
1,720	Net cash flow	6,498

2022/23 £'000	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2023/24 £'000
(2,046)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(765)
(1,579)	Capital Grants credited to the surplus/deficit on the provision of services	(1,674)
(3,625)		(2,439)

2022/23 £'000	Net Cash Flow from Investing Activities	2023/24 £'000
(6,023)	Purchase of property, plant and equipment, investment property and intangible assets	(4,933)
(58,960)	Purchase of short-term and long-term investments	(19,580)
	- Other payments for investing activities	(1,390)
2,088	Proceeds from the sale of property, plant and equipment, investment property, intangible assets (including deferred capital receipts)	809
60,960	Proceeds from short-term and long-term investments	19,580
1,337	Other receipts from investing activities	1,496
(598)	Net cash outflow from investing activities	(4,018)

2022/23 £'000	Net Cash Flow from Financing Activities	2023/24 £'000
11,000	Cash receipts of short and long-term borrowing	22,000
	Cash payments for the reduction of outstanding liabilities relating to 0 finance leases	
(11,100)	Repayments of short and long-term borrowing	(20,100)
596	Billing Authorities - Council Tax and NNDR adjustments	(619)
496	Net cash (inflow) / outflow from financing activities	1,281

SUPPLEMENTARY FINANCIAL STATEMENTS

2022/23 £'000	The cash flows for operating activities include the following items:	2023/24 £'000
526	Interest Received	615
(1,725)	Interest Paid	(1,813)
(1,199)	Net cash outflow from Interest and Dividends	(1,198)

SUPPLEMENTARY FINANCIAL STATEMENTS

37. Certification and authorisation of the Accounts

Statement of Accounts – unaudited draft authorised for issue

Signed

Date 10th June 2024

C. WARD

Borough Treasurer, Section 151 officer

Statement of Accounts – audited statement authorised for issue

Signed

Date 10th February 2025

C. WARD

Borough Treasurer, Section 151 officer

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

Signed

Date 10th February 2025

COUNCILLOR P. CHEGWYN

Leader of the Council

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

Signed

Date 10th February 2025

C. WARD

Borough Treasurer, Section 151 officer

SUPPLEMENTARY FINANCIAL STATEMENTS

HRA INCOME AND EXPENDITURE STATEMENT

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

2022/23 £'000	HRA INCOME AND EXPENDITURE STATEMENT	2023/24 £'000	2023/24 £'000
	EXPENDITURE		
5,918	Repairs & maintenance	5,487	
5,109	Supervision & management	5,236	
64	Rents, rates, taxes & other charges	53	
3,295	Depreciation, impairment and revaluation losses of non current assets	3,305	
50	Debt management costs	45	
26	Movement in the allowance for bad or doubtful debts	(39)	
14,462	TOTAL EXPENDITURE		14,087
	INCOME		
(14,940)	Dwelling rents	(15,977)	
(331)	Non dwelling rents	(347)	
(488)	Charges for services and facilities	(468)	
(15,759)	TOTAL INCOME		(16,792)
(1,297)	NET INCOME OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(2,705)
195	HRA Services' share of Corporate and Democratic Core		243
(1,102)	NET INCOME FOR HRA SERVICES		(2,462)
	HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
3,306	(Gain)/Loss on the disposal of HRA non-current assets		2,905
-	Capital Grants and Contributions		(217)
1,838	Interest payable and similar charges		2,121
(130)	Interest and investment income		(484)
236	Pension interest on net defined benefit liability		77
4,148	(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES		1,940

SUPPLEMENTARY FINANCIAL STATEMENTS

2022/23 £'000	MOVEMENT ON THE HRA STATEMENT	2023/24 £'000	2023/24 £'000
(992)	Balance on the HRA at the end of the previous year		(992)
4,148	Surplus / deficit for the year on the HRA Income and Expenditure Account	1,940	
(4,041)	Adjustments between accounting basis and funding basis under regulations (detailed below)	(2,745)	
107	Net (increase)/decrease before transfers to /(from) reserves		(805)
(107)	Transfers to / (from) Reserves		805
0	Increase in year on HRA		0
(992)	Balance on the HRA at the end of the current year		(992)

ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS			
2022/23 £'000		2023/24 £'000	2023/24 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(3,306)	Gain/(Loss) on the disposal of HRA Non-Current Assets	(2,905)	
-	- Contributions from the Capital Receipts Reserve to finance payments to the Governments Housing Capital Receipts Pool	-	
-	- Reversal of Capital grants and Contributions	217	
-	- Net charges to Accumulated Absences Account	4	
(1,182)	Net charges made for retirement benefits in accordance with IAS19	(569)	
3,290	Depreciation transfer to Major Repairs Reserve	3,298	
(3,295)	Depreciation transfer from Capital Adjustment Account	(3,305)	
(4,493)			(3,260)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
452	Employers contributions payable to the Local Government Pension Scheme and retirement benefits payable directly to pensioners	515	
452			515
(4,041)	Net additional amount required by statute to be credited to the HRA Balance for the year		(2,745)

SUPPLEMENTARY FINANCIAL STATEMENTS

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

1. Local Government and Housing Act 1989

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

2. Value of Housing Revenue Account Property

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

31-Mar-23			31-Mar-24	
Number	Value £'000		Number	Value £'000
<u>Operational Assets</u>				
2,883	157,413	Standard Dwellings	2,881	160,218
182	8,547	Sheltered Housing	182	6,265
504	1,195	Garages and Parking Spaces	500	1,324
5	43	Operational Property	5	41
1	33	Community Asset	1	33
3,575	167,231		3,569	167,881

The HRA asset base is valued annually – the 2023/24 stock valuation has been carried out by Savills (UK) Ltd on behalf of the Council and has been guided by the 'Stock Valuation for Resource Accounting: Guidance for Valuers – 2016' published by the Department for Communities and Local Government in November 2016. The housing stock for 2023/24 has been valued at 1 April 2024.

The table below shows the vacant possession value of dwellings within the HRA, this being the value as 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 of providing Council Housing at less than market rents.

31-Mar-23 £'000	31-Mar-24 £'000
502,910 Dwellings	504,494
1,195 Other Land & Buildings	1,324
504,105	505,818

SUPPLEMENTARY FINANCIAL STATEMENTS

3. Housing Stock

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

31-Mar-23	31-Mar-24
<u>Numbers</u>	
1,218 Houses	1,217
428 Bungalows	426
1,419 Flats	1,420
3,065	3,063
<u>Analysis of bedroom type</u>	
1,527 1 bedroom	1,525
538 2 bedroom	538
917 3 bedroom	916
83 4 or more bedrooms	84
3,065	3,063
<u>Analysis of stock by age</u>	
248 Pre 1945	248
1,248 1945 - 1964	1,244
614 1965 - 1974	613
955 1974 onwards	958
3,065	3,063

4. Major Repairs Reserve

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

2022/23 £'000	2023/24 £'000
978 Balance at 1 April	953
3,290 HRA Depreciation	3,298
(3,315) HRA Capital Financed	(2,896)
953 Balance at 31 March	1,355

5. Housing Repairs

2022/23 £'000	2023/24 £'000
8,659 Expenditure on Repairs	7,777
4,548 Of which planned	3,442
52.5% % of Planned / Response	44.3%

£2.896 million of the 2023/24 expenditure (£3.315 million in 2022/23) on repairs was capital expenditure. The main categories of expenditure were rewiring, disabled adaptations, kitchens, bathrooms and central heating installations.

SUPPLEMENTARY FINANCIAL STATEMENTS

6. Capital Expenditure

2022/23 £'000	2023/24 £'000
3,315 HRA Properties - capital repairs & maintenance	2,896
- Purchase of Properties	1,184
244 Affordable Housing - New Build Programme	77
3,559	4,157

7. Capital Financing

2022/23 £'000	2023/24 £'000
3,315 Major Repairs Reserve	2,896
244 Capital Receipts Reserves	1,044
- Government Grant	217
3,559	4,157

8. Capital Receipts

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

2022/23 £'000	2023/24 £'000
2,005 Right to Buy sales	654
2,005	654

9. Depreciation and Impairments of Assets

Depreciation charges for Council Dwellings are shown below.

There was no revaluation loss or impairment charge to the HRA in respect of reductions in the value the Council's housing stock which could not be offset against a Revaluation Reserve balance in either 2023/24 or 2022/23.

2022/23 £'000	2023/24 £'000
3,290 Depreciation of Council Dwellings	3,308
3,290	3,308

SUPPLEMENTARY FINANCIAL STATEMENTS

10. Rent Arrears

2022/23 £'000	2023/24 £'000
262 Current Tenants	253
253 Former Tenants	296
11 Garages	12
526 Total Rent Arrears	561
(15,427) Gross Rent Income	(16,499)
3.4% Arrears as a % of Gross Rent Income	3.4%

The bad debt provision for all HRA debts at 31 March 2024 is £463,600 (£502,600 at 31 March 2023)

11. Pensions

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

2022/23 £'000	2023/24 £'000
Net Cost of Services	
494 Current service costs and past service costs	(23)
Surplus or (Deficit) for the year on HRA Services	
236 Pension interest on net defined benefit liability	105
Statement of Movement on the HRA Balance	
(1,182) Reversal of net charges made for retirement benefits in accordance with IAS19	(597)
Actual amount charged against Rents	
452 Employers' contributions payable to scheme	515

SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND			
2022/23 £'000	-----2023/24-----		
	£'000 Business Rates	£'000 Council Tax	£'000 Total
INCOME			
(53,206) Council Tax	-	(55,693)	(55,693)
Council Tax Benefits - Discretionary Hardship			
3 Payments	-	122	122
(15,259) Income collectable from Business Ratepayers	(17,368)	-	(17,368)
(68,462)	(17,368)	(55,571)	(72,939)
EXPENDITURE			
Apportionment of Previous Year Estimated Collection Fund Surplus / (Deficit)			
(1,892) Central Government	467	-	467
(1,465) Gosport Borough Council	373	(234)	139
(56) Hampshire County Council	84	(1,351)	(1,267)
48 Hampshire Police and Crime Commissioners	-	(229)	(229)
(23) Hampshire Fire and Rescue Authority	9	(73)	(64)
Precepts, Shares and Demands			
7,508 Central Government	8,933	-	8,933
12,543 Gosport Borough Council	7,146	6,709	13,855
39,120 Hampshire County Council	1,609	39,509	41,118
6,421 Hampshire Police and Crime Commissioners	-	6,804	6,804
2,198 Hampshire Fire and Rescue Authority	179	2,176	2,355
64,402	18,800	53,311	72,111
Charges to the Collection Fund			
(6) Write off of uncollectable amounts	292	73	365
3,300 Increase / (Decrease) in Bad Debt Provisions	(677)	1,970	1,293
(1,782) Increase / (Decrease) in Provision for Appeals	401	-	401
77 Cost of collection	78	-	78
54 Transitional protection payments	(1,852)	-	(1,852)
188 Disregarded Amounts	549	-	549
1,831	(1,209)	2,043	834
66,233 TOTAL EXPENDITURE	17,591	55,354	72,945
(2,229) (Surplus) / Deficit arising during the year	223	(217)	6
MOVEMENTS ON THE COLLECTION FUND			
2,147 (Surplus) / Deficit at 1 April	(2,083)	2,001	(82)
(2,229) (Surplus) / Deficit for the year	223	(217)	6
(82) (Surplus) / Deficit at 31 March	(1,860)	1,784	(76)

SUPPLEMENTARY FINANCIAL STATEMENTS

NOTES TO THE COLLECTION FUND

1. The Collection Fund

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

2. Council Tax

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

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

Band	Estimated Number of Taxable Properties after Discounts	Ratio Equivalent	Band D Dwellings
Disabled	9.00	5/9	5.00
A	3,871.50	6/9	2,581.00
B	10,421.60	7/9	8,105.70
C	7,774.40	8/9	6,910.60
D	4,581.20	9/9	4,581.20
E	1,814.10	11/9	2,217.20
F	1,321.10	13/9	1,908.20
G	291.80	15/9	486.30
H	23.50	18/9	47.00
			<hr/> 26,842.2
Plus MOD contributions in lieu			750.6
Less allowance for losses on collection			(536.8)
Tax Base for 2023/24			<hr/> 27,056.0
Tax base for 2022/23			<hr/> 27,154.2

The Band D Council Tax for a Gosport property in 2023/24 was £255.37 (£240.75 in 2022/23)

SUPPLEMENTARY FINANCIAL STATEMENTS

Distribution of the Council Tax surplus or deficit

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

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

Estimated 2022/23 (surplus) / deficit (shared with preceptors 2023/24) £'000	Actual (surplus) / deficit 31- Mar -23 £'000	Council Tax	Estimated 2023/24 (surplus) / deficit (shared with preceptors 2024/25) £'000	Actual (surplus) / deficit 31- Mar -24 £'000
1,351	1,432	Hampshire County Council	760	1,279
73	78	Hampshire Fire & Rescue Authority	42	70
230	243	Hampshire Police and Crime Commissioners	131	219
234	248	Gosport Borough Council	129	215
1,888	2,001		1,062	1,783

The difference between the estimated (surplus) / deficit for 2023/24 and the actual (surplus) / deficit will be shared with preceptors in 2025/26.

3. Non-Domestic Rates (NDR)

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

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

Non-Domestic or business rates are levied on businesses by reference to their rateable value multiplied by the NDR multiplier for the year which is set nationally by central government. The government has undertaken a Business Rates revaluation exercise that came into effect on the 1st April 2017, at revaluation all properties are given a new rateable value and the NDR multiplier is revised.

The standard non-domestic rating multiplier for the year was 51.2p pence (51.2p in 2022/23). The total non-domestic rateable value at the year-end was £49,553,262 (£43,180,607 in 2022/23).

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

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

Distribution of the Non Domestic Rates surplus or deficit

SUPPLEMENTARY FINANCIAL STATEMENTS

Estimates for business rates to be collected in the following financial year are required to be made in the January before the year starts. As with Council Tax, there will be differences between the estimated and actual business rates collected leading to a Non-Domestic Rates surplus or deficit position within the Collection Fund at the year end. The year-end surplus or deficit on the Collection Fund is distributed between billing authority, precepting authorities and central government on the basis of estimates of the year-end balance made by the preceding 31 January.

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

Estimated 2022/23 (surplus) / deficit (shared with preceptors 2023/24) £'000	Actual (surplus) / deficit 31- Mar -23 £'000	Business Rates	Estimated 2023/24 (surplus) / deficit (shared with preceptors 2024/25) £'000	Actual (surplus) / deficit 31- Mar -24 £'000
(152)	(1,042)	Government	382	(932)
(27)	(187)	Hampshire County Council	69	(168)
(3)	(21)	Hampshire Fire & Rescue Authority	8	(19)
(122)	(833)	Gosport Borough Council	305	(745)
(304)	(2,083)		764	(1,864)

The difference between the estimated (surplus) / deficit for 2023/24 and the actual (surplus) / deficit will be shared with preceptors and central government in 2025/26

4. Accounting for the Collection Fund balance

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

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

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

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

-----31-Mar-23-----			-----31-Mar-24-----		
£'000	£'000	£'000	£'000	£'000	£'000
Busines s Rates	Council Tax	Total	Busines s Rates	Council Tax	Total
<u>Debtors / (Creditors)</u>					
-	3,650	3,650	-	3,780	3,780
-	200	200	-	205	205
-	625	625	-	646	646
-			-		
144	507	651	243	545	788
(295)	-	(295)	(225)	-	(225)
(33)	-	(33)	(25)	-	(25)
(361)	(130)	(491)	(79)	(128)	(207)
(1,638)	-	(1,638)	(1,252)	-	(1,252)
0	0				
0	0				
(259)	-	(259)	(420)	-	(420)
0	0				
0	0				
(838)	248	(590)	(745)	215	(530)
(3,280)	5,100	1,820	(2,503)	5,263	2,760

The Council's Unusable Reserves figures above exclude the Enterprise Zone £10,112 credit (£39,358 credit in 2022/23)

ANNUAL GOVERNANCE STATEMENT

GOSPORT BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023/24

What is it and why?

Within the Accounts and Audit Regulations 2015, Regulation 6, Local Authorities are required to prepare and publish an Annual Governance Statement, in order to report on the effectiveness of the Council's governance arrangements. As part of the 2021 amendment, this requires the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Gosport Borough Council's governance framework for 2023/24.

The statement also notes areas of weakness in governance that have been identified throughout the year and action plans for how these will be addressed.

As part of the completion of the Annual Governance Statement, a review of Local Code has been undertaken and governance will be assessed against this.

Scope of responsibility

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

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

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

About Gosport Borough Council

Gosport Council is made up of 28 elected Councillors covering 14 wards across the Borough. The Council operates under '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.

The council employees around 230 people and provides district services such as housing, waste management, grounds maintenance, planning and parking, however this list is not exhaustive. County led services are provided by Hampshire County Council.

The staff at the Council are managed by the Chief Executive who is the Head of Paid Service. The Chief Executive is supported by a Deputy Chief Executive and a Corporate Management Team consisting of Section Heads.

Gosport Borough Council is based at the Gosport Town Hall and Grange Farm

ANNUAL GOVERNANCE STATEMENT

The purpose of the governance framework

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

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

The governance framework

Gosport Borough Council's Governance Framework derives from the updated 2016 publication 'Delivering Good Governance in Local Government'. The Framework identified 7 principles that should underpin the governance arrangements in a Local Authority.



Each principle will be outlined below and how the Council meets them:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

ANNUAL GOVERNANCE STATEMENT

Constitution

The Constitution sets out how the Borough Council operates, the roles and responsibilities of officers and members, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The constitution is managed by the Borough Solicitor/Monitoring Officer and was subject to a review to update the Member Code of Conduct and arrangements for dealing with complaints about Members during 2022/23. The Constitution is often a working document to enable changes made in relation to boards and Council decisions. As such, amendments were made in 2022/23 following the change in administration in May 2022 whereby the board structure was updated. This is reflected below in the Composition of the Boards..

Key Statutory officers and Governance Roles

Full Council	Approves Council Strategy, constitution and key decisions.
Policy and Organisation Board	To exercise the functions of the Council in relation to Policy and Strategy, Finance and Resources, HR and Economic Development
Standards and Audit Sub Board	Sub board charged with ensuring governance within the council and promotes high standards of member conduct
Chief Executive	Section 4 of the Local Government and Housing Act 1989 requires a Local Authority appoint a Head of Paid Service and provide that officer with such staff, accommodation and other resources as are, in their opinion, sufficient to allow their duties under this section to be performed. For Gosport Borough Council this officer is Debbie Gore, Chief Executive
Corporate Governance Group	Group charged with ensuring and promoting good governance and internal control within the Council. Key group in monitoring risk management.
Corporate Management Team	Implements policy framework and objectives as set by the Council. Championing Council's governance, risk and control framework
Borough Treasurer (s151 Officer)	As required with the Local Government Act 1972, s151, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. For Gosport Borough Council, this responsibility is that of the Borough Treasurer, Chris Ward
Monitoring Officer	An officer, appointed under section 5 of the Local Government and Housing Act 1989, who is required to report to the Council where it appears to them the authority has done, or is about to do, anything which would contravene the law or which would constitute maladministration. For Gosport Borough Council this is the Borough Solicitor, Peter Baulf.
Internal Audit	Provides independent assurance and annual opinion on the adequacy and effectiveness of the

ANNUAL GOVERNANCE STATEMENT

	Council's governance, risk management and control framework. Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity.
External Audit	Review and Audit of the Council's statement of accounts on an annual basis, which includes the Annual Governance Statement and value for money. This is provided by Ernst & Young
Section Heads	Maintaining and implementing Council's governance, risk and control framework. Contribute to effective corporate governance of the Council

Councillors

Local government is accountable and transparent in a number of ways. Elected local authority members are democratically accountable to their local area and this gives them a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions.

Councillor Board Structure

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 Boards and Committees according to the number of seats held. Consequently the Council enjoys a high level of transparency when it comes to decision making and any Member of the Council is afforded the right to sit on the Boards if they are nominated for such a position at the commencement of the Municipal Year.

All decision making reports are structured and the contents demonstrate all relevant information in order to reach an informed decision.

A report on Governance was taken to Council in May 2023 to review the arrangements for the discharge of the Council's Functions and proposed changes to the Boards and Committees. The composition of the boards for 2023/24 was as follows:

Composition of Boards

The following is the composition of the Boards:-

Board/Sub Board	Number of Members
Policy and Organisation Board	7
Community and Environment Board	7
Regulatory Board	7
Standards and Audit Sub Board	5
Housing Board	7
Grant Sub Board	5

ANNUAL GOVERNANCE STATEMENT

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
Regulatory Board (Licensing Sub-Boards)

As the Regulatory Board deals with planning applications, on rare occasions Heritage related documents, and 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 Audit Sub Board in place to promote and maintain the highest standards of conduct by members and officers of the Council. The sub board undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. Additionally, in the event of a complaint regarding a breach of the code of conduct, the Monitoring Officer is enabled to convene an Initial Filtering Panel. The Initial Filtering Panel is an informal meeting to enable the Monitoring Officer to obtain the views of Councillors and/or Independent Persons upon a complaint. It shall be made up of three Councillors drawn from members of the Standards and Audit Sub Board including standing deputies and would normally include the Chairman or Deputy Chairman of the sub board. An Independent Person will also be invited to attend and express their view on the complaint. When it is a complaint by a Councillor of this Authority against another Councillor, the Initial Filtering Panel shall comprise at least two Independent Persons who will be invited to attend and express their view on the complaint. No Councillors will be present

Officers of the Council

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 protocol contained in the Constitution 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 Corporate Management Team (CMT), consisting of Chief Executive, Deputy Chief Executive & Head of Benefits Procurement and Insurance, Head of Planning & Regeneration, Monitoring Officer, Head of Finance, , Head of Streetscene, Head of Housing, Chief Internal Auditor, Head of HR, Head of Communications and Head of IT, Head of Commercial Property, Head of Electoral Services & Emergency Planning and Head of Policy meets fortnightly to develop policy and strategic issues commensurate with the Council's strategic priorities. Members of CMT meet collectively and individually with the Leader of the Council and other leading members of the Administration to consider new policies and strategies as well as managing, monitoring and reviewing existing policy and strategy. The Leader holds frequent meetings with the Chief Executive, Deputy Chief Executive and Monitoring Officer/Borough Solicitor to review progress in achieving the Council's strategic priorities and objectives as outlined in the Council Plan.

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

Information on policy, priorities, procedures and current issues is also disseminated to all staff through the Chief Executive (email) and staffroom (email) communications at least monthly.

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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
- Whistleblowing Policy

It is the shared responsibility of the Chief Officers [primarily the Chief Executive, Deputy Chief Executive, Monitoring Officer and Borough Treasurer] and the Human Resource section to ensure compliance with established policies, procedures, laws and regulations. Issues of conduct and governance must be considered by the Standards and Audit Sub Board, in which case a report and recommendations are prepared by the Monitoring Officer.

All posts within the authority have a detailed job description and training needs are identified on an on-going basis and also through the Personal Development Scheme.

B. Ensuring openness and comprehensive stakeholder engagement

Complaints

Gosport Council has a clear and publicised 3 stage complaints procedure in place to allow the public an opportunity to raise an issue where they feel the Council has not performed the level of service it should have. In addition, should a complaint not be resolved within the process, the option to raise the issue with the Local Government Ombudsman is also advertised. GBC report statistical information on complaints relating to the Ombudsman.

The Ombudsman received six complaints during 2023/24, two more than 2022/23 (figures for 2022/23 are shown in brackets below). Of these, three were concerned with corporate and other services (one) and three related to Housing Services (one).

During 2023/24, four of the complaints received by the Ombudsman were closed after initial enquiries. (three)

Two of these for Corporate and Other services were closed because they were not warranted by alleged fault, (one).

One for Corporate Services and Other was closed under Section 26(7) – A Local Commissioner shall not conduct an investigation in respect of any action which in his opinion affects all or most of the inhabitant and one for Housing closed as they had alternative recourse to Court. (none)

One complaint for Housing was closed by the Ombudsman with advice given and without the Council's involvement as the complainant was directed to the Council's Complaint Policy. (none)

The determination of the final Housing complaint had not been completed by 31 March 2024 and would be reported in the Ombudsman letter 2024/25.

No complaints were formally investigated by the Ombudsman, down from two in 2023/24.

Partnerships

Partnerships allow the Council to work with organisations, other local authorities and groups to aid in the delivery of the Council's services and objectives. The Borough links with Hampshire County Council in relation to education within the Borough and highways management. In addition, GBC also

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has formal partnership agreement with Fareham Borough Council in relation to Environmental Health, Licensing and Building Control Engagement.

Gosport has a partnership with Portsmouth City Council in relation to the sharing of senior management and services such as HR, Communications, Housing and Internal Audit.

Gosport also has a partnership with Southampton City Council for the statutory Emergency Planning Function..

A recent audit review has highlighted that currently there is no best practice guidance on how to monitor and review the effectiveness of Local Authority partnerships and as such, GBC will be looking to liaise with the Local Government Association (LGA) in determining best practice for the ongoing monitoring of performance for Local Authority Partnerships.

Gosport also works with local organisations such as Citizens Advice and Gosport Voluntary Action to ensure further engagement with the local area.

Consultations

The Council frequently consults residents both where there is a legal duty to consult and also on matters of particular interest including but not limited to planned developments within the Borough.

The Council makes decisions at public meetings of its Boards and Committees. Members of the public are able to address the Council's Boards and Committees using the Council's process for public questions and deputations available in the Council's Constitution and on the Council's website.

The Council complies with the Freedom of Information Act (2000) and requests can be submitted electronically or in person to be considered by the service unit concerned within 20 working days. Requesters have the right to an Internal Review and recourse to the ICO should they not be happy with the Council response.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits & D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Financial Planning

Over the past 13 years (since 2011/12), Central Government funding to Councils has reduced by over 40% in real terms. The Council has a strong track record of being able to live within its means, make savings and secure financial resilience.

The Medium Term Financial Strategy is designed to meet the following criteria "in year" expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services, improving the overall prosperity of residents and businesses and ensuring adequate financial resilience. The extract below from the council's agreed 2023/24 budget outlines the position as that the time of the paper (February 2023):

Considering the Revised Budget 2022/23, the proposed Budget for 2023/24 and the Council's Future Years' Forecasts, the Council will have a Forecast 3 Year Budget Deficit to remedy amounting to £1.456m (+/- £0.5m arising from future uncertainty). This compares to a forecast 3 Year Budget Deficit of £1.726m estimated in February 2022

The financial environment changed rapidly through 2022/23 precipitated by the war in Ukraine, the existence of practical full employment in the economy and the strains on international supply chains due continuing Covid lockdowns. As a consequence, inflation as measured by the Consumer Price Index (CPI) accelerated and peaked in October 2022 at 11.1%, the highest level in over 40 years. Inflation is currently tracking at 10.5%. This has had a consequent impact on the cost of living for residents and therefore demand for Council Services has also risen. The Office for Budget Responsibility are forecasting that CPI will remain high at an average of 5.5% for 2023/24 and then

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falling to 0% for 2024/25. These inflation and demand driven cost increases outstrip the rates of increase in funding, causing a "structural gap" between spending and funding.

Due to the scale of the inflationary and demand related cost increases at circa. £1.5m, it has been necessary to deliver budget savings for 2023/24 at a level in excess of the £0.575m originally estimated in order for the Council to maintain its trajectory towards a "structurally balanced" Budget (i.e. In Year Spending matching In Year Funding). In addition, the Administration have also found savings to meet their spending priorities which include Amenity Skips, Arts & Cultural activities and a Grants programme to local voluntary and community bodies

The Council has benefitted from a further 2 year delay to the implementation of Local Government Funding Reform (known as the Fair Funding Review) and a further 2 year delay to the Business Rates Retention Scheme and the associated "Reset" which is now set to be implemented in 2025/26.

The combination of all of these factors has led to an overall improvement in the Council's Financial position as follows: i) Progress has been made towards the overall Budget Deficit - reducing the previous Forecast Deficit as at 2025/26 from £1.726m to Forecast Deficit of £0.933m as at 2025/26 - an improvement of £0.793m ii) The new 3 Year Forecast Deficit (including a further year) to 2026/27 is £1.456m iii) Annual savings in order to meet the new 3 Year Forecast Deficit now amount to £0.485m p.a (compared with £0.575m p.a previously albeit that the forecast and therefore saving period is now extended by the new year)

The primary drivers of the 3 Year Forecast Deficit are: i) The existing underlying "Structural Budget Deficit" of £0.495m ii) Local Government Funding Reform - amounting to £0.670m iii) The structural imbalance between the rate at which costs rise (inflation related) and lower funding rises (mainly Council Tax which is usually capped at a level below inflation)

However, it is important to note, as last year, there remains significant uncertainty regarding the future forecast which is estimated could vary between +/- £0.5m arising from the following: • The elevated levels of inflation and their current inherent volatility • The outcome of the Fair Funding Review • The outcome of the Business Rate Retention review • The impact of the "Cost of Living" crisis and in particular, its effect on Council Tax Income and Business Rates Income

Financial Management Code

The Chartered Institute of Public Finance and Accountancy ("CIPFA") has published a new Financial Management Code for authorities to adhere to. The CIPFA Financial Management Code 2019 (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities, based on broad principles. It does not prescribe the financial management processes that local authorities should adopt but requires each authority to demonstrate that its processes satisfy the principles of good financial management. 2020/21 was the 'shadow' year for the implementation of the FM Code with the first year of compliance being 2021/22.

The Council has undertaken a self-assessment against the code in 2023/24 and noted compliance with the principles.

Council Corporate Plan

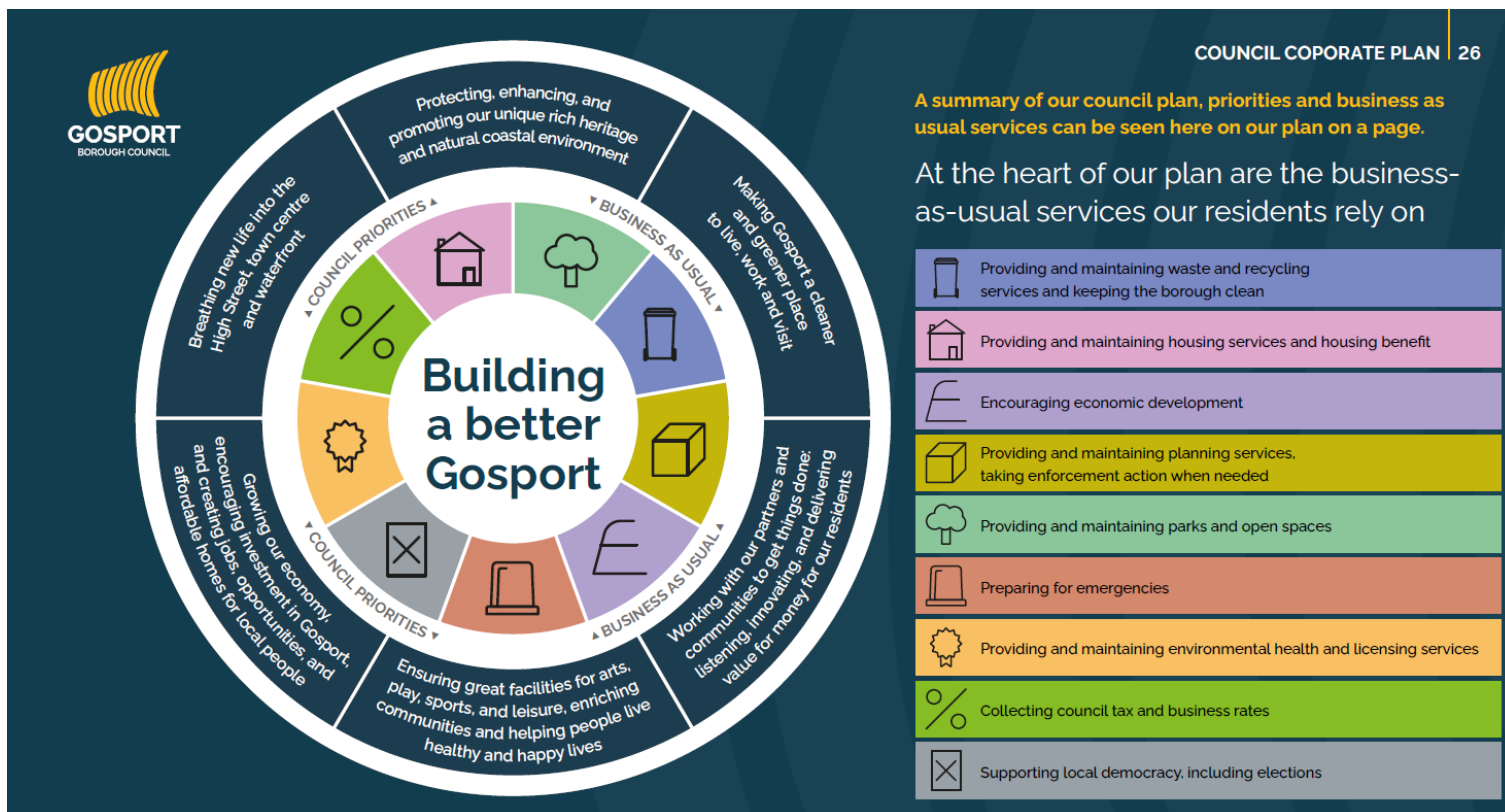
The purpose of the Council's Corporate Plan is to set out clearly what our priorities are for the borough, so our residents, staff and other stakeholders can understand what the Council is working to achieve for Gosport and where we think it is most important that we focus our attention and resources right now.

The Council's current priorities as set out in the Corporate Plan are:

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Building a better Gosport for everyone by:

- 1) Breathing new life into Gosport's high street, town centre and waterfront
- 2) Protecting, enhancing, and promoting Gosport's unique rich heritage and natural coastal environment
- 3) Making Gosport a cleaner and greener place to live, work and visit
- 4) Growing our economy, encouraging investment in Gosport, and creating jobs, opportunities and affordable homes for local people
- 5) Making sure Gosport has great facilities for arts, play, sports and leisure, enriching communities and helping people live healthy and happy lives
- 6) We will do this by being a council that works together with our partners and communities to get things done, listening, innovating and delivering value for money for the people of Gosport



E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Recruitment & training

The Council has a robust recruitment process in place which includes tailored applications and interviews with the view to ensuring the right candidates are selected for the roles advertised. The Council also has an induction process linked to essential training and mandatory policies which must be read and understood by all new starters.

Gosport Borough Council also has access to the Portsmouth Learning Gateway (PLG) which has a host of Local Authority specific training courses for all staff to access as and when required. The courses remain accessible to all GBC staff however reporting of compliance with policies requires users to submit their results and inconsistencies in this process has led to the reliability of the training records being questioned.

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The Council also utilises its partnership with Portsmouth City Council to recruit and employee individuals on the apprenticeship scheme, utilising the Government funded Apprenticeship Levy. Apprenticeships provide an opportunity for us to develop our workforce and provide employment and training opportunities for people in our community. As at March 2024 GBC has 1 member of staff studying an apprenticeship as part of their existing role.

The Council plans to continue to recruit fresh talent into the workplace as well as looking at career pathway opportunities for existing staff to build resilience in the workforce while also progression planning for key roles.

A designated Members' Portal covers a wide range of useful materials and guidance. This is available for Members 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, Deputy Chief Executive, Borough Solicitor that covers topics such as the role of the councillor, finance, standards, code of conduct and major projects. Briefings such as those on planning and licensing issues are held at the start of the year to correlate with the Board cycle.

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

F. Managing risks and performance through robust internal control and strong public financial management & G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Risk Management

The Council is committed to maintaining a culture of risk awareness within everyday activities such that formal processes and unnecessary documentation can be minimised but that risk management remains an effective part of the governance framework.

GBC approved a new Risk Management Policy in 2020 (reviewed in 2023) which aimed to embed risk management throughout the Authority with all sections taking ownership of their risks. Periodically, section risk registers are reviewed and analysed by a Corporate Governance Group to determine the risks which will form the Council's Strategic Risk Register. The Corporate Governance Group consists of the Chief Executive, Deputy Chief Executive, Head of Finance, Borough Solicitor and Chief Internal Auditor.

Value for money

The Council has put significant focus on improving procurement processes within the organisation which has included the implementation of a new electronic procurement system. In addition, the Council had its Contract Procedure Rules (CPRs) reviewed by a specialist at CIPFA to ensure they are robust in ensuring compliance with relevant procurement legislation. These were finalised in 2022/23. A November 2022 internal audit has highlighted areas for improvement in relation to the adherence to the Council's CPRs and suitable actions have been agreed to address this issue,

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however, large improvement was evidenced from the original audit which occurred in 2019. A subsequent audit in January 2023 has shown a continued improvement in procurement compliance and the introduced of contract numbers at a purchasing stage has allowed for a more proactive approach to minimising non compliance. There were still a small number of non complaint spend identified but this has been raised and is in the process of being addressed.

Financial management

The Council maintains an objective and professional relationship with their appointed external auditors (Ernst & Young LLP) and statutory inspectors, as evidenced by the various reports being presented to the Policy and Organisation Board (available on the Council's website). The Council uses the evidence and recommendations contained in those reviews to support performance improvement and risk management. Significant delays have been experienced in the completion and sign off of the 2022/23 by Ernst & Young which are not unique to Gosport. The delays are a nationwide problem and are not as a result of GBC's accounts not being provided on time. Negotiations are currently ongoing between the accounting firms and government to determine how the historic accounts sign off will be achieved.

The Financial Procedure Rules and Contract Procedure Rules are under constant review and these are incorporated in the Council's Constitution.

Data Management

The organisation is a registered data controller with the Information Commissioners Officers and has both a Senior Information Risk Owner (SIRO) and a Data Protection Officer (DPO). In 2020, the Information Governance Group was setup, including the aforementioned officers, to tighten controls on data protection and ensure continued compliance with the General Data Protection Regulation (GDPR) and Freedom of Information Act. All staff are required to sign acceptance of the Council's information governance policy and data protection forms part of the induction process for all employees.

On an annual basis, from 2021, the SIRO will report to the Standards and Audit Sub Board, information on the Council's effectiveness regarding information governance including any data breaches which may have occurred.

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 Chief Internal Auditor'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 Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. The reporting process for Internal Audit requires a report of each audit to be

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submitted to the relevant service manager. The report includes 'agreed actions' for any issues/risks that have been identified. These issues/risks are graded as Critical, High, Medium or Low. All critical risk issues/risks are followed up within 3 months of the final report being issued. If a high risk issue is raised, the audit will be followed up in the next financial year.

3. An Internal Audit Annual Report is taken to the Standards and Audit Sub Board (as per the Accounts and Audit Regulations 2015) and this provides the overall opinion on the Council's internal control environment.

The Standards and Audit Sub Board also received Internal Audit monitoring reports throughout 2023/24.

The Council entered into an arrangement with Portsmouth City Council for shared senior management primarily as a means to address the future financial challenges faced by the Council. The roles and responsibilities of the shared posts will continue to include those relating to the Governance of this Council in accordance to the policies and procedures of this Council.

The shared management arrangement has brought costs savings (through the reduction in the cost of senior management) and improved operational resilience with the ability to call on resources and expertise from Portsmouth City Council which otherwise were not readily available.

The Senior Management Team have been charged by the Administration to review the effectiveness of all of the Council's activities on a continuous basis. Service reviews are ongoing across the Council focused on ensuring that customer demands are met with the changing landscape and working practices enforced by the global pandemic. Ensuring processes are effective, and that services have adequate capacity and resilience..

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

The Standards and Audit Sub Board promotes, monitors and enforces probity and high ethical standards amongst the Members, as well as providing a vessel for audit, risk and compliance issues to be considered. All governance reviews and the results of audits are considered by the Standards and Audit Sub Board.

Annual Audit Opinion 2023/24

During 2023-24 Internal Audit completed 26 full audits, 2 follow ups and 3 consultancy reviews. In 2022-23 there were no 'No Assurance' rated areas; however, this year (2023-24) there is 1. The 'No Assurance' review relates to Fuel Cards and is detailed in the report below. During the financial year 2023-24, there has been an increase in the number of audits attributed with 'Limited Assurance' from 9 in 2022/23 to 12 in 2023/24. In addition, there has been a decrease in those achieving 'Assurance' from 11 in 2022/23 to 3 in 2023/24

The shift in assurance levels does not necessarily indicate a weakening internal control environment as a significant proportion of the audits rated as 'Limited Assurance' or 'No Assurance' were areas which had not been subject to audits in recent years so it cannot be said that controls are deteriorating. However, the indication could be that controls have been weak for a period of time and management have not identified and rectified this.

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Multiple factors maybe influencing the impact on the internal control environment; namely changes in key personnel, which has occurred since 2022, reduced capacity, recruitment challenges and increased workload. These combined could impact the level of oversight and management checks, coupled with this is the impinged ability to fully consider emerging risk factors.

In previous years the Council has not achieved a high level of completion with regards to the agreed actions which are set following the completion of an audit. This year 2023/24 the level of follow up audit was low due to a need for more Full Audit scopes to meet the ongoing risk needs of the council. For the two follow up audits that were completed, 38% of agreed actions were closed while the remaining 62% were in progress. While this was an improvement of 10% on the 2022/23 figures, the level is not sufficient to demonstrate that the organisation is adequately taking action on all risks identified as part of audits.

Overall the council is positive towards the internal audit service and engage fully with the process, this is a key indicator when evaluating good governance. The concerns relating to the increase in 'Limited Assurance' audits will be closely monitored and responded to during the progress reports throughout the year. Overall, 53% of Audits completed in 2023/24 achieved a level of Assurance or Reasonable Assurance.

Four audit opinion levels are in place, and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. Based on the above results and narrative, the annual audit opinion for 2023/24 remains at Reasonable Assurance, while noting that there has been a decline in results from the previous year. Should this decline continue and agreed action rates remain low, a negative shift in the assurance level would be expected for 2024/25.

No Assurance

Limited Assurance

**Reasonable
Assurance**

Full Assurance

Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2023/24 may affect that year's work for External Audit. It may also inform their work for 2024/25 and where they consider there are weaknesses in control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

Cost of Living Crisis

As we emerged from the immediate aftermath of the pandemic, a series of further economic shocks contributed to increases in the cost of living for many people, particularly affecting residents on lower incomes and with wider vulnerabilities. The Council has produced a leaflet and section on its website outlining where residents can access a variety of help to deal with the pressures of the cost of living crisis and this is updated as and when new initiatives become available. The Food Partnership is also ongoing.

Significant governance issues

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The following governance issues have been identified as a result of the review of arrangements and by the work of external and internal audit in 2022/23 and 2023/24

NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
1	Ongoing budget pressures which have been further impacted by national economic factors	Borough Treasurer	3 year budget plan which outlines the required savings has been drafted and agreed	Ongoing	Borough Treasurer
2	Staff capacity and succession planning.	Risk Register	Review of vacant posts has been undertaken with job evaluation and design considered where posts have been hard to fill. Promotion of recruitment and retention tools to increase potential retention of skills and increase use of Apprenticeships where applicable. Progression planning discussed with section heads.	Ongoing	Chief Executive
3	Compliance with GDPR and protecting the Council's information	Audit Report	Actions have been put in place and are progressing to meet ongoing requirements of GDPR	Progress is ongoing, however, areas still remain outstanding	Senior Information Risk Owner
4	IT resilience and adaptability	Corporate Management Team (CMT)	IT Strategy to be drafted to determine course of action to reduce	Ongoing. PCC Head of IT undertaking get well	Head of IT / CMT

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NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
			current resilience risks	investigation	
5	Commercial Property Portfolio	Chief Executive	Continue with work to identify status of all commercial properties with regards to current leases and identify any ongoing risks	Ongoing	Head of Commercial Property
6	Housing Property Portfolio with introduction of Social Housing Regulation Act	Housing	Continue with ongoing work to identify an ongoing risks with the introduction of Social Housing Regulation Act	All properties have a current Fire Risk Assessment. Continued assessment of the condition of all properties ongoing	Head of Housing
7	Fuel Cards control and administration	Internal Audit Report	Agreed actions from the audit will be implemented	Actions are underway and will be followed up by Internal Audit in Q3 of 2024/25	Deputy Chief Executive

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

Signed

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Leader of the Council

Chief Executive

AUDIT OPINION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOSPORT BOROUGH COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Gosport Borough Council ('the Council') for the year ended 31 March 2024. The financial statements comprise the:

- Council Movement in Reserves Statement,
- Council Comprehensive Income and Expenditure Statement,
- Council Balance Sheet,
- Council Cash Flow Statement,
- the related notes 1 to 37 including material accounting policy information.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 11.
- Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for Gosport Borough Council was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 6 December 2024.

Our audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' and heritage assets that were not revalued in year.

AUDIT OPINION

- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet.
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet.
- in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.
- in the housing revenue account and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 16, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the

AUDIT OPINION

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the Gosport Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Gosport Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

AUDIT OPINION

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Gosport Borough Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Gosport Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Mathers (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

12 February 2025

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts
Accounting Policies	The principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are to be reflected in financial statements. Include <ul style="list-style-type: none"> ▪ recognising ▪ selecting measurement bases ▪ inclusion of assets, liabilities, gains, losses and changes to reserves
Accruals	The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.
Agency Services	Services performed by or for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) for the cost of the work carried out
Actuary	An expert on pension scheme assets and liabilities
Actuarial Gains & Losses	Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because: <ul style="list-style-type: none"> • events have not coincided with the actuarial assumptions made for the last valuation • the actuarial assumptions have changed
Asset	Something the Council owns that has a value i.e. premises, property, vehicles, equipment, cash or a debt
Authorised Limit	This represents the legislative limit on the Council's external debt under the Local Government Act 2003
Balance Sheet	A statement of the recorded assets, liabilities and other balances at the end of an accounting period
Billing Authority	A local authority empowered to collect Council Tax and Business Rates, and manage the collection fund, on behalf of itself, local authorities in its area and the government
Budget	A financial statement that expresses the Council's service delivery plans and capital programme in monetary terms
Capital Adjustment Account	The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or, expenditure which adds to and not merely maintains the value of an existing non-current asset. The asset may not be owned by the authority. Expenditure that does not fall within this definition must be charged to a revenue account.
Capital Financing Charges	The annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals
Capital Receipts	Income from the sale of fixed assets. Capital receipts cannot be used to fund revenue services.
Collection Fund	The separate fund, administered by billing authorities, recording the expenditure and income relating to Council Tax and Non Domestic Rates
Community Assets	Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal e.g. Parks

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Componentisation	The identification and recording of the components of an asset in order to more accurately charge depreciation - includes the separate identification and derecognition of components as they are replaced.
Contingency	Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets
Contingent Liabilities or Assets	Amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts
Council Tax	The main source of local taxation to Local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund
Council Tax Requirement	The estimated revenue expenditure on General Fund services that needs to be financed from Council Tax after deducting income from fees and charges, grants and any funding from reserves
Creditors	Amounts owed by the Council for goods and services received, but not paid for at the end of the financial year
Debtors	Amounts owed to the Council for work or services rendered but not paid for by the end of the financial year.
Deferred Liabilities	Liabilities payable beyond the next year at some point in the future or paid off by an annual sum over a period of time
Deferred Capital Receipts	Amounts from the sale of assets, which will be received in the future or in instalments over agreed periods of time
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset
Derecognition	Assets are removed from the Balance Sheet in total or in part when disposed of - whether by sale, demolition, abandonment, obsolescence, replacement etc. Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.
Discounts	Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the Code, gains arising from the repurchase or early settlement of borrowing are written back to revenue – but where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains are recognised over the life of the replacement loan.
Expenditure	Amounts paid by the authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for
Exceptional Items	Material items deriving from events or transactions that fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/ or incidence to give a fair presentation of the accounts.
Fair Value	Fair value is the price at which an asset could be exchanged in an arm's length transaction between knowledgeable willing parties
Finance Lease	A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee
Financial Instruments	Any item that will cause the Council to receive or pay money. Generally considered to be treasury management related but also include certain debtors and creditors but not with a statutory basis
Fixed Assets	Tangible or intangible assets that yield benefit to the Council for more than one year. Generally, further classified into Property, Plant and Equipment; Heritage Assets; Investment Property and Intangible Assets. Also known as Long Term or Non- Current Assets
Financial Regulations	The written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures

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General Fund	The main revenue fund of the Council, it includes income and expenditure on the Council's day to day activities – excluding those of the Housing Revenue Account
Group Accounts	Group Accounts consolidate the financial results of the Council, any of its subsidiaries and/or associates. The Council is not required to produce these due to materiality.
Heritage Assets	Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture
Housing Benefit	This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowances.
Housing Revenue Account (HRA)	Local Authorities are required to maintain a separate account - the HRA which sets out the income from and expenditure on the provision of council housing.
Impairment	A reduction in the value of a non-current asset below its carrying amount in the balance sheet. At the end of each reporting period, an assessment of assets must take place to identify any potential impairments
Infrastructure Assets	Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. I.e. footpaths, bridges, coast protection works
International Financial Reporting Standards (IFRS)	Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.
Income	Amounts due to the Authority for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received since income is deemed to have been earned once the goods or services have been supplied even if cash has not been received
Intangible Assets	Assets that do not have a physical form i.e. software and licences
Investment Properties	Properties that are held solely for appreciation or income generation
Leases - General	Where a rental is paid for the use of an asset for a specified period of time. There are two forms of lease – finance and operating. The lessor leases the asset to the lessee. The Council is both lessee and lessor
Leases - Finance Lease	A lease or lease type arrangement whereby the risks and rewards of ownership are considered to be borne by the lessee and therefore the asset concerned is included on the lessee's balance sheet
Lease - Operating Lease	Any lease or lease type arrangement which is not a finance lease. The assets concerned remain on the lessors balance sheet and the payments or income are dealt with as revenue income or expenditure
Liabilities	Amounts due to individuals or organisations payable at some time in the future. Current liabilities are usually payable within one year of the balance sheet date
Major Repairs Allowance (MRA)	The MRA was a government grant for capital expenditure to maintain the housing stock to a good standard. After a transition period that ended in 2016/17, it was dropped in favour of fully componentised depreciation accounting
Major Repairs Reserve (MRR)	This reserve is restricted to being applied towards new capital expenditure, the repayment of HRA debt and meeting liabilities under credit arrangements
Minimum Revenue Provision (MRP)	The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes
National Non	Effective from 1 April 2013, the Business Rates Retention enables a proportion

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Domestic Rates (NNDR) (also known as Business Rates)	of the Business Rates collected to be retained locally by billing and precepting authorities with the balance being paid over to central government. There is therefore the potential reward of additional income or indeed reduced income, subject to the safety net. The scheme is subject to centrally set targets and thresholds as well as a complex system of tariffs, top-ups, safety nets and levies.
Net Book Value (NBV)	The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation
Operational Boundary	This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.
Pension - Current Service Cost	The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period. i.e. the pension benefits “earned” by employees in the current year’s employment net of contributions paid
Pension - Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
Pension - Interest on the Net Defined Benefit Liability (Asset),	The change during the period in the net defined benefit liability (asset) that arises from the passage of time - calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Pension - Actuarial gains and losses	Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions
Pension - Past Service Cost	Discretionary benefits awarded on early retirement are treated as past service costs
Pension – Strain on Pension Fund Contribution	Pension strain is a concept for the management of the pension fund finances arising from an employee retiring early, without actuarial reduction of pension. This causes lost contribution income and creates an interest cost arising from the associated earlier, increased cash flow
Pension - Curtailment	Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year
Precepts	The method by which a non-charging authority obtains the income it requires by making a levy on the appropriate charging or billing authorities. Billing authorities, such as Gosport, will themselves precept on the Collection Fund to obtain their own income.
Prior Period Adjustments	These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors
Provision	An amount held in a reserve for a liability of uncertain timing or amount
Public Works Loan Board (PWLb)	An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities
Related Parties	Related parties are Central Government, other Local Authorities, precepting and levying bodies, any subsidiary and associated companies, elected members, all senior officers and the Pension Fund. For individuals, related parties includes members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.
Revaluation Reserve	The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).
Revenue Contribution	The method of financing capital expenditure directly from revenue

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