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19 September 2014

S U M M O N S

MEETING: Policy and Organisation Board
DATE: 29 September 2014
TIME: 6.00 pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Lisa Young

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE COMMITTEE

The Mayor (Councillor Gill) (ex officio)
Councillor Hook (Chairman)
Councillor Burgess (Vice-Chairman)

Councillor Chegwyn	Councillor Philpott
Councillor Hicks	Councillor Ronayne
Councillor Jessop	Councillor Mrs Wright
Councillor Langdon	Councillor Wright

INFORMATION FOR MEMBERS OF THE PUBLIC

(To be read out by the Chairman)

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If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

AGENDA

PART A ITEMS

RECOMMENDED
MINUTE FORMAT

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any disclosable pecuniary interest in any item(s) being considered at this meeting.

3. MINUTES OF THE MEETING OF THE BOARD HELD ON 9 JULY 2014

4. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Thursday 25, September 2014. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Board is required to allow a total of 15 minutes for questions from members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Thursday, 25 September 2014).

6. CITIZEN ADVICE BUEREAU – ANNUAL REPORT
Verbal Report

PART II

7. TREASURY MANAGEMENT ANNUAL REVIEW 2013/14, PROGRESS REPORT 2014/15, & PRUDENTIAL INDICATORS
The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2013/14 together with a review of 2014/15 to date. The report also includes the Prudential Indicators for 2013/14 in accordance with the requirements of the Prudential Code.

PART II

Contact:
Julian Bowcher
Ext no: 5301

8. BUDGET STRATEGY 2015/16

PART II

To consider the strategy for preparation of the General Fund budget and Capital Programme for the next financial year in the light of the Medium Term Financial Strategy 2014-2019 approved by the Board in July 2014 and the current national and

Contact:
Julian Bowcher
Ext no: 5301

local financial situation.

9. EY – AUDIT RESULTS REPORT

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

PART II
Helen Thompson
Ernst and Young

Our report includes only matters of governance interest that have come to our attention in performing the audit under the requirements of the Audit Commission's Code of Audit Practice and international standards of auditing (ISAs).

This is an important report that is a requirement of ISA 260 and must be presented to you in your role as those charged with governance, before you approve the financial statements.

10. DISCRETIONARY RATE RELIEF LB PHYSIO

To consider an application for hardship relief from non-domestic rates under Section 49 of the Local Government Finance Act 1988 submitted by L B Physio at Coastal Clinics, South Street, Gosport.

PART II
Contact:
Julian Bowcher
Ext no: 5301

11. FINAL ACCOUNTS

This report summarises the outturn position for the 2013/14 financial year and recommends the approval of the Statement of Accounts for 2013/14.

PART II
Contact:
Julian Bowcher
Ext no: 5301

12. STAFFING REVIEW

This report presents a number of staffing issues for decision including details of a revised structure which has been designed to enable the Property Services Section to meet future challenges and offer an improved service.

PART II
Contact: Corrine
Waterfield
EX: 5372

13. ANY OTHER ITEMS

Which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.

Board	POLICY AND ORGANISATION BOARD
Date of meeting:	29 SEPTEMBER 2014
Title:	TREASURY MANAGEMENT ANNUAL REVIEW 2013/14, PROGRESS REPORT 2014/15, & PRUDENTIAL INDICATORS
Author:	BOROUGH TREASURER
Status:	FOR NOTING

Purpose

The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2013/14 together with a review of 2014/15 to date. The report also includes the Prudential Indicators for 2013/14 in accordance with the requirements of the Prudential Code.

Recommendations

The Board note this report and the 2013/14 prudential indicators

1 Background

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2013/14. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Prudential indicators are contained in the tables throughout this report.
- 1.2 During 2013/14 the minimum reporting requirements were that the Council should receive the following reports:
 - an annual treasury strategy in advance of the year (Council 20 February 2013)
 - a mid year treasury update report (P&O 25 September 2013)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
 - this report also provides a mid year treasury update for 2014/15
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This

report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2 Report

THE ECONOMY AND INTEREST RATES

(The following narrative was provided by Capita Asset Services, the Council's treasury management advisors, as a general background description to the public sector treasury management environment in 2013/14).

- 2.1 The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.
- 2.2 Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality (see paragraph 2.4.) The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.
- 2.3 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.
- 2.4 The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do "whatever it takes" to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

THE STRATEGY FOR 2013/14

- 2.5 The Council continued to take a cautious approach to its treasury strategy in light of the continuing uncertainty over future interest rates and the risks associated with treasury activity. The Borough Treasurer, under delegated powers, took the most appropriate form of borrowing or investing depending on the prevailing interest rates at the time and taking into account the criteria in the Council's Treasury Management strategy.
- 2.6 Long term borrowing through the Public Works Loans Board was not taken if it was more cost effective to use short term borrowing along with surplus cash flows to temporarily fund the Council's capital programme. Surplus cash was to be either held in money market funds and deposit accounts, or for short durations with external investors, so as to allow access for daily cash requirements.
- 2.7 The strategy confirmed that routine treasury management matters were delegated to the Borough Treasurer whilst adhering to approved performance indicators and limits.

THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2013/14

- 2.8 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed

Capital Expenditure	2012/13 Actual £'000	2013/14 Revised £'000	2013/14 Actual £'000
<u>General Fund (GF)</u>			
Capital expenditure	7,611	2,684	1,670
Financed in year	(2,314)	(1,049)	(1,235)
Unfinanced capital expenditure	5,297	1,635	435
<u>Housing Revenue Account (HRA)</u>			
Capital expenditure	3,513	3,550	3,556
Financed in year	(3,312)	(3,550)	(3,556)
Unfinanced capital expenditure	201	0	0

THE COUNCIL'S OVERALL BORROWING NEED

- 2.9 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2013/14 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 2.10 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLb] or the money markets), or utilising temporary cash resources within the Council.
- 2.11 The CFR – the Council's (non HRA) underlying borrowing need - is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 2.12 The Council's 2013/14 MRP Policy (as required by CLG Guidance) was approved by Council as part of the Treasury Management Strategy Report for 2013/14 on 20 February 2013.
- 2.13 The Council's CFR for the year is shown below, and represents a key prudential indicator.

Capital Financing Requirement	2012/13 Actual £'000	2013/14 Revised £'000	2013/14 Actual £'000
CFR - General Fund	18,351	19,390	18,285
CFR - HRA	63,067	63,067	62,970
CFR - Total	81,418	82,457	81,255
Gross Borrowing Position	83,390	75,910	76,275

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

- 2.14 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2013/14) plus the estimates of any additional capital financing requirement for the current (2014/15) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2013/14. The table above highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.
- 2.15 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2013/14 the Council has maintained gross borrowing within its authorised limit.
- 2.16 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Authorised Limit and Operational Boundary	2013/14 £'000
Authorised limit	93,000
Maximum gross borrowing position	83,390
Operational boundary	87,500
Average gross borrowing position	76,535

- 2.17 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

AGENDA ITEM 7

Ratio of Financing Costs to Net Revenue Stream	2012/13 Actual %	2013/14 Revised %	2013/14 Actual %
General Fund	4.5%	6.5%	6.5%
HRA	14.9%	31.5%	31.3%

Following Housing Finance reform and in line with CIPFA guidance, HRA financing costs now include depreciation. The Revised 2013/14 figure has been restated with depreciation included for comparison.

THE TREASURY POSITION AS AT 31 MARCH 2014

- 2.18 The Council's treasury position was as follows (2012/13 is included for comparison)

2012/13	General Fund			HRA			Total		
	31-Mar £'000	Rate	Avge Life	31-Mar £'000	Rate	Avge Life	31-Mar £'000	Rate	Avge Life
Fixed rate funding:									
PWLB	12,728	3.10%	12.93	61,662	3.00%	27.55	74,390	3.02%	25.05
Market	9,000	0.36%	0.04	0	n/a	n/a	9,000	0.36%	0.04
Variable rate funding:	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a
Gross borrowing	21,728			61,662			83,390		
CFR	18,351			63,067			81,418		
Over/ (under) borrowing	3,377			(1,405)			1,972		
Total investments							4,594		
Net borrowing							78,796		

AGENDA ITEM 7

2013/14	General Fund			HRA			Total		
	31-Mar £'000	Rate	Avg Life	31-Mar £'000	Rate	Avg Life	31-Mar £'000	Rate	Avg Life
Fixed rate funding:									
PWLB	13,184	3.18%	12.56	60,991	3.01%	26.88	74,175	3.04%	24.33
Market	1,500	1.40%	2.61	600	1.30%	2.59	2,100	1.37%	2.60
Variable rate funding:	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a
Gross borrowing	14,684			61,591			76,275		
CFR	18,285			62,970			81,255		
Over/ (under) borrowing	(3,601)			(1,379)			(4,980)		
Total investments							6,986		
Net borrowing							69,289		

2.19 Following Housing Finance reform, two separate pools are being operated for Council debt and these are set out above. Comparisons are also shown against the HRA and General Fund Capital Financing Requirements (CFRs) which show that both funds were under borrowed – this means that external borrowing was less than the underlying need to borrow externally, primarily because surplus cash flows were utilised instead of actually taking on more loans. The Council is also limited to a maximum HRA CFR of £63.067 million (the ‘debt cap’) through the HRA self-financing regime.

2.20 The maturity structure of the debt portfolio was

The Maturity Structure of the Debt Portfolio	31-Mar-13 Actual %	2013/14 Limits (Maximum) %	31-Mar-14 Actual %
Under 12 months	13%	15%	3%
12 months and within 24 months	3%	15%	4%
24 months and within 5 years	12%	20%	16%
5 years and within 10 years	17%	30%	21%
10 years and above	55%	70%	56%

2.21 The maturity structure of the investment portfolio was

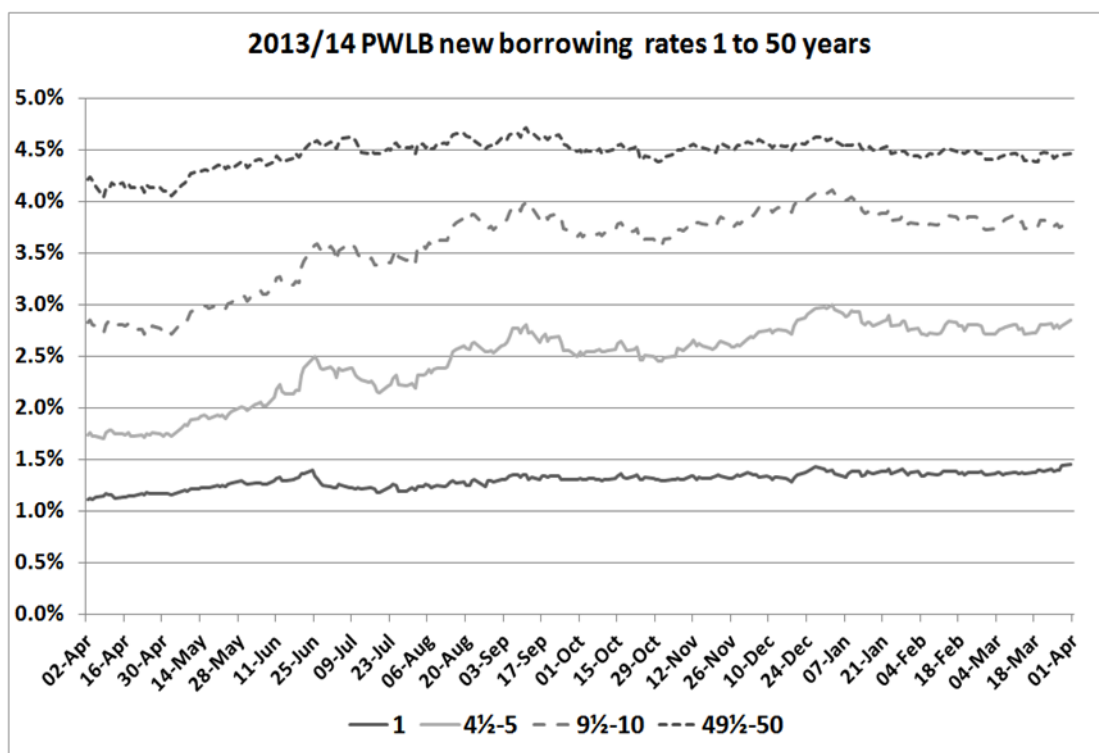
The Maturity Structure of the Investment Portfolio including cash and cash equivalents	31-Mar-13 Actual £'000	2013/14 Limits £'000	31-Mar-14 Actual £'000
Longer than 1 year	0	n/a	0
Under 1 year	4,594	n/a	6,986
Total	4,594	0	6,986

2.22 The exposure to fixed and variable rates was

The exposure to fixed and variable rates was as follows	2012/13 Actual £'000	2013/14 Limits %	2013/14 Actual £'000
Borrowing			
Fixed rate	83,390	100%	76,275
Variable rate	0	20%	0
Investments			
Fixed rate	0	100%	0
Variable rate	4,594	100%	6,986

BORROWING RATES IN 2013/14

2.23 PWLB borrowing rates - the graph below shows PWLB borrowing rates during the year.



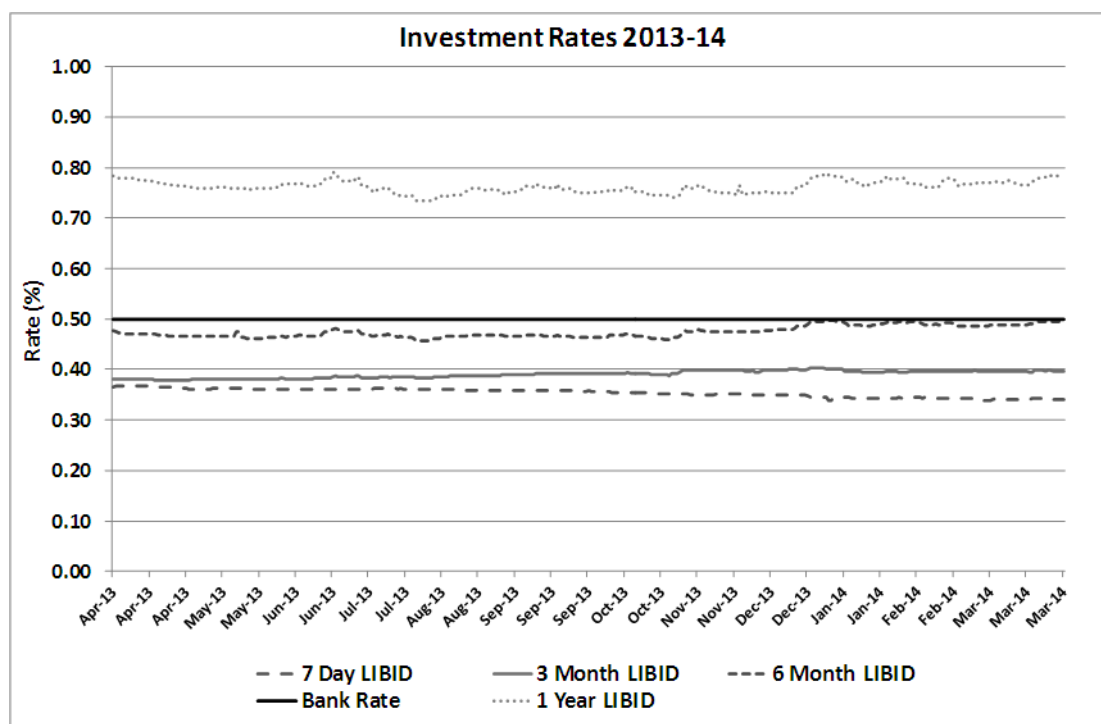
BORROWING OUTTURN FOR 2013/14

2.24 The following loans were taken and repaid during the year.

Lender	Principal £'000	Type - Fixed/Variable Interest	Interest %	Maturity	Date
Loans taken					
Tendrin District Council	1,000	Fixed	0.30%	3 months	16-Apr-13
Police and Crime Commissioner for Hampshire	350	Fixed	1.30%	2 years 11 months	08-Nov-13
Hampshire Fire and Rescue Authority	250	Fixed	1.30%	2 years 11 months	08-Nov-13
Wycombe District Council	1,500	Fixed	1.40%	3 years	15-Nov-13
Public Works Loans Board	2,000	Fixed	3.08%	7 years	03-Feb-14
Loans repaid					
Tendrin District Council	2,000	Fixed	0.29%	6 months	16-Apr-13
Worcestershire County Council	2,000	Fixed	0.32%	2 months	22-Apr-13
Greater Manchester Pension Fund	5,000	Fixed	0.40%	3 months	27-Jun-13
Tendrin District Council	1,000	Fixed	0.30%	3 months	25-Jul-13
Public Works Loans Board	107	Fixed	2.90%	9 years	01-Sep-13
Public Works Loans Board	2,000	Fixed	2.42%	4 years	09-Dec-13
Public Works Loans Board	108	Fixed	2.90%	9 years	01-Mar-14

INVESTMENT RATES IN 2013/14

- 2.25 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations as to the timing of the start of monetary tightening ended up almost unchanged at around the end of 2014 / start of 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.



INVESTMENT OUTTURN 2013/14

- 2.26 The Council did not place any external investments in 2013/14 but held short term surplus funds in money market funds and deposit accounts in line with the Council's investment strategy. This allowed an underborrowing position to be maintained which reduced net interest payments.
- 2.27 The Council's average investment balances and interest rates were

Investments Undertaken	Average £'000	Type - Fixed/Variable	Average %
National Westminster Bank (Liquidity Select Account)	4,905	Variable	0.55%
Bank of Scotland (Corporate Deposit Account)	1,302	Variable	0.46%
Public Sector Deposit Fund	1,806	Variable	0.34%
Global Treasury Fund	1	Variable	0.28%

- 2.28 At 31 March 2014 short term surplus funds of £6.986 million were held in money market funds and deposit accounts in line with the Council's investment strategy.

THE TREASURY POSITION IN 2014/15

- 2.29 At 01 August 2014 the Council's treasury position was as follows

2014/15	General Fund			HRA			Total		
	01-Aug £'000	Rate	Avg Life	01-Aug £'000	Rate	Avg Life	01-Aug £'000	Rate	Avg Life
Fixed rate funding:									
PWLB	13,184	3.18%	12.36	60,991	3.01%	26.43	74,175	3.04%	23.94
Market	1,500	1.40%	2.28	600	1.30%	2.26	2,100	1.37%	2.27
Variable rate funding:	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a
Gross borrowing	14,684			61,591			76,275		
CFR	18,285			62,970			81,255		
Over/ (under) borrowing	(3,601)			(1,379)			(4,980)		
Total investments							18,502		
Net borrowing							57,773		

- 2.30 **Borrowing** - there has been no change in the Council's borrowing since 31 March 2014.

- 2.31 **Investments** - the following table summarises the investments of short term surplus funds at 01 August 2014. All investments are in line with the Council's investment strategy.

Investments at 1st August 2014	£'000's	Type - Fixed/Variable	Rate %
	£'000		%
National Westminster Bank (Liquidity Select Account)	4,809	Variable	0.25%
National Westminster Bank (Main Bank Account)	3,728	Fixed	0.50%
Nationwide Building Society	3,000	Fixed	0.49%
Bank of Scotland (Corporate Deposit Fund)	15	Variable	0.40%
Lloyds Bank Commercial Banking	2,000	Fixed	0.80%
Lloyds Bank Commercial Banking	950	Fixed	0.70%
Public Sector Deposit Fund	4,000	Variable	0.35%
Total	18,502		

2.32 Capital Programme

The capital programme is currently being reviewed as part of the budget process. This will include updating the revenue implications (minimum revenue provision and interest) and the capital financing requirement projections. The annual Treasury Strategy report to Policy and Organisation Board and the Council will follow in February 2015.

OTHER ISSUES

2.33 Member training and briefing sessions took place in September 2011 (delivered by officers) and in January 2012 (delivered by Sector). These were well received and it is intended to offer similar sessions in 2015.

2.34 Money Laundering is now a key issue for all organisations that deal with large amounts of money and although Councils fall outside the scope of the Money Laundering Regulations 2003 they are not immune to the risks surrounding money laundering. The Council has accepted the CIPFA Treasury Management Code of Practice, which includes TMP9. TMP9 states that the Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The Council has a very restricted list of counter parties for treasury activities who are contacted mainly through the approved brokers. Knowing who is being dealt with reduces the risk of crime. The Head of Internal Audit & Risk Assurance is the Council's Money Laundering Reporting Officer to whom officers may report any suspicious transactions.

2.35 External Service Providers. The Council uses Capita Asset Services (formerly Sector Treasury Services Limited) as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The company provides a range of services to the Council which include:

- Technical support on treasury matters and capital finance issues,
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing and debt rescheduling

Following a joint procurement exercise with Fareham Borough Council in July 2012, Capita Asset Services were engaged for a further three years at a reduced annual fee.

3 Risk Assessment

- 3.1 The Council has complied with the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 3.2 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Capita Asset Services, the Council's advisers, has proactively managed the debt and investments over the year.

4 Conclusion

- 4.1 This report summaries the treasury activities and prudential indicators for 2013/14 and reviews the treasury activities for 2014/15 to date. It is a key governance report for the Treasury Management function.

Financial implications:	As contained in the report.
Legal implications:	It is a legal requirement that an annual Treasury Management report is considered by the Council
Service Improvement Plan implications:	This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.
Corporate Plan	
Risk Assessment	As contained in the report
Background papers:	Budget and Final Accounts working papers
Appendices/Enclosures:	None
Report Author:	John Norman

AGENDA ITEM NO. 8

Board/Committee:	POLICY & ORGANISATION BOARD
Date of Meeting:	29 SEPTEMBER 2014
Title:	BUDGET STRATEGY 2015/16
Author:	BOROUGH TREASURER
Status:	FOR DECISION

Purpose

To consider the strategy for preparation of the General Fund budget and Capital Programme for the next financial year in the light of the Medium Term Financial Strategy 2014-2019 approved by the Board in July 2014 and the current national and local financial situation.

Recommendation

That the Board note the Council's current financial position and agrees the Budget Strategy set out in Section 2 and Appendix A that will be used in the preparation of the budget for the 2015/16 financial year.

1 Background

- 1.1 The Council has to prepare a budget for General Fund services in order to ascertain the amount required to be raised from Council Tax.
- 1.2 The Council's Medium Term Financial Strategy (MTFS) considered by the Board in July indicated that the reductions necessary to the Council's projected General Fund budget assuming no increase in current Council Tax levels incorporating latest inflation projections were estimated to be approximately £664,000 in 2015/16 with a further £861,000 for the 3 years from 2016/17. The MTFS did however draw attention to the fact that these figures were based on what was considered the best projection at that time and that there was a lot of uncertainty regarding future levels of exchequer support, inflation and interest rates. The General Election next year means there is additional uncertainty relating to the level of Central Government Grants in 2016/17 and later years with the position unlikely to become clearer until well into 2015/16.
- 1.3 The estimated savings required as outlined above are primarily the result of a significant reduction in the Central Government Grant it is estimated will be received. The provisional grant settlement for 2015/16 for revenue support grant and business rates retention indicated an overall funding reduction of £740,000 and estimates for 2016/17 and later years, while remaining very uncertain, it is estimated that further reductions of around £100,000 per year will

occur in 2015/16 ,2016/17 and 2017/18. The position does remain both uncertain and complex and the reduction in Central Government Grant may be at least partly offset by a higher level of Business Rates collected for which a prudent budget has been set.

2 Report

Budget Strategy 2015/16

- 2.1 Budget preparation will initially be in accordance with previous policy i.e. “zero-based” wherever possible and new bids will be minimised. Maintenance proposals will be in accordance with Asset Management Plan requirements.
- 2.2 General inflation is expected to be approximately 2% during 2015/16, although it should be noted that pay inflation is expected to be lower.
- 2.3 Capital projects within the Capital Programme have been considered in terms of priority and affordability. The proposed levels of capital expenditure relating to the improvements to Housing Stock will be advised by the HRA Business Plan. The proposed Capital Programme 2015/16 to 2017/18 is attached (Appendix A).
- 2.4 Whilst the Council’s policy is that annual Council Tax rises should not exceed 2.5%, the final decision on the Council Tax will be taken by the Council next February after budget requirements and final Grant figures are confirmed. It should also be noted that the Government has indicated the limit for a Council tax increase above which a referendum is required will be 2% for 2015/16.

Savings & Efficiencies

- 2.5 A significant part of the Council’s response to the severe budget pressures faced in recent years has been a drive for increased efficiencies and savings. The Council has undertaken a series of service reviews achieving efficiency savings whilst still minimising the effect on services overall. These measures have helped achieve a balanced budget in the current financial year and gone some way to meeting the challenges faced for 2015/16.
- 2.6 Gosport has a track record of innovation and partnership working; many examples of joint working already exist and others will continue to be explored as and when opportunities arise. The Council will continue to seek opportunities to deliver services more efficiently through outsourcing, partnership and joint working.
- 2.7 Spend-to-save initiatives are an essential tool in managing future commitments down. Efficiencies sought as part of our strategy will continue to include:

1. Carbon reduction (L)
2. Collaboration/partnership working (M)
3. Improvements in the way that we procure goods & services (M)
4. Staffing reviews linked to succession plans, natural turnover and voluntary redundancies/retirements. (M)
5. Reduction of administration and support service costs (linked to 2, 3, 4, and improved business systems). (M)
6. Rationalisation of asset use e.g. raising capital receipts to offset the impact of new capital investment. (H)

(Risk assessment impact criteria have been used to indicate potential annual savings (H/M/L), where High = over £100,000; Medium = £50 – 100,000; Low = less than £50,000).

- 2.8 The Council will continue to undertake a comprehensive review in the current with the objective of achieving a balanced budget for 2015/16 and leave the Council best placed to meet the financial challenges anticipated for 2016/17 and later years. It is possible however that any further significant reductions in central government support (beyond those currently forecast within the strategy) may require additional measures such as additional increases in fees and charges and considering local tax rises in excess of the current policy, possibly requiring a local referendum.

3 Risk Assessment

- 3.1 Risk areas associated with the budget are outlined in the Council's Budget Book. The recently introduced changes to the financing of Local Government has resulted in an increase in risk borne by councils in such areas as Business Rate Retention, changes to Housing Benefit Reform and the new Council Tax Support Scheme (previously Council Tax Rebates). As a result of these, the continuing uncertainty relating to the economy and the forthcoming general election it is considered essential that a prudent Budget Strategy is adopted.

4 Conclusion

- 4.1 Preparation of the General Fund budget for 2015/16 in common with 2014/15 has begun against a backdrop of further pressure on resources, both nationally and locally. There remains considerable uncertainty regarding the level of external grants and business rate income likely to be received by the Council. This report indicates the key underlying principles that will be adopted in order to prepare a draft budget that results an increase of no more than 2.5% to the Council Tax rates levied for the Borough Council's requirements.

Financial Services comments:	See report
Legal Services comments:	Set out in the report
Crime and Disorder:	Nil
Equality and Diversity:	Nil
Service Improvement Plan implications:	No direct implications
Corporate Plan:	Nil
Risk Assessment:	See paragraph 3.1
Background papers:	Medium Term Financial Strategy 2014-19
Appendices/Enclosures:	
Appendix 'A'	The Capital Programme 2015/16-2017/18
Report author/ Lead Officer:	Julian Bowcher

**CAPITAL PROGRAMME 2014/15 TO 2017/18
COMMUNITY BOARD - HOUSING (HRA)**

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2014/15 £,000	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Local Resources			
								2014/15	2015/16	2016/17	2017/18
								£,000	£,000	£,000	£,000
1	LA Tenants Disabled Persons Grant	E	-	50	50	50	50	50	50	50	50
2	Improvements to Housing Stock	E	-	3,435	3,510	3,590	3,750	3,435	3,510	3,590	3,750
3	St Vincent Road Development	I	2,500		2,500				2,500		
	Board Total			3,485	6,060	3,640	3,800	3,485	6,060	3,640	3,800

**CAPITAL PROGRAMME 2014/15 TO 2017/18
COMMUNITY BOARD - HOUSING (GENERAL FUND)**

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2014/15 £,000	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Local Resources			
								2014/15	2015/16	2016/17	2017/18
								£,000	£,000	£,000	£,000
1	Disabled Facilities	E	-	423	382	382	382	82	100	100	100
2	Housing Renewal	E	-	98	60	60	60	98	60	60	60
	Board Total			521	442	442	442	180	160	160	160

KEY TO PROGRESSION CATEGORIES

E. Exempt from progression categories

CAPITAL PROGRAMME 2014/15 TO 2017/18
COMMUNITY BOARD - NON HOUSING

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2014/15 £,000	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Local Resources			
								2014/15	2015/16	2016/17	2017/18
								£,000	£,000	£,000	£,000
1	Alver Valley Country Park	P	162	162				100			
2	River Hamble to Portchester. CFERM Strategy	E	-	200							
3	Waste Recycling - Project Integra Contribution	E	-	8	8	8	8	8	8	8	8
4	Car Park resurfacing & upgrading	E	-	104	40	40	40	104	40	40	40
5	Provide lighting to pathways within Leisure Parks, Gardens & Open Spaces	P	197	175							
6	Privett Park - Replacement 2nd Pavilion & paths (this scheme is subject to both S.106 developer contribution and equivalent match funding [each £350k] being identified - the capital programme funding projections currently assume that this will be the case or the scheme will not proceed)	I	700	700							
7	Leesland Skatepark - MUGA & skatepark improvements	P	58	10							
8	Lee Promenade resurfacing	P	45	45				45			
9	Public Conveniences refurbishment	E	-	141	80	80	80	141	80	80	80
10	Transfer of Play Areas at Priddys Hard	P	21	9							
11	Privett Park-Provision of High Protective Fence & Multi Use Games Facility	P	35	10				10			
12	Replacement Car Park machines	P	88	40				40			
13	Cocklepond refurbishment	P	137	134				134			
14	Playgrounds - improvements to existing facilities	E	-	50	20	20	20	50	20	20	20
15	Kerbside & Glass Collection service	I	134			134				134	
16	Essential Paving Improvements & Upgrades	E	-	50	40	30	30	50	40	30	30
17	Relay Tarmac to Rowner Green Bowling Club Car Park	P	25	25				25			
18	Remove Paving Slabs at Anglesey Gardens Bowling Club and Replace with Tarmac	P	11	11				11			
19	Stokes Bay - Wet & Dry Play Area	P	400	82				82			
20	Install permanent vehicle deterrents at various locations	P	33	33				33			
21	Falklands Gardens fountain - refurbish & replace pumps	P	15	15				15			
22	Foster Gardens - refurbish pond & boundaries	P	15	15				15			
23	Gosport Park - replace bowling green hedge with fencing	P	21	21				21			

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2014/15 £,000	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Local Resources			
								2014/15	2015/16	2016/17	2017/18
								£,000	£,000	£,000	£,000
24	Stanley Park - phased refurbishment	P	80	38	20	20		38	20	20	
25	Renew interpretation boards across the Borough	P	39	20	10	9		20	10	9	
26	Privett Park Enclosure irrigation	P	37	37				37			
27	Ice Rink refurbishment & improvement	P	100	100				100			
28	Enclosure Football Pitch - relaying	P	82	82				82			
29	Enclosure Football Pitch - automatic watering system	P	10	10				10			
30	Crown House - conversion to two flats	I	85	85				85			
31	Stokes Bay Golf Club - drainage works	I	35	35				35			
	Board Total			2,447	218	341	178	1,291	218	341	178

KEY TO PROGRESSION CATEGORIES

I - Inception

D - Design

T - Tender

P - Progressing

C - Complete

F- Final

E. Exempt from progression categories

CAPITAL PROGRAMME 2014/15 TO 2017/18
ECONOMIC DEVELOPMENT BOARD

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2014/15 £,000	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Local Resources			
								2014/15	2015/16	2016/17	2017/18
								£,000	£,000	£,000	£,000
1	Waterfront Masterplanning	D	220	72				72			
2	Pumping Stations upgrade	P	15	15				15			
3	High Street Improvements	P	176	176				60			
	Board Total			263				147			

POLICY & ORGANISATION BOARD

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2014/15 £,000	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Local Resources			
								2014/15	2015/16	2016/17	2017/18
								£,000	£,000	£,000	£,000
1	CCTV - Replacement & Upgrades	E	-	15	15	15	15	15	15	15	15
2	Hampshire High Speed Broadband Project	E	-	30	15			30	15		
3	Mobile Home Park - underground pipe renewal	P	62	58				58			
4	Mobile Home Park - flooding alleviation	P	53	51				51			
5	IT - PC Replacement Programme	E	-	112	10	10	10	112	10	10	10
6	IT - Server Replacement	E	-	70	40	40	40	70	40	40	40
7	IT - Microsoft Licence	E	-	50	50	50	50	50	50	50	50
8	IT - System Upgrades	E	-	146	10	10	10	146	10	10	10
9	Town Hall Major Repairs - Electrics	E	-	65	10	10	10	65	10	10	10
10	Town Hall Major Repairs - Internal Decorations	E	-	25	15	15	15	25	15	15	15
11	Town Hall Major Repairs - Health & Safety	E	-	25	10	10	10	25	10	10	10
12	Town Hall Major Repairs - Adaptions	E	-	118	15	15	15	118	15	15	15
13	Reprographics Equipment - replacement	C	-	48				48			
14	Financial Management System V.5 Upgrade	I	-		45				45		
	Board Total			813	235	175	175	813	235	175	175

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2014/15 £,000	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Local Resources			
								2014/15	2015/16	2016/17	2017/18
								£,000	£,000	£,000	£,000
	Total Capital Programme			7,529	6,955	4,598	4,595	5,916	6,673	4,316	4,313

KEY TO PROGRESSION CATEGORIES

- I - Inception
- D - Design
- P - Progressing
- C - Complete
- F- Final
- E. Exempt from progression categories

SUMMARY FINANCING STATEMENT

	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	Total £'000
Specific Capital Grants - GF	341	282	282	282	1,187
Developer Contributions - Open Spaces - GF	535				535
Other Grants and Contributions - GF	737				737
Local Resources - Major Repairs Reserve - HRA	2,446	2,488	2,533	2,583	10,050
Local Resources - Revenue Contribution - HRA	1,039	1,072	1,107	1,217	4,435
Local Resources - St Vincent Development - HRA		2,500			2,500
Local Resources - Capital Receipts - GF	100	675	600	600	1,975
Local Resources - Capital Funding Requirement - GF	2,331	(62)	76	(87)	2,258
Total Funding	7,529	6,955	4,598	4,595	23,677

AGENDA ITEM NO.9

Board/Committee:	Policy & Organisation Board Meeting
Date of Meeting:	29 September 2014
Title:	EY – Audit Results Report
Author:	Helen Thompson
Status:	For consideration by Policy & Organisation Board

Purpose

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Our report includes only matters of governance interest that have come to our attention in performing the audit under the requirements of the Audit Commission's Code of Audit Practice and international standards of auditing (ISAs).

This is an important report that is a requirement of ISA 260 and must be presented to you in your role as those charged with governance, before you approve the financial statements.

Recommendation

- Review and note the conclusions set out in the Audit Results Report
- Approve the letter of management representation (separate agenda item), to allow us to issue our audit report.

1 Background

- 1.1 The Audit Commission's Code of Audit Practice require us to report to those charged with governance on the work we have carried out to discharge our statutory audit responsibilities, together with any governance issues identified.

2 Report

2.1 Financial statements

We expect to issue an unqualified audit opinion by the statutory deadline of 30 September 2014.

Work on the whole of government accounts return is nearing completion. We will provide a verbal update at the Board meeting.

2.2 Value for money conclusion

We intend to issue an unqualified value for money conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2.3 Audit certificate

As at the date of this report, we expect to issue the audit certificate alongside the audit opinion and value for money conclusion.

2.4 Audit fees

We anticipate the audit will be completed within the agreed audit fee of £69,825.

3 Risk Assessment

- 3.1 The Audit Results Report – ISA260 should be reviewed and noted as part of the Council's governance arrangements.

4 Conclusion

- 4.1 The Audit Results Report – ISA260 is attached for consideration and approval.

Financial Services comments:	N/A
Legal Services comments:	N/A
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Service Improvement Plan implications:	N/A
Corporate Plan:	N/A
Risk Assessment:	N/A
Background papers:	N/A
Enclosures:	Audit Results Report 2013/14
Report author/ Lead Officer:	Helen Thompson, Audit Director, Ernst & Young

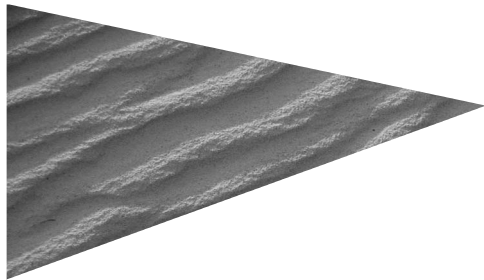
Gosport Borough Council

Policy & Organisation Board Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

29 September 2014



Building a better
working world

Helen Thompson, Director
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- ▶ Executive summary
- ▶ Extent and purpose of our work
- ▶ Addressing audit risk
- ▶ Financial statements audit – issues and findings
- ▶ Arrangements to secure economy, efficiency and effectiveness
- ▶ Independence and audit fees

Executive summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Policy and Organisation Board - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As of 29 September 2014, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements well and in compliance with the Code.

Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Extent and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2013/14 financial statements.
- ▶ Report on any exception on the governance statement or other information included in the foreword.
- ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and significant deficiencies in internal control.

As a component auditor, we also follow the group instructions issued by the National Audit Office, and send them our group assurance certificate, audit results report and auditor's report on the consolidation schedule.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Addressing audit risks

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
As identified in International Standards of Auditing (UK & Ireland) 240 (ISA UK&I 240), management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our approach focussed on: <ul style="list-style-type: none">• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;• reviewing accounting estimates for evidence of management bias; and• evaluating the business rationale for significant unusual transactions.	We tested material journal entries and substantively tested all significant accounting estimates, and reviewed for unusual transactions. We found no evidence of management bias or override.

Addressing audit risks

Other audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Other audit risks		
<p>The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme a proportion of the business rates collected by councils will be retained locally and the balance paid over to central government.</p> <p>The level of NNDR paid on business property depends on its 'rateable value'. This is calculated by the Valuation Office Agency (VOA).</p> <p>Where local businesses believe the current value for business properties is wrong they can:</p> <ul style="list-style-type: none"> • appeal to the VOA and ask them to correct details • appeal the rates if the local business and the VOA can't agree. This appeal is heard by a valuation tribunal. <p>Where rating appeals are successful, monies to settle the appeals will come out of the Council's funds and will also impact on other local public bodies that precept on the Council. This includes not only claims from 1 April 2013 but also claims that relate to periods before the introduction of the business rates retention scheme. As appeals are to the Valuation Office, authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.</p> <p>The potential cost of successful rateable value appeals could be significant to the Council. There is a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.</p> <p>In addition, the Council has generated a surplus of £126,000 on business rates. It will need to repay £376,000 to the Government in respect of safety net payments received in excess of safety net entitlement. This payment will be accrued in the General Fund</p>	<p>We sought to understand and assess the reasonableness of the Council's methodology in estimating any planned provision in respect of rateable value appeals outstanding at the balance sheet date.</p> <p>This involved consideration of both the completeness and accuracy of the data on the number of appeals outstanding and the basis for the assumptions made by the Council on the likelihood of success. We assessed your proposed treatment of the repayment of safety net entitlement to the Government.</p>	<p>We assessed management's approach to estimating the provision and found this to be based on reasonable approach and that the provision is soundly based.</p> <p>We audited the business rate balances in the Collection Fund and found them to comply with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14'.</p>

Financial statements audit

Issues and misstatements arising from the audit

Progress of our audit

The audit is substantially complete. We will provide an update of progress at the Policy & Organisation Board meeting. These procedures include:

- ▶ receipt of a letter of representation; and
- ▶ reporting to the NAO as a component auditor.

Subject to the satisfactory resolution of the above procedures, we propose to issue an unqualified audit report on the financial statements.

Uncorrected Misstatements

The Council has corrected three errors in the previous year's financial statements. These include the categorisation of transport contributions (£215,000) and housing benefits administration grant (£696,000), and the reanalysis of the adjustment between current cost and historic depreciation (£43,000). It has decided to treat these as prior period adjustments (PPAs) in the 2013/14 financial statements. We believe that the sums involved are not sufficiently material to justify a prior period adjustment under IAS 8. Management has decided not to reverse the adjustments, and we have asked for this to be included in the letter of management representation. We are satisfied that the values at 31 March 2014 are materially correct.

Corrected Misstatements

Our audit identified a number of further misstatements which we have highlighted to management for amendment. These have been corrected during the course of our work.

We do not consider any of these to be significant and therefore we have not provided further details of these corrected misstatements.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- ▶ During our audit we noted that a number of financial reconciliations were not being regularly completed throughout the year (council tax reduction reconciliation with council tax) or needed to be improved (housing rents). However, our year end audit found that the year end reconciliations are accurate and complete.

We have no other matters we wish to report.

Financial statements audit (continued)

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters.

In addition to the standard representations, we request that you also confirm:

- The reason why management has decided not to amend the treatment of the prior period adjustments; that the comparative figures have been correctly restated; and that an appropriate disclosure note has been added for the amendments in the current year's financial statements.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently completing our work in this area and will report any matters that arise to the Policy and Organisation Board.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Gosport Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criterion 1 - Arrangements for securing financial resilience

- ▶ *"Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future"*

We did not identify any significant risks in relation to this criterion based upon our review of:

- ▶ the Council's risk management procedures and risks registers;
- ▶ 2014/15 budget setting in response to the 2013 local government settlement; and
- ▶ the medium term financial plan.

We have no issues to report in relation to this criterion. We assessed the Council's Medium Term Financial Plan and found that the Council has projected its budgets forward up until March 2018, and has identified the level of savings required on an annual and cumulative basis.

Criterion 2 - Arrangements for securing economy, efficiency and effectiveness

- ▶ *"Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."*

We did not identify any significant risks in relation to this criterion based upon:

- ▶ a review of the Audit Commission's VFM profiles; and
- ▶ assessing the Authority's ability to deliver services in the medium term with reduced funding.

We have no issues to report in relation to this criterion. Our work focused on the Council's budget setting processes and ability to set balanced budgets within the current spending constraints, without detrimentally affecting service provision. We found that the Council operates well in this context and has sufficient expertise to set realistic budgets whilst continuing to provide its statutory functions.

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 6 August 2014.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. In our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view.

We will be pleased to discuss any matters concerning our independence, at the forthcoming meeting of the Policy and Organisation Board on 29 September 2014.

- ▶ We confirm that we have met the reporting requirements to the Policy and Organisation Board, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements was set out in our Audit Plan dated 6 August 2014.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee – Code work	69,825	69,825	-
Certification of claims and returns	19,934	19,934	-
Non-audit work	0	0	-

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



AGENDA ITEM NO. 10

Board/Committee:	P & O BOARD
Date of Meeting:	29 SEPTEMBER 2014
Title:	HARDSHIP RELIEF - NNDR
Author:	BOROUGH TREASURER
Status:	FOR DECISION

Purpose

To consider an application for hardship relief from non-domestic rates under Section 49 of the Local Government Finance Act 1988 submitted by L B Physio at Coastal Clinics, South Street, Gosport

Recommendation

Members are requested to approve the application by L B Physio for hardship relief under Section 49 of the Local Government Finance Act 1988 by granting relief on the increase in rates payable for the years 2012/13 and 2013/14 resulting from the increased rateable value.

1 Background

- 1.1 Section 49 of the Local Government Finance Act 1988 empowers a local authority to grant up to 100% relief from Non-Domestic Rates where the Council is satisfied that the ratepayer will suffer hardship if relief is not granted, having regard also to the interests of Council Taxpayers.
- 1.2 At its meeting on 16 June 1992 the Policy and Resources Committee considered whether to adopt a general policy to grant hardship relief, but resolved not to do so and to continue to review applications
- 1.3 Under the new Business Rate Retention arrangements 40% of the cost of hardship relief is borne locally and met from the General Fund.

2 Report

- 2.1 Guidance on this issue was provided by the Secretary of State in a Practice note issued in August 1990 which stated authorities may wish to bear the following in mind:-

- a) Although authorities may adopt rules for the consideration of hardship cases, they should not adopt a blanket policy either to give or not to give relief; each case should be considered on its own merits.
- b) Reduction or remission of rates on the grounds of hardship should be the exception rather than the rule.
- c) The test of 'hardship' need not be confined strictly to financial hardship; all relevant factors affecting the ability of a business to meet its liability for rates should be taken into account.
- d) The interests of community chargepayers (now Council Tax payers) in an area may go wider than direct financial interests. For example, where the employment prospects in the area would be worsened by a company going out of business, or the amenities of an area might be reduced by, for instance, the loss of the only shop in a village.
- e) Where the granting of relief would have an adverse effect on the financial interests of Council Tax payers, the case for a reduction or remission of rates payable may still, on balance, outweigh the cost to Council Tax payers.

Application

- 2.2 L B Physio opened a new business in Gosport commencing trading at Coastal Clinics on 1ST June 2010. In September 2012 the rateable value of the premises rose from £8,100 to £16,000, when the address was changed from ex-driving test centre to Coastal Clinics and the property description amended to Clinic and Premises. It was then reduced to £13,500 by the valuation office. The ratepayer lodged an appeal against this rating level (£13,500) with the Valuation Office. An application for hardship relief was submitted to the Council in September 2013 and an arrangement was agreed with the ratepayer concerning payment of the rates in the meantime.
- 2.3 The application has been held in abeyance firstly to enable the appeal to be heard, then subsequently on advice from the Valuation Officer that a further change was to be made to the rateable value. The change was received in June 2014 which split the assessment into two – Coastal Clinics with a rateable value of £12,500 and car parking with a rateable value of £1,200. Following investigations, the Valuation Office has been advised by the Council that the split is incorrect. We are currently waiting a further amendment which is expected to merge the two assessments back to one reinstating the rateable value to £13,500. The consequences of the change to the rateable value to £13,500 and the resulting amounts due are detailed in paragraph 3.

- 2.4 L B Physio have paid the bill for 2012/13 in full and have paid £1,245.00 towards the business rates for 2013/14 as part of a special payment arrangement agreed with them. No payments have been received in respect of 2014/15.
- 2.5 The business employs 1 full time and 9 part time members of staff. It is the only Private Physiotherapy Centre in the Town Centre although physiotherapy is available at two other locations in Gosport, and there are other local providers for the additional complimentary services that the centre offers – at least 3 other providers of podiatry, reflexology and sports therapy. A similar range of services are offered in Lee-on-the-Solent. Physiotherapy is also available through the NHS.
- 2.6 L B Physio provides - physiotherapy, podiatry, sports therapy/massage, psychotherapy, hypnotherapy and reflexology. Within their application (Appendix A) and correspondence they have stated that the business requires time to grow to a position of profit and that the company will not be able to pay its creditors and will cease trading without hardship relief being granted. In support of the application unaudited accounts (Appendix B) and a business plan (Appendix C) was supplied. Since the submission of the business plan, L B Physio has advised that it had not been successful in gaining the proposed NHS contract work and has put the business plan on hold.
- 2.7 L B Physio has been subject to an exceptional increase in their rateable value which also resulted in the loss of Small Business Rate Relief. This has resulted in an increase to the rates bill from £1,309.84 to £6,237.00 for 2013/4 (an increase of 376%). This change could not reasonably have been foreseen by the business. In addition the business has recently failed to secure a number of contracts leading to a short to medium term financial problem although LB Physio have suggested that alternative revenue streams can be achieved. The applicant states the business will have to cease trading should hardship relief not be granted. The provision of such health related facilities in the town centre is seen as particularly beneficial and provides ease of accessibility for residents of the Borough.
- 2.8 The granting of Hardship Relief although as stated in the guidance above 2.1(b) should be the exception rather than the rule may be seen as appropriate in this case to help the organisation meet both the unexpected significant increase in rates due together with a

reduction in their income. Hardship relief for the years 2012/13 and 2013/14 could be seen as justified to allow the business to adapt to it's new circumstances by both creating new income streams and enabling it to budget for the new rating liability in the future.

3 Financial Considerations

3.1	Year	2012/13	2013/14
	Rates due at RV £8,100	£1,275.81	£1,309.84
	Rates due at RV £13,500	£3,892.35	£6,237.00
	Increase in rates due	£2,616.54	£4,927.16
	Cost to GBC (40%) granting hardship relief for increase in rates	£1046.62	£1,970.86

If Committee were minded to give relief for 2012/13 and 2013/14 for the **increase** in the rates due this would amount to £7,543.70 at a cost of £3,017.48 to Gosport Borough Council.

- 3.2 Any hardship relief awarded that creates a credit on the year concerned due to payments already received on the account will be transferred to the outstanding rates for 2014/15.

4 Risk Assessment

- 4.1 Granting of relief could result in an unfair trading advantage against similar local businesses and lead to legal challenge.
- 4.2 Failure to grant relief, could be detrimental to Council Tax payers by the loss of facilities within the town centre should the organisation cease trading.

5 Conclusion

- 5.1 If hardship is accepted to award relief the Council has to be satisfied that it is in the Council Taxpayers overall interest to do so. LB Phsio employs 10 staff, they provide a centralised range of services within the town centre location, the closest similar centre being located in Lee-on-the-Solent. The business had an unexpected significant increase in their rating liability and has had some setbacks which have had a detrimental effect to their business plan. They state that given time the business can become viable.

Financial Services comments:	As detailed in the report.
Legal Services comments:	Contained within the Report
Service Improvement Plan implications:	N/A
Corporate Plan:	N/A
Risk Assessment:	See 4
Background papers:	None
Appendices/Enclosures:	
Appendix 'A'	Application
Appendix 'B'	Supplied Accounts
Appendix 'C'	Business Plan 2013
Report author/ Lead Officer:	Julian Bowcher/Maggie Gibbins

NATIONAL NON-DOMESTIC RATES - HARDSHIP RELIEF

EXPLANATORY NOTES - Please read these notes (Pages 1 & 2) before completing the Application Form (Pages 3 & 4). These notes are intended to give a helpful outline of the Hardship Relief scheme but they should not be regarded as a complete guide to the law

1. What is the Hardship Relief Scheme?

Section 49 of the Local Government Finance Act 1988 gives the Council a discretionary power to reduce or remit the payment of rates by granting Hardship Relief. A quarter of the cost of any Hardship Relief granted falls directly on local Council Tax payers and, therefore, the Council must ensure that the granting of Hardship Relief benefits the wider community as well as the ratepayer concerned.

2. How is Hardship Relief granted?

Any Hardship Relief will normally be granted as a percentage of the rates payable for a specific period, usually the rating year in which the application is made. In some cases, interim decisions may be made subject to review in the light of the actual financial accounts for the period concerned.

An applicant who is granted Hardship Relief is entitled to re-apply for Hardship Relief in subsequent years and in the event of such a re-application the Council may require the ratepayer to provide evidence from an accountant or other professional adviser regarding the long-term financial viability of the business.

3. What are the general qualifying criteria?

The applicant must be liable to pay National Non-Domestic Rates to Gosport Borough Council. The Council must be satisfied that:

- 1 The ratepayer would sustain hardship if the Council did not grant Hardship Relief, and
- 2 It is reasonable to grant Hardship Relief having regard to the interest of person's subject to the Council Tax.

The test of "hardship" need not be confined strictly to financial hardship and applicants should disclose all relevant factors affecting the ability of the business to meet its rate liability.

The "interest" of local Council Tax payers may go wider than direct financial interests; for example, where employment prospects in an area would be worsened by a ratepayer going out of business, or the amenities of an area might be reduced.

4. Which ratepayers are most likely to qualify?

Whilst the Council can consider an application for Hardship Relief from any ratepayer who satisfies the qualifying criteria, hardship relief should not be regarded as automatic under any circumstances.

It is unlikely that Hardship Relief would be granted in respect of an empty property or where there is little expectation of economic survival

Small Businesses occupying only one non-domestic property in England may qualify for Small Business Rate Relief (for which a separate application form is available). Such businesses may be required to apply for Small Business Rate Relief before an application for Hardship Relief can be considered

5. What are the application requirements?

The following information will be required in support of applications for Hardship Relief :-

1. Completed Application Form
2. Past two years audited accounts or, in the case of a new business, an estimate of annual income and expenditure
3. A comprehensive Business Plan incorporating a brief history of the business
4. Cash flow forecast for a minimum of the next twelve months
5. Any other information that may be required in individual cases

6. How are applications for Hardship Relief determined?

Each application for Hardship Relief is considered on its merits in accordance with Government guidelines

Applications will be considered by The Policy and Organisation Board of Gosport Borough Council which is a public meeting and therefore information provided in your application may be placed in the public domain

NATIONAL NON-DOMESTIC RATES - APPLICATION FOR HARDSHIP RELIEF

To apply for Hardship Relief please complete this application form in BLOCK CAPITAL LETTERS and return it to the Local Taxation Office, Gosport Borough Council, Town Hall, High Street, Gosport, Hampshire, PO12 1ED together with copies of the following documents:-

(i) Audited accounts for the past two years (or in the case of a new business, estimates of annual income and expenditure), (ii) a comprehensive Business Plan incorporating a brief history of the business, and (iii) cash flow forecast for a minimum of the next twelve months.

If you require any assistance in completing this form, please contact the Head of Local Taxation, Gosport Borough Council (Telephone: (02392) 5470, Email: businessrates@gosport.gov.uk)

If there is insufficient space to fully answer any question, please use a separate sheet of paper

1 Name of Ratepayer and Address of Property on which Relief is claimed	Lisa Brown LB Physio Coastal Clinics South Street Gosport PO12 1ES
2 Ratepayer's address (if different to 1)	
3 Please state the period for which Relief is claimed and the amount of Relief requested	2013/14
4 What service does the business provide and what area does it serve?	Physiotherapy, Podiatry, Sports Therapy/Massage, Psychotherapy, Hypnotherapy, Reflexology
5 Does the business provide a service to the local community and which is not provided elsewhere in the area?	YES/ NO If YES, where is the nearest business providing the same service? LEE ON SOLENT
6 Number of persons employed in the business	Full Time : 1 Part Time : 9
7 How many of these employees live in Gosport Borough Council's area?	Full Time : Part Time : 2
8 What factors have led to the ratepayer suffering hardship?	Increase in rateable value from £8000 to £13,500
9 What steps or actions have been taken to improve the situation?	We have applied to have our rent reduced and have been successful by a reduction of £500 per annum. This hasn't changed the business rates payment. We have asked for transitional relief and again this was not applied and has been

	<p>refused We applied for government funding which was declined and we have worked hard with the council to assist us by allowing us transitional relief from the £8,000 to 13,500 but were told that it had not been applied We have written letters explaining the increase for any business was not acceptable with the percentage increase not being factored into the financial business plan.</p>
<p>10 What are the consequences for the business if the Council declined to grant some or all of the Relief requested?</p>	<p>The business is in its infancy and financially struggling The business owner has supported the business financially without taking any income but is no longer able to continue to fund the business loss as a direct result of the rates increasing from £120 a month to over £700. The company will no longer be able to pay its creditors and will cease trading if we are not successful in reducing the outgoings.</p>
(continued on next page)	

<p>11. What are the consequences for the local community if the Council declined to grant some or all of the Relief requested?</p>	<p>The physiotherapy service and podiatry service has been welcomed by the local people. We look after local sailor Alex Thomson who has done a lot of good for Gosport along with supporting local sports clubs and schools If the service closes not only will staff become redundant but services purchased locally will also cease.</p>
<p>12 Is the business receiving (or requesting) financial assistance from any other source?</p>	<p>YES / NO If YES, please give details</p>
<p>13 Does the business have any other debts which may result a creditor taking action to enforce recovery or commence insolvency proceedings?</p>	<p>YES / NO If YES, please give details</p>
<p>14. Please state any other information which you consider is relevant to support your application for Hardship Relief</p>	<p>We applied for local funding Bridging the Gap but were not successful, this was disappointing for the business as we needed this to assist us with marketing and growth offering a more sustainable business.</p>

I apply for Hardship Relief and I declare that the information given on this form and any supporting documents is correct

I authorise the Local Taxation Office to make any enquiries necessary to verify the information stated and to refer this application to the Council's Policy and Organisation Board.

I enclose copies of the following: (i) past two years audited accounts (or in the case of a new business, an estimate of annual income and expenditure) (ii) the Business Plan, (iii) a cash flow forecast for a minimum of the next twelve months. (If any of these documents is not enclosed with your application, you should explain why it is not available.)

I understand that I am not entitled to withhold the payment of rates pending the determination of this application and that the information provided will be heard at a public meeting

Signed

Name of Signatory Lisa Brown

Capacity in which signed OWNER

Date 26/07/13

Email address Lisa.Brown@bbphysic.co.uk

Daytime Telephone No 07887716553

Data Protection 1998

Any personal information (as defined in the Data Protection Act 1998) which is provided in support of the application will be held in accordance with the principles of the Act and only used by the Council for the purposes of the administration and collection of National Non-Domestic Rates. The same protection is not afforded to business-related data

LISA BROWN
T/A LB PHYSIO
UNAUDITED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2013

**LISA BROWN
T/A LB PHYSIO
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LISA BROWN
T/A LB PHYSIO
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2013

1 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2012	15,756	9,451	11,883	16,721	53,811
Additions	-	2,577	225	-	2,802
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	15,756	12,028	12,108	16,721	56,613
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2012	6,301	3,792	7,073	1,742	18,908
Charge for the year	3,151	2,272	1,671	4,180	11,274
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	9,452	6,064	8,744	5,922	30,182
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2013	6,304	5,964	3,364	10,799	26,431
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	9,455	5,659	4,810	14,979	34,903
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**LISA BROWN
T/A LB PHYSIO
ACCOUNTANTS' REPORT TO THE PROPRIETOR
ON THE UNAUDITED ACCOUNTS OF LISA BROWN**

In accordance with instructions given to us we have prepared without carrying out an audit the annexed financial statements from the records of Ms L Brown and information and explanations supplied to us.

hjs Chartered Accountants

Accountants

12-14 Carlton Place
Southampton
SO15 2EA

LISA BROWN
T/A LB PHYSIO
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

		2013	2012
	£	£	£
Turnover			
Sales		156,510	165,888
Cost of sales			
Opening stock and work in progress	4,537		6,000
Purchases	16,555		17,110
Wages and salaries	40,328		29,265
Employer's N I contributions	1,965		1,632
Subcontract labour	5,576		2,945
Case management charges	6,031		4,779
	<u>74,992</u>		<u>61,731</u>
Closing stock and work in progress	(4,500)		(4,537)
		<u>(70,492)</u>	<u>(57,194)</u>
Gross profit		86,018	108,694
Administrative expenses			
Wages and salaries	29,363		25,668
Employer's N.I. contributions	1,360		1,448
Staff recruitment costs	-		175
Staff training	638		880
Rent	19,637		20,615
Rates	1,877		1,270
Business licences	93		-
Insurance	458		356
Light and heat	2,793		2,649
Cleaning	7,643		7,484
Repairs and maintenance	241		667
Gardening	230		1,235
Printing, postage and stationery	2,660		3,795
Advertising	4,554		7,010
Telephone	4,181		6,384
Computer running costs	1,838		1,900
Hire of equipment	368		368
Use of premises	1,300		1,300
Motor running expenses	2,308		1,682
Travelling expenses	813		1,527
Gifts	-		140
Entertaining	105		65
Legal and professional fees	3,518		8,344
Accountancy	3,012		3,160
Bank charges	2,283		2,676
Bad and doubtful debts	59		3,518
Canteen	-		178
Staff welfare	117		413
Sundry expenses	180		96
Subscriptions	1,259		1,488
Health and safety and clothing	449		-

LISA BROWN**T/A LB PHYSIO****DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2013**

Amortisation on short leasehold	3,151	3,151
Depreciation on plant and machinery	2,272	1,695
Depreciation on fixtures and fittings	1,671	1,632
Depreciation on motor vehicles	4,180	1,742
Profits/losses on disp of tangibles	-	(514)
	<hr/>	<hr/>
	(104,611)	(114,197)
	<hr/>	<hr/>
	(18,593)	(5,503)
Other operating income		
Sundry income	2,681	8,430
	<hr/>	<hr/>
Operating (loss)/profit	(15,912)	2,927
 Interest payable		
Bank interest paid	256	-
Non-bank interest paid on loans <5yrs	1,189	1,463
Hire purchase interest	616	313
	<hr/>	<hr/>
	(2,061)	(1,776)
	<hr/>	<hr/>
Net (loss)/profit for the year	(17,973)	1,151
	<hr/>	<hr/>

LISA BROWN
T/A LB PHYSIO
BALANCE SHEET
AS AT 31 MARCH 2013

	Notes	2013 £	£	2012 £	£
Fixed assets					
Tangible assets	1		26,431		34,903
Current assets					
Stocks		4,500		4,537	
Trade debtors		11,883		13,966	
Prepayments		1,406		53	
Cash at bank and in hand		839		5,996	
		<u>18,628</u>		<u>24,552</u>	
Current liabilities					
Bank loans and overdrafts		11,363		5,000	
Trade creditors		4,388		1,881	
Other creditors		9,381		6,737	
Accruals		7,061		6,175	
		<u>32,193</u>		<u>19,793</u>	
Net current (liabilities)/assets			(13,565)		4,759
Total assets less current liabilities			12,866		39,662
Creditors due after more than one year			(18,041)		(24,969)
			<u>(5,175)</u>		<u>14,693</u>
Capital account					
At 1 April 2012			14,693		12,768
Capital introduced			762		13,073
(Loss)/Profit for the year			(17,973)		1,151
			<u>(2,518)</u>		<u>26,992</u>
Drawings			(2,657)		(12,299)
			<u>(5,175)</u>		<u>14,693</u>

I approve the financial statements and confirm that I have made available all relevant records and information for their preparation.

Miss L M Brown

Date :

LISA BROWN
T/A LB PHYSIO
NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2013

1 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2012	15,756	9,451	11,883	16,721	53,811
Additions	-	2,577	225	-	2,802
	<u>15,756</u>	<u>12,028</u>	<u>12,108</u>	<u>16,721</u>	<u>56,613</u>
At 31 March 2013	15,756	12,028	12,108	16,721	56,613
Depreciation					
At 1 April 2012	6,301	3,792	7,073	1,742	18,908
Charge for the year	3,151	2,272	1,671	4,180	11,274
	<u>9,452</u>	<u>6,064</u>	<u>8,744</u>	<u>5,922</u>	<u>30,182</u>
At 31 March 2013	9,452	6,064	8,744	5,922	30,182
Net book value					
At 31 March 2013	<u>6,304</u>	<u>5,964</u>	<u>3,364</u>	<u>10,799</u>	<u>26,431</u>
At 31 March 2012	<u>9,455</u>	<u>5,659</u>	<u>4,810</u>	<u>14,979</u>	<u>34,903</u>

LISA BROWN
T/A LB PHYSIO
UNAUDITED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012

**LISA BROWN
T/A LB PHYSIO
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**LISA BROWN
T/A LB PHYSIO
ACCOUNTANTS' REPORT TO THE PROPRIETOR
ON THE UNAUDITED ACCOUNTS OF LISA BROWN**

In accordance with instructions given to us we have prepared without carrying out an audit the annexed financial statements from the records of Ms L Brown and information and explanations supplied to us.

hjs Chartered Accountants

Accountants

12-14 Carlton Place
Southampton
Hampshire
SO15 2EA

LISA BROWN
T/A LB PHYSIO
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
£	£	£
Turnover		
Sales	198,918	133,940
Cost of sales		
Opening stock and work in progress	6,000	2,000
Purchases	17,108	17,013
A Williams	1,880	4,322
M O'Callaghan	2,900	-
W Scotton - wages	33,031	-
Wages and salaries	29,265	17,167
Employer's N I. contributions	1,632	1,237
Subcontract labour	2,945	4,730
	94,761	46,469
Closing stock and work in progress	(4,537)	(6,000)
	(90,224)	(40,469)
Gross profit	108,694	93,471
Administrative expenses		
Wages and salaries	25,668	27,166
Employer's N I. contributions	1,448	127
Staff recruitment costs	175	2,196
Staff training	880	987
Rent	20,615	16,092
Rates	1,270	1,514
Insurance	356	1,263
Light and heat	2,649	4,562
Cleaning	7,484	1,593
Repairs and maintenance	667	16,969
Gardening	1,235	1,070
Printing, postage and stationery	3,795	3,235
Advertising	7,010	10,654
Telephone	6,384	5,620
Computer running costs	1,900	394
Hire of equipment	368	731
Use of premises	1,300	1,200
Motor running expenses	1,682	1,264
Travelling expenses	1,527	622
Gifts	140	-
Entertaining	65	-
Legal and professional fees	8,344	2,954
Accountancy	3,160	1,300
Bank charges	2,676	1,451
Bad and doubtful debts	3,518	-
Canteen	178	461
Staff welfare	413	40
Sundry expenses	96	1,599
Subscriptions	1,488	400

LISA BROWN
T/A LB PHYSIO
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2012

Amortisation on short leasehold	3,151	3,150
Depreciation on plant and machinery	1,695	1,388
Depreciation on fixtures and fittings	1,632	1,634
Depreciation on motor vehicles	1,742	2,374
Profits/losses on disp of tangibles	(514)	3,250
	<u>(114,197)</u>	<u>(117,260)</u>
	(5,503)	(23,789)
Other operating income		
Sundry income	8,430	-
	<u>2,927</u>	<u>(23,789)</u>
Operating profit/(loss)		
Interest payable		
Non-bank interest paid on loans <5yrs	1,463	999
Hire purchase interest	313	-
	<u>(1,776)</u>	<u>(999)</u>
Net profit/(loss) for the year	<u>1,151</u>	<u>(24,788)</u>

LISA BROWN
T/A LB PHYSIO
BALANCE SHEET
AS AT 31 MARCH 2012

	Notes	2012 £	£	2011 £	£
Fixed assets					
Tangible assets	1		34,903		30,013
Current assets					
Stocks		4,537		6,000	
Trade debtors		13,966		15,107	
Prepayments		53		4,000	
Cash at bank and in hand		5,996		2,703	
		<u>24,552</u>		<u>27,810</u>	
Current liabilities					
Bank loans		5,000		5,000	
Trade creditors		1,881		5,224	
Other creditors		6,737		7,839	
Accruals		6,175		4,800	
		<u>19,793</u>		<u>22,863</u>	
Net current assets			4,759		4,947
Total assets less current liabilities			39,662		34,960
Creditors due after more than one year			(24,969)		(22,192)
			<u>14,693</u>		<u>12,768</u>
Capital account					
At 1 April 2011			12,768		54,574
Capital introduced			13,073		25,000
Profit/(Loss) for the year			1,151		(24,788)
			<u>26,992</u>		<u>54,786</u>
Drawings			(12,299)		(42,018)
			<u>14,693</u>		<u>12,768</u>

I approve the financial statements and confirm that I have made available all relevant records and information for their preparation.

Ms L M Brown

Date :

LISA BROWN
T/A LB PHYSIO
BALANCE SHEET
AS AT 31 MARCH 2012

1 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2011	15,756	6,939	10,885	9,495	43,075
Additions	-	2,512	998	16,721	20,231
Disposals	-	-	-	(9,495)	(9,495)
At 31 March 2012	15,756	9,451	11,883	16,721	53,811
Depreciation					
At 1 April 2011	3,150	2,097	5,441	2,374	13,062
On disposals	-	-	-	(2,374)	(2,374)
Charge for the year	3,151	1,695	1,632	1,742	8,220
At 31 March 2012	6,301	3,792	7,073	1,742	18,908
Net book value					
At 31 March 2012	9,455	5,659	4,810	14,979	34,903
At 31 March 2011	12,606	4,842	5,444	7,121	30,013

Lisa Brown t/a LB Physio
Unaudited Accounts
for the year ended 31 March 2011

Lisa Brown t/a LB Physio

Information

Accountants

CGL Accountants
Chartered Certified Accountants
18 Orwell Crescent
Fareham
PO14 4JR

Business address

Coastal Clinics
South Street
Gosport
Hampshire
PO12 1EL

Bankers

Lloyds TSB Bank plc
Oakmount House, Oakmount Road
Chandlers Ford
Eastleigh
SO53 2LH

Lisa Brown t/a LB Physio

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Lisa Brown t/a LB Physio

**Chartered Certified Accountants' Report to the Proprietor
on the Unaudited Accounts of Lisa Brown t/a LB Physio**

In accordance with the engagement letter dated 12 April 2011 we have compiled the financial information of Lisa Brown t/a LB Physio which comprises the Profit and Loss Account, Balance Sheet and the related notes from the accounting records and information and explanations you have given to us.

The financial information has been compiled in accordance with your instructions. The financial information is not intended to achieve full compliance with the provisions of UK Generally Accepted Accounting Principles

This report is made to you, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial information that we have been engaged to compile, report to you that we have done so, and state those matters that we have agreed to state to you in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Miss Lisa Brown, for our work, or for this report.

You have approved the financial information for the year ended 31 March 2011 and have acknowledged your responsibility for it, for the appropriateness of the accounting basis and for providing all information and explanations necessary for its compilation.

We have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial information.

CGL Accountants

Chartered Certified Accountants
18 Orwell Crescent
Fareham
PO14 4JR

Lisa Brown t/a LB Physio

**Trading and profit and loss account
for the year ended 31 March 2011**

	31/03/11		18 months ended 31/03/10	
	£	£	£	£
Sales		133,940		142,365
Cost of sales				
Opening stock and work-in-progress	2,000		2,204	
Purchases	16,885		5,303	
Physiotherapists' wages and salaries	17,167		10,410	
Employer's NI contributions	1,237		236	
Subcontract services	4,730		-	
Subcontract physiotherapists	-		2,515	
Consumables	128		-	
Costs re A Williams	4,322		-	
	<u>46,469</u>		<u>20,668</u>	
Closing stock and work-in-progress	(6,000)		(2,000)	
		<u>40,469</u>		<u>18,668</u>
Gross Profit c/f		<u>93,471</u>		<u>123,697</u>

Lisa Brown t/a LB Physio

	31/03/11		18 months ended 31/03/10	
	£	£	£	£
Gross Profit b/f		93,471		123,697
Expenses				
Admin wages and salaries	27,166		27,173	
Employer's NI contributions	127		520	
Staff recruitment costs	2,196		238	
Staff training	987		2,016	
Use of premises	1,200		1,040	
Rent payable	16,092		20,385	
Rates	1,514		-	
Insurance	1,263		1,713	
Light and heat	4,562		-	
Cleaning	1,593		1,056	
Repairs and maintenance	16,969		918	
Gardening	1,070		-	
Printing, postage and stationery	3,235		1,955	
Advertising	10,654		3,139	
Telephone and fax	5,620		2,899	
Computer costs	394		2,568	
Hire of equipment	731		629	
Motor running expenses	1,264		2,124	
Travelling and subsistence	622		1,630	
Entertaining	-		961	
Legal and professional fees	2,954		573	
Bookkeeping fees	-		924	
Accountancy	1,300		3,477	
Bank charges	1,451		874	
Canteen	461		-	
Staff welfare	40		1,241	
Sundry expenses	1,599		666	
Subscriptions	400		739	
Amortisation on short leasehold	3,150		-	
Depreciation on plant and machinery	959		443	
Depreciation on FF & Equipment	1,634		3,405	
Depreciation on motor vehicles	2,374		5,250	
Depreciation surgery equipment	429		-	
Profits/losses on disp of tangibles	3,250		-	
Interest on loans	999		945	
		(118,259)		(89,501)
Net (loss)/profit		<u>(24,788)</u>		<u>34,196</u>

Lisa Brown t/a LB Physio

**Balance sheet
as at 31 March 2011**

	Notes	31/03/11		31/03/10	
		£	£	£	£
Tangible assets	1		30,013		22,862
Current assets					
Stocks and work-in-progress	2	6,000		2,000	
Debtors	3	19,107		39,997	
Cash at bank and in hand		2,703		3,386	
		<u>27,810</u>		<u>45,383</u>	
Current liabilities	4				
Trade creditors		5,224		9,417	
Bank loans and overdrafts		5,000		-	
Other creditors		7,839		2,454	
Accruals		4,800		1,800	
		<u>22,863</u>		<u>13,671</u>	
Net current assets			4,947		31,712
Total assets less current liabilities			34,960		54,574
Long-term liabilities	5		(22,192)		-
Net assets			<u>12,768</u>		<u>54,574</u>
Capital account					
Brought forward at 1 April 2010			54,574		16,795
Funds introduced			25,000		32,540
(Loss)/profit for the year			(24,788)		34,196
			<u>54,786</u>		<u>83,531</u>
Drawings			(42,018)		(28,957)
			<u>12,768</u>		<u>54,574</u>

Lisa Brown t/a LB Physio

In accordance with the engagement letter dated 12 April 2011, I approve the financial information which comprises the Profit and Loss Account, Balance Sheet and the related notes. I acknowledge my responsibility for the financial information and for providing CGL Accountants with all information and explanations necessary for its compilation.

L M Brown

Date:

Lisa Brown t/a LB Physio
Notes to the accounts
for the year ended 31 March 2011

1. Tangible assets	Land and buildings leasehold	Plant and machinery	Furniture and computers	Motor vehicles	Surgery equipment	Total
	£	£	£	£	£	£
Cost						
At 1 April 2010	13,374	-	7,276	14,000	1,478	36,128
Additions	2,382	4,795	3,609	9,495	666	20,947
Disposals	-	-	-	(14,000)	-	(14,000)
At 31 March 2011	<u>15,756</u>	<u>4,795</u>	<u>10,885</u>	<u>9,495</u>	<u>2,144</u>	<u>43,075</u>
Depreciation						
At 1 April 2010	-	-	3,807	8,750	709	13,266
On disposals	-	-	-	(8,750)	-	(8,750)
Charge for the year	3,150	959	1,634	2,374	429	8,546
At 31 March 2011	<u>3,150</u>	<u>959</u>	<u>5,441</u>	<u>2,374</u>	<u>1,138</u>	<u>13,062</u>
Net book values						
At 31 March 2011	<u>12,606</u>	<u>3,836</u>	<u>5,444</u>	<u>7,121</u>	<u>1,006</u>	<u>30,013</u>
At 31 March 2010	<u>13,374</u>	<u>-</u>	<u>3,469</u>	<u>5,250</u>	<u>769</u>	<u>22,862</u>

2. Stocks	31/03/11 £	31/03/10 £
Finished goods and goods for resale	<u>6,000</u>	<u>2,000</u>

3. Debtors	31/03/11 £	31/03/10 £
Trade debtors	15,107	10,997
Other debtors	-	25,000
Prepayments and accrued income	<u>4,000</u>	<u>4,000</u>
	<u>19,107</u>	<u>39,997</u>

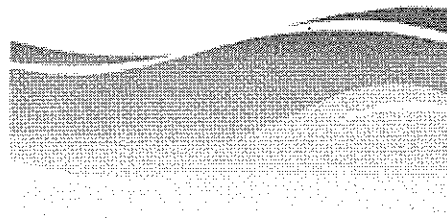
Lisa Brown t/a LB Physio
Notes to the accounts
for the year ended 31 March 2011

4. Current liabilities	31/03/11	31/03/10
	£	£
Bank loans and overdrafts	5,000	-
Net obligations under finance leases and hire purchase contracts	2,832	-
Trade creditors	5,224	9,417
Taxes and social security costs	792	395
Other creditors	4,215	2,059
Accruals and deferred income	4,800	1,800
	<u>22,863</u>	<u>13,671</u>
	<u><u>22,863</u></u>	<u><u>13,671</u></u>
 5. Long-term liabilities	 31/03/11	 31/03/10
	£	£
Loans	17,473	-
Net obligations under finance leases and hire purchase contracts	4,719	-
	<u>22,192</u>	<u>-</u>
	<u><u>22,192</u></u>	<u><u>-</u></u>

2013

LBPhysio at Coastal Clinics

COASTAL
CLINICS



BUSINESS PLAN 2013

LBPhysio expansion documentation for further funding of the proposed MRI provision and growth development plan at Coastal Clinics Gosport

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Coastal Clinics Gosport Business plan 2013

Executive Summary

Coastal Clinics is an established private physiotherapy practice seeking to expand. The aim is to achieve this expansion through

- a) Extending the offering to NHS patients via 21 GP practices in Fareham and Gosport
- b) Acquiring an on-site MRI scanner to broaden the services available to patients
- c) Expanding the podiatry offering
- d) Increasing new patient numbers via local advertising

This expansion will involve increasing staff levels, and up-front capital expenditure of £106,000. Towards this, bank finance of £50,000 has been agreed. £50,000 is being sought through the "Bridging the Gap" funding scheme and the remaining £6,000 is being secured via Lisa Brown taking a salary sacrifice.

Management

Coastal Clinics is a sole proprietorship which was established by Lisa Brown, Bsc Hons Physiotherapy, in 2007. Lisa holds degree in Physiotherapy from Southampton University and is also a member of the Expert Witness Register. She has advanced level training in Medico Legal work and is a member of the Medico Legal Counsel for Physiotherapists

Lisa has been a HPC registered physiotherapist in the UK and member of the Chartered Society For Physiotherapists since 1994. She has vast experience in healthcare as evidenced from her C.V attached, and continues to enhance her knowledge with continued professional development.

Lisa believes that the experience gained to date from her previous business venture where she built a large musculoskeletal practice in Whiteley, will help her to ensure that this business is a profitable thriving business built on firm foundations.

Coastal Clinics - Background

When established in 2007, Coastal Clinics initially operated from a GP practice in Whiteley. In 2009 Lisa Brown acquired a building in Gosport and converted it into treatment rooms and a gymnasium, this was completely self-funded. The business commenced in 2010 from Gosport and has steadily grown since its inception.

The Business Operation

Coastal Clinics is ideally situated in the centre of Gosport and Whiteley which is on the M27 corridor - making access simple and cost effective.

It offers a one stop shop for the majority of musculoskeletal injuries and also preventative services to include braces and supports. Physiotherapy services include neurological physiotherapy, musculoskeletal physiotherapy for all types of joint and muscular pain, acupuncture, domiciliary visits and orthopaedic post-operative rehabilitation.

We offer physiotherapy assessments and treatments for a variety of medical conditions - back pain, neck pain, shoulder pain, knee pain, as well as treating patients that have suffered a neurological brain injury such as a stroke or brain haemorrhage. We offer Wii habilitation and exercise packages, sports injury treatments to include taping and strapping along with traditional Swedish massage, Deep Tissue work, Sports Massage, Reflexology, acupuncture and other services. A sports therapist is employed, treating sports injury and offering personalised phased exercise programmes tailored to individual needs.

Other Services include massage and podiatry, along with consultant surgeons offering outpatient appointments for orthopaedics, vascular disorders, and cosmetic surgery.

25% of turnover currently comes from billing insurance companies.

Our goal is to tailor the client's experience based on initial assessment, as well as in-the-minute feedback during the treatment session, to ensure the patients comfort and satisfaction, and to increase repeat business and cross referrals for other services.

We are mindful of the overall experience - using quality products such as oils and lotions and strappings, the surrounds are bright and cheerful with patient information by way of a TV promotional screen at reception. All exercise programs are individual and are emailed to the patients and updated when required.

We consider our main unique selling point to be that patients in discomfort or pain, can self refer to our service for an assessment where they can gain further access to diagnostic tests such as MRI without the need for a GP referral. The patients 'journey' will be case managed from start to finish by experienced clinicians and is not a service currently offered in any other private healthcare service.

As the current customer base comprises of private patients, they tend to be selective about appointment times and many prefer evening or weekend appointments – which means there is capacity for more patients during the working day.

The Market and Client Base

Please refer to:

Appendix One – Organisational chart

Appendix Two – Lisa Brown C.V

Appendix Three – Market Analysis

Appendix Four – Market segmentation

Proposal

Coastal Clinics needs to expand to maximise efficiencies and to ensure that sustainable income levels are achieved, as the business is not profitable enough as a standalone physiotherapy clinic.

Providing more podiatry and offering MRI scanning would increase the profitability and give us the edge in terms of competition.

We are going through the process of tendering for an NHS Physiotherapy contract which commences in April 2013. We are awaiting approval from the Department Of Health to become AQP (Any Qualified Provider) accredited, currently we are through to the final phase and will know if we are successful Jan 31ST 2013 this will open a number of opportunities, namely:

- a) Waiting times for MRI scans since the closure of Haslar Hospital, which has placed huge demand on other MRI scanners, currently based in QA hospital and Fareham Community Hospital
- b) The NHS can offer high volume work and bring down the overall cost of scanning in addition to a service funded by insurance.
- c) With the future of "Choose and Book" for the NHS and the "Any Qualified Provider" status due to operate from April 2013, it is quite probable that clients who work during the day would be more likely to book a day-time treatment/scan if we are more conveniently located to their place of work or home.
- d) The foot fall of NHS work will naturally generate brand awareness enhancing over counter sales and increased business. Patients who originally saw us on the NHS are likely to return if they have future needs that need to be funded privately.

- e) Early diagnostics can be a cost effective service to the NHS and can assist in early return to work from injury offering reassurance and the avoidance of ongoing psychological stress from the fear of the unknown, long waiting times and ineffective treatments.

Longer term, once the business model is established, we aim to replicate it through a franchising model throughout the UK. An additional benefit of this is that by franchising we would open up opportunities of gaining large contracts with national companies.

Funding Requirement

A total of £106,000 capital outlay is required, of which Lloyds Bank have agreed to lend £50,000 and grant funding of £50,000 is being sought with the additional £6,000 coming from the owner Lisa Brown by way of salary sacrifice.

In order to accommodate the MRI scanner we need to install a covered walkway from the main entrance to the site of the portable unit. We also need to upgrade the whole electricity supply to the building, to 3 phase supply.

To comply with NHS requirements, we need to upgrade our computer system to include a server (and to include an enhanced level of security) and ensure that our Human Resources procedures and documentation is compliant.

A breakdown of the costs for the overall expansion project is as follows:

Infrastructure upgrade to include IT	£24,728	
New Walkway/Extension	£30,000	
MRI Infrastructure Costs	£17,500	
Stock	£10,000	
Podiatry Chair	£2,000	
Orthotic Machine	£6,000	
Tour De France Bike	£1,000	
Radio Campaign/Marketing	£15,000	
	<u>£106,228</u>	<u>Total</u>

Mission

'Our mission is to enhance patients experience providing musculoskeletal services in a caring, professional environment on a self or medical referring basis'.

Keys to Success

1. Professionalism: which includes everything from maintaining confidentiality, keep up to date with professional development and training.
2. Individual Attention: making that extra effort to customise each client's experience to his or her needs. Case managing each and every one of our patients.
3. Repeat business/recommendations: giving the kind of service that brings people back for regular treatments, and encourages clients to recommend us to friends, and other health professionals to recommend their clients.
4. Contracts with Fareham and Gosport Commissioning Group to provide physiotherapy services and MRI scanning.
5. Replicating the model throughout the South coast and then UK.
6. Communication: ensuring effective communication across professional colleagues including GPs and consultants as well as informing patients through education.

The accessibility of location will facilitate access by clients recovering from injuries. We have identified this as a lucrative target market because they usually are funded by insurance claims, and represent repeat visits for duration of up to one year. Because this group very often needs multiple, short sessions for a series of weeks or months, our location is likely to make us convenient for appointments.

Marketing Strategy

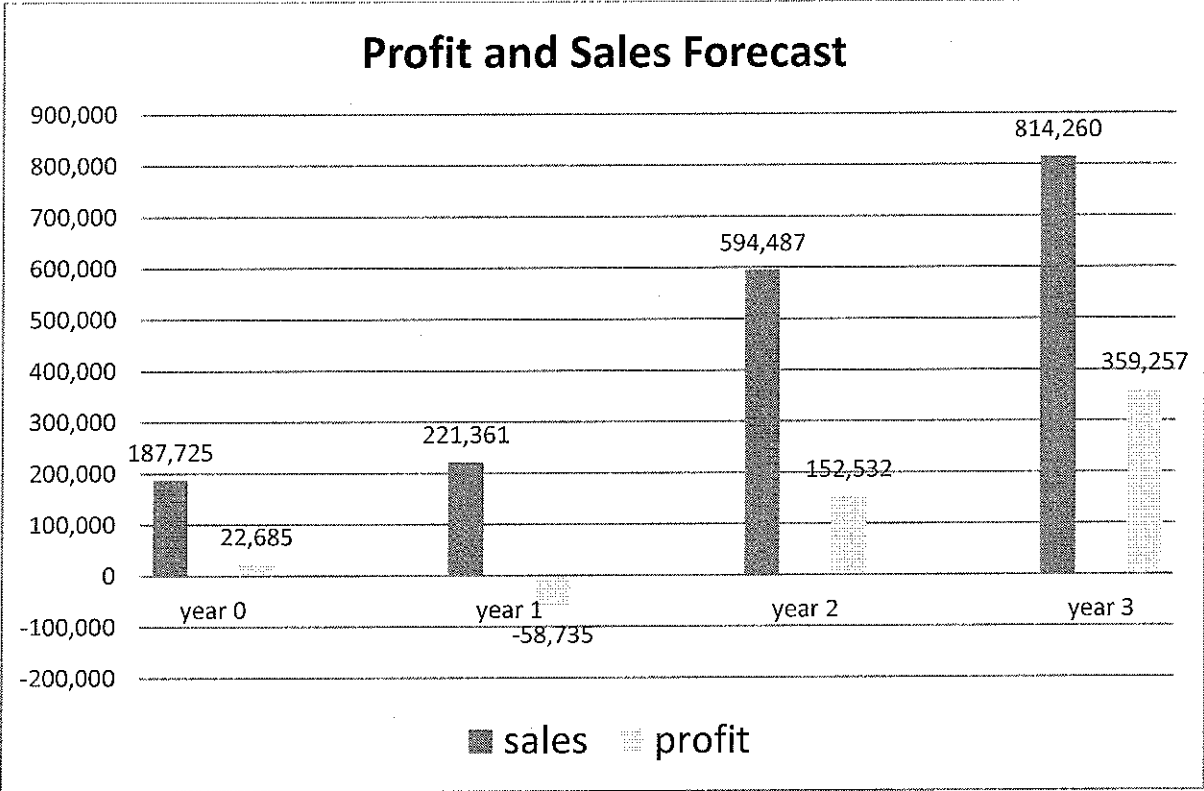
Critical to the success of the MRI service will be the maintenance of referral - creating contacts with other health care providers, especially chiropractors, osteopaths and GPs. Also, the possibility of being accepted for the Any Qualified Provider (AQP) status for the NHS. AQP will give patients the choice through Choose And Book to come to us for treatments rather than the previous referral pattern where by patients go where they are told. Now there is a shift in the role of the GP previously the gate keeper and referrer to such services, now patients will have choice. Marketing will now be very much geared at the people. We have decided a radio campaign will raise brand awareness and have decided to target the local area using Capital Radio 103.2 FM.

Sales Strategy

It can be difficult to think of offering the best possible service as a sales strategy, since that is also the mission and personal passion of the owner of Coastal Clinics. Each client comes with a specific personal agenda, both emotional and physical, and the goal is to "read" that client, and provide the pain relief, relaxation, and feeling of increased well-being that will allow that client to leave feeling satisfied whether through active treatment advice or onward referral for diagnostics. Our aim is to enhance the patient experience leaving them in control of their health and healing.

This is one business where the service IS the sales technique. It is impossible NOT to offer completely customised services, since each client will present a unique body to be worked on. Of course, the total environment in which the service is offered - smells, lighting, sounds, feel of the oils, emotional presence of the therapist - all combine with the techniques of actual tissue manipulation and knowledge of the musculo-skeletal systems to create the client's experience.

Sales Forecast



Assumptions

The increase in sales rises significantly with the MRI provision full details of the assumptions in financials. MRI costs can be found in the chart overleaf

Using average self pay of £395

Pt numbers	Revenue	Fixed costs	Var Costs	Profit
1	£ 395	£ 2,900	£ 45	-£2,550
2	£ 790	£ 2,900	£ 90	-£2,200
3	£ 1,185	£ 2,900	£ 135	-£1,850
4	£ 1,580	£ 2,900	£ 180	-£1,500
5	£ 1,975	£ 2,900	£ 225	-£1,150
6	£ 2,370	£ 2,900	£ 270	-£800
7	£ 2,765	£ 2,900	£ 315	-£450
8	£ 3,160	£ 2,900	£ 360	-£100
9	£ 3,555	£ 2,900	£ 405	£250
10	£ 3,950	£ 2,900	£ 450	£600
11	£ 4,345	£ 2,900	£ 495	£950
12	£ 4,740	£ 2,900	£ 540	£1,300
13	£ 5,135	£ 2,900	£ 585	£1,650
14	£ 5,530	£ 2,900	£ 630	£2,000
15	£ 5,925	£ 2,900	£ 675	£2,350

These figures are shown to demonstrate profitability of the MRI service and breakeven point

Financial Plan

The following Financial Plan represents a continuation of actual business revenues and expenses for the remainder of 2012/13; and then a planned increase in both revenues and expenses as a result of a new service provision

Projected Profit and Loss

	Year 0	Year 1	Year 2	Year 3
	TOTAL	TOTAL	TOTAL	TOTAL
Sales				
Physiotherapy	165,703	143,740	392,827	451,147
Podiatry	-	16,150	36,000	81,000
Case Management	-	15,970	41,040	41,040
MRI	-	-	181,700	272,550
Orthotics	-	13,500	41,400	82,800
Tour de France Bike	-	150	2,300	4,600
Other (payroll services)	55,000	83,000	86,520	89,116
Total Sales	220,703	272,510	781,787	1,022,252
Cost of Sales				
Purchases	22,600	23,091	26,650	29,517
Commissions	1,557	160	-	-
Sales Promotions	3,642	15,617	10,000	10,000
Misc	5,180	31	-	-
MRI Truck	-	-	121,900	121,900
MRI Reports	-	-	21,850	32,775
Orthotics Consumables	-	12,250	6,900	13,800
	-	-	-	-
Total Cost of Sales	32,978	51,149	187,300	207,992
Gross Margin	187,725	221,361	594,487	814,260
	85%	81%	76%	80%
Operating Expenses				
Wages	111,346	208,543	358,209	370,397
Rent and Rates	17,300	22,197	22,000	22,000
Heat Light and Power	3,304	5,692	6,180	6,365
Motor Expenses	1,522	1,165	1,236	1,273
Travel and Entertainment	1,452	607	618	637
Office Supplies	9,048	6,516	6,798	7,002
Professional fees	5,684	9,494	3,172	3,268
Training		2,000	6,000	6,000
Equipment hire and rental	- 85	-	-	-
Maintenance	503	633	618	637
Bank charges and interest	4,092	5,671	6,332	6,522
General	4,873	3,856	3,708	3,819
IT Expense	-	4,554	6,072	6,072
Depreciation	6,000	9,169	21,011	21,011
	-	-	-	-
Total Operating Expenses	165,040	280,096	441,955	455,003
	75%	103%	57%	45%
Net Profit	22,685	(58,735)	152,532	359,257
	10%	-22%	20%	35%

LB Physio

Balance Sheet

	2012		2011	
	£	£	£	£
Fixed assets				
Tangible assets		34,903		30,013
Current assets				
Stocks	4,537		6,000	
Trade debtors	13,966		15,107	
Prepayments	53		4,000	
Cash at bank and in hand	5,996		2,703	
	<u>24,552</u>		<u>27,810</u>	
Current liabilities				
Bank loans	5,000		5,000	
Trade creditors	1,881		5,224	
Other creditors	6,737		7,839	
Accruals	6,175		4,800	
	<u>19,793</u>		<u>22,863</u>	
Net current assets		<u>4,759</u>		<u>4,947</u>
Total assets less current liabilities		39,662		34,960
Creditors due after more than one year		<u>-24,969</u>		<u>-22,192</u>
		<u>14,693</u>		<u>12,768</u>
Capital account				
At 1 April 2011		12,768		54,574
Capital introduced		13,073		25,000
Profit/(loss) for the year		<u>1,151</u>		<u>-24,788</u>
		26,992		54,786
Drawings		<u>-12,299</u>		<u>-42,018</u>
		<u>14,693</u>		<u>12,768</u>

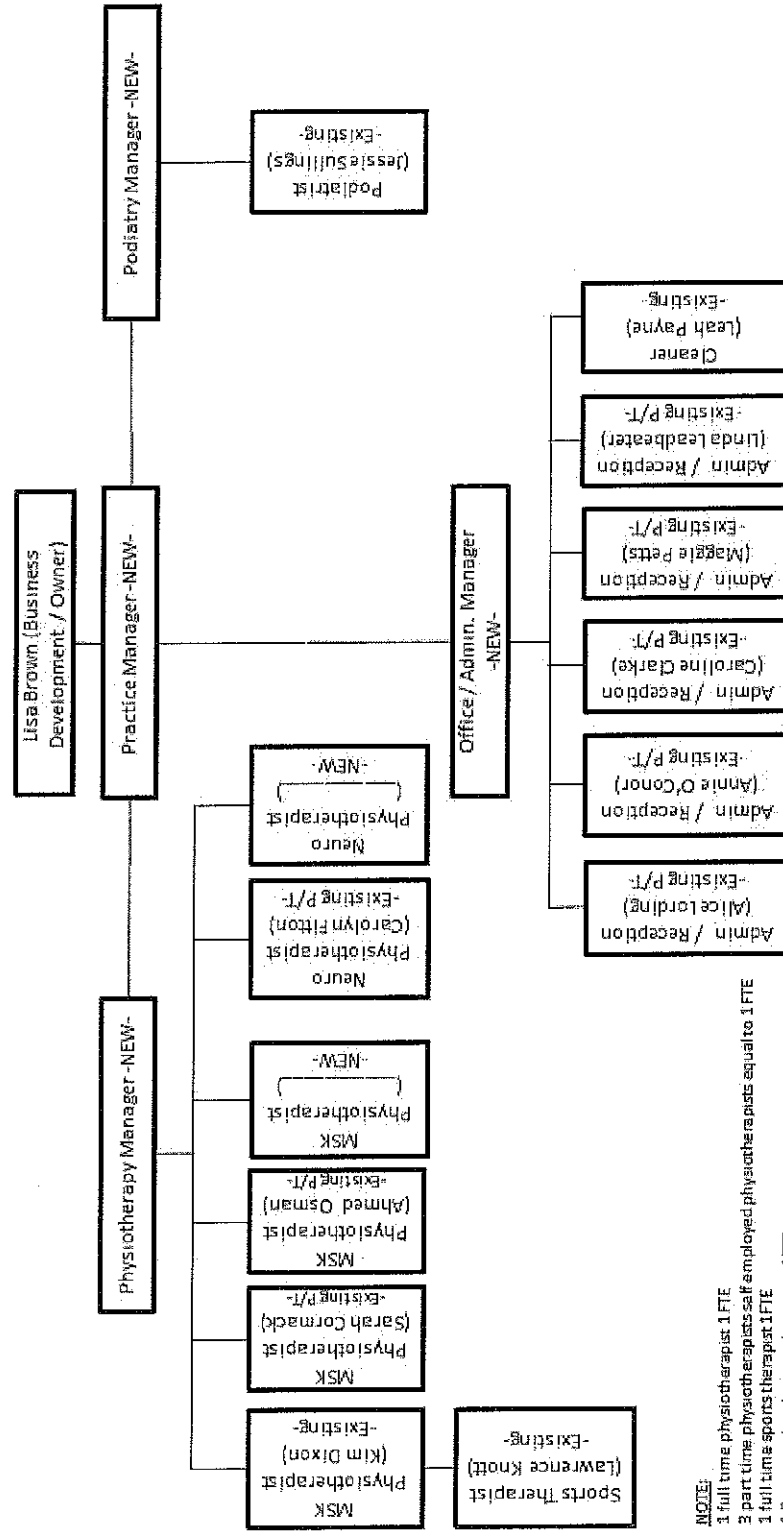
Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table as annual assumptions. Two of the more important underlying assumptions are:

1. We assume that the government decision to open up opportunity for private providers to supply to health is embraced and carried out by the commissioning groups.
2. We assume, of course, that there are no changes to the Medical/insurance Industry

APPENDIX ONE

LB Physio at Coastal Clinics Organisational Chart



NOTE:

- 1 full time physiotherapist 1 FTE
- 3 part time physiotherapists all employed physiotherapists equal to 1 FTE
- 1 full time sports therapist 1 FTE
- 1 business development manager 1 FTE
- 1 Podiatrist 25 (12 hours per week) will be promoted to podiatry manager.
- 1 cleaner 1 FTE
- total 7.25 FTE
- New positions
- Practice manager 1 FTE
- Physiotherapy manager 1 FTE
- Podiatry manager 1 FTE
- Senior neurological physiotherapist 1 FTE
- Junior physiotherapist 1 FTE

Currently there are 5 part time administrator/receptionists that equate to 2 FTE posts

APPENDIX TWO - Lisa Brown – Curriculum Vitae

LISA BROWN

BSc (Hons) MCSP

Address
39 Knights Bank Road
Hill Head
Fareham
Hampshire
PO14 3HX

Mobile: 07887 716553, E-mail: lisabrown@lbphysio.co.uk

PERSONAL PROFILE

Fully registered member of the Chartered Society of Physiotherapy and Member of the Expert Witness Academy, with specialisms in musculoskeletal disorders and clinical negligence. Experienced in criminal and civil cases for both Claimant and Defense, with court room experience and success as an Expert Witness in out of court settlements in assault, negligence and compensation cases. Successful in winning BUPA provider recognition June 09 demonstrating high quality standards and service. Proprietor of Coastal Clinics and Coastal Case Management Services.

KEY SKILLS

- Can provide professional opinions in musculoskeletal problems such as those resulting from traffic accidents, plus spinal injuries, sports injuries, professional and clinical negligence
- Single Expert experience: report writing and reviewing, using clinical journals and research papers to provide evidence on opinions regarding prognosis and causation
- Confident of knowledge based on 16 years' experience practising as a specialist musculoskeletal therapist, having worked with patients and athletes in both the NHS and my own private practice
- Experienced at answering cross-examination questions in court
- Successful as Expert Witness in out of court settlements (recent case achieved £1.3m compensation)
- Lecturer in Health and Well being
- Efficient Case Manager, setting up care and rehabilitation programmes

EMPLOYMENT

Coastal Case Management Services

Co – Director

April 10 – Present

- Established case management services with joint co owner social worker Eleanor Glackin
- Built single occupancy unit for rehabilitation of patients with complex trauma including brain injury
- Experienced in assessments of client needs
- Provide case management and the provision of cost effective, individualised packages of care

- Provide care delivery within the requirements of the Care Quality Commission (CQC), establishment and coordination of care, rehabilitation and support packages
- Monitoring and review of care, rehabilitation and support packages
- Assistance with the recruitment, supervision and support of personal care staff
- Assistance with the purchase of specialist equipment

LB Physio/Coastal Clinics

November 07 - Present

Director, Chartered Physiotherapist and Expert Witness

- Set up a new private practice in Yew Tree Clinic, Whiteley, and Coastal Clinics Gosport.
- Providing education and physiotherapy treatments for post surgical and trauma rehabilitation, sports injuries (amateur and professional athletes), accidents affecting the neck, back and shoulders
- Specialist in upper quadrant neck and shoulder conditions in particular the sporting shoulder
- Working in conjunction with top Orthopaedic Surgeons and Specialist Consultants; making referrals for diagnostic services such as MRI and Ultrasound scans.
- Creation and provision of education programmes for businesses and public organisations on prevention of back pain, ergonomics, health and safety, anatomy, physiology
- Physiotherapist for Solent Ladies Basketball Team since 2008.
- Physiotherapist for the Gifted and Talented Sports Programme for Gosport Schools
- Expert Witness for cases regarding musculoskeletal disorders and clinical negligence.
- Training Physiotherapists and teachers and carers

LB Healthcare

2000 – January 2009

Director, Chartered Physiotherapist

- Built private practice initially as a single handed practice to a large healthcare establishment employing a variety of healthcare and fitness professionals, offering physiotherapy and rehabilitation, sports therapy, fitness training, podiatry, NHS dentistry, a hydrotherapy pool, ultrasound imaging, and MRI scanning, turning over £1 million.
- Set up and delivered contracts for the NHS in Physiotherapy, Gastro-enterology, Radiology and ENT, hiring operating theatres, providing surgeons and health professionals and managing administration.
- Won and managed contracts with public sector organisations and commercial businesses Tracked and monitored staff conditions, analysed trends, provided education and support, and even saved them some of their budget
- Won national awards with medical insurance companies to provide MRI services.
- Provided physiotherapy outpatient service
- Physiotherapist Advisor for the Government's Talented Athlete Scholarship Scheme, and gave lectures at Southampton University
- Founder of the Health IQ physiotherapy service at the University of Southampton

Physiotherapist (progressed from Junior Physio to Senior Physio)

- Trained and worked as a Physiotherapist within NHS Hospitals and Primary Care Trust settings.
- Participated in weekly in service training
- Completed a dissertation on the cost effectiveness of total knee replacements, and later followed up with a clinical audit for this.
- Continued further training in manual therapy alongside Senior Physiotherapist.
- Wrote training on demand workbook regarding anti-discriminatory practice and won a prize for our department.
- Physiotherapist for the Special Olympics.

PROFESSIONAL QUALIFICATIONS AND MEMBERSHIPS

- BSc (Hons) Physiotherapy (2:1), University of Southampton, 1995
- 'A' Levels in Sociology, Psychology, Biology and Chemistry

MEMBERSHIPS AND FURTHER TRAINING

- Member of the Chartered Society of Physiotherapy: 57445
- Expert Witness Academy:
- Member of the CSP Expert Witness Team
- Member of the Health Professions Council: HPC: PH50731
- Member of the Organisation of Chartered Physiotherapists in Private Practice: 5742
- Portfolio of various training courses for continuous professional development (circa 50 hours each year), including providing training for GPs
- Lecturing to other health care professionals and schools.
- Consultant on health and well being Hampshire Schools

OUTSIDE INTERESTS

- Enjoy taking part in action sports such as snow boarding, power boats and water skiing.
- Networking with associates and colleagues
- Spending time with friends and family.

APPENDIX THREE

Market Analysis

The 2010 health White Paper 'Equity and Excellence: Liberating the NHS' and the consultation document 'Liberating the NHS: Greater Choice and Control' clearly signalled the intention to provide greater choice for patients in most sections of healthcare. In July 2011, the Department of Health published 'Operational Guidance to the NHS on Extending Patient Choice of Provider' setting out guidance regarding the phased implementation of 'Any Qualified Provider' (AQP).

Musculoskeletal (MSK) services for back and neck pain were identified as one of the eight priority service lines for use of the AQP model.

The intention is to enable patients to choose any qualified provider where this will result in better care. Choice of provider is expected to drive up quality, empower patients and enable innovation to support the delivery of the Quality, Innovation, Productivity and Prevention (QIPP) challenge. Importantly, extending choice of AQP provides a vehicle to improve access, address inequalities and improve quality of services where patients have identified variable quality in the past.

In July 2011, the Department of Health (DH) published guidance to support the phased expansion of Patient Choice of Any Qualified Provider to community and some mental health services.

To support the NHS to implement AQP, volunteer PCT clusters were identified to work with emerging Clinical Commissioning Groups (CCGs) and the DH to co produce the development of implementation packs for of the priority services. The production of these packs was supported by DH and required the cluster to work with patient groups (both locally and from service/patient representative organisations), providers, regulatory bodies, clinical

professionals and other interested commissioners to prepare a pack that is tested and suitable for sharing for use by other NHS commissioners

The implementation pack for MSK Service for Back and Neck pain has been developed by NHS North West London with support from our buddy cluster for this work, NHS South Central and in conjunction with a wider national reference group.

This service specification is intended to provide an example to commissioners who wish to offer MSK services for back and neck pain using an Any Qualified Provider model, and forms part of a wider implementation pack. The service required is for the community based provision of assessment, treatment and management of back and neck pain in line with the acceptance and exclusion criteria and service requirements outlined in this specification.

The service requirements have been designed with consideration of NICE guidelines for Low Back Pain: early management of persistent non-specific Low Back Pain ; Map of Medicine pathways for Low Back Pain – initial management and for neck pain ; Musculoskeletal Services Framework ; and built upon the learning from existing service model studies.

The aim is to provide a comprehensive, patient-centred, easy to access back and neck pain service in the community, that delivers high quality, efficient services in line with national guidance and local requirements.

The service objectives are:

- To give patients a choice of provider.
- To provide improved access to services closer to home.
- To reduce waiting times to access the service and deliver treatment to enable patients to reach their individual treatment goals sooner. This could include an improved quality of life, return to work, more manageable pain.

- To deliver clinically effective treatments, that reduce the demand on secondary care services and reduce the need for more costly interventions.
- To provide community services that have a strong emphasis on patient education and self-management, thereby promoting active, healthy lifestyles and reducing recurrence of injury or illness.

APPENDIX FOUR

Market Segmentation

Clients who come for physiotherapy and/or MRI SCAN fall into five basic groups:

1. Clients suffering from injuries or accidents

- Often previously seeing a chiropractor or osteopath
- Frequently paid by insurance
- Usually insurance will pay for medical services such as MRI, physiotherapy and consultations with a surgeon, although clients will sometimes supplement out-of-pocket for massage and other services offered such as braces and supports. The plan to develop an on line shop will also give us a marketing edge.

2. Clients pampering themselves or high regard for health

- High disposable income individuals
- Sometimes have chronic pain or old injury issues not covered by insurance or NHS.
- Massage 1 - 4 times a month for relaxation
- Treatments to maintain healthy lifestyle wanting early diagnosis

3. Clients who prefer alternative health care

- Use massage as preventative health care
- Use other alternative practices - e.g. acupuncture, Osteopathy, reflexologist, etc.
- Try to have massage, personal training, maintenance treatments as regularly as they can afford - usually once per month

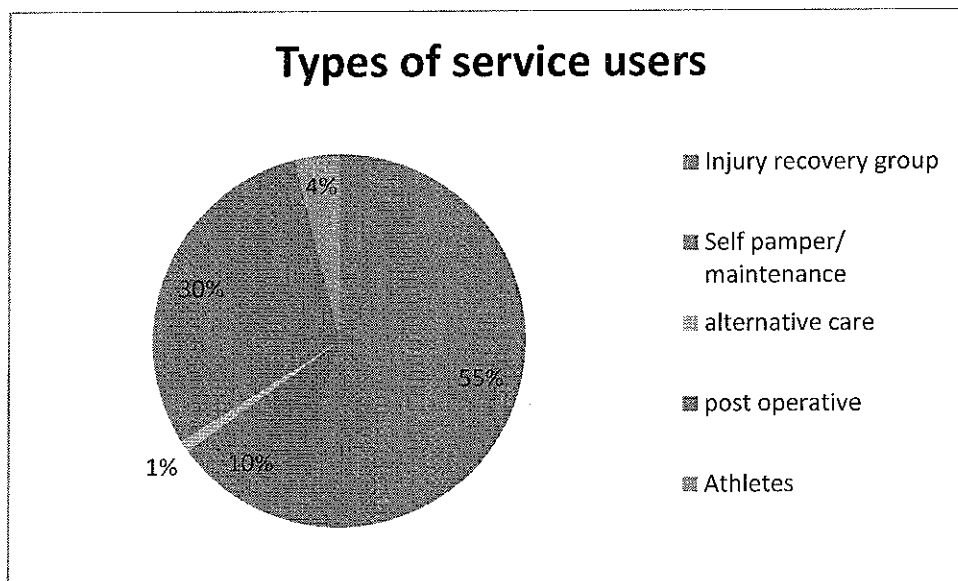
4 Serious Athletes

- Injury and workout recovery, also preventative
- Many serious runners/cyclists in local area
- Massage/sports therapy for improved performance - great for word of mouth referrals if they see results

5. NHS Patients

Choose and Book

Target Market Segment Strategy



As individual as our clients are, they seem to fall into one of five general categories: 1. Injury Recovery, 2. Self-Pampering/Relaxation, 3. Alternative Care Users, 4. Post Operative Rehabilitation, 5. Athletes. Besides the obvious differences in treatments offered, they also represent separate groups for marketing and retention purposes.

1 The Injury recovery group is usually referred by a GP, consultant, self-referred through our website and local advertising, or referred by another client who found treatments helpful during an injury recovery. So the marketing to this audience is done indirectly, through the referring parties. The ever increasing compensation claims have had a positive effect on our business, the newly published whiplash associated disorders guidelines advocate physiotherapy but go on to advise if this doesn't help then acupuncture and alternative treatments are beneficial. Car insurance will typically pay treatments for a limited time period (less than one year), solicitors often instruct us to provide reports and functional restoration programmes for patients that have de-conditioned over time, we also offer pain management programmes for this type of patient, we link in with Coastal Case Management offering rehabilitation packages and expert opinions. The key is to keep getting new referrals.

2. Clients who have the disposable income to indulge in massage for self-pampering or relaxation are the core of our long-term repeat customers along with those patients wanting individual weight loss programmes and want to keep fit under the supervision of highly qualified staff monitoring progress and tracking heart rates. These clients will come once a week to once a month for years, and often refer other family and friends. The difficulty working with these clients comes from the 'familiarity breeds contempt' factor - they can believe they deserve lower rates, cancellations of short or no notice, and can come to seem as friends, rather than clients. The challenge here is maintain a professional relationship, while encouraging the warmth and personal connection that is as much a part of their experience as the actual massage. This type of client can be difficult to find - an advertisement in the local alternative news weekly (especially with a coupon for buy one get one free) or a donation to a charity auction may result in a one-time visit, or a long-term client. Another source of usually one-time visitors is the Gift Vouchers - friends pampering friends for a birthday or other special occasion.

3. The third group are Alternative Care users. These are people who mistrust traditional medicine, and prefer to use chiropractors, osteopaths, herbalists, acupuncturists. A local networking group of alternative care providers is a great way to get referrals, as well as placing posters in other practitioner's offices, and adverts in the local alternative newspaper. The problem with this group is that they can tend to have relatively small disposable incomes, so that a massage once every two months may be all they can afford. A relatively large pool of these clients will book only 20% of the available appointments in any given month.

4. The fourth group, are the patients referred for post operative rehabilitation. These referrals come mainly from consultant orthopedic surgeons and vascular surgeons and form 80% of our insured market. They can transfer into other categories and can become and welcome long term patient often delighted at their experience from surgical intervention to rehabilitation. The key is to educate consultants about our practice offering training and networking opportunities for them with local GPs who will be their primary referrers second to physiotherapists.

5. The final group is another backbone of this business - the amateur athletes. There is a large population of runners and cyclists in the local areas, as well as out-of-town participants who return for annual events, and book massages/treatments during those times. This business tends to be slightly seasonal - as most amateur athletes will only train, or gear-up their training during the spring and summer months. However, they are a very loyal group, and will readily give word-of-mouth recommendations, especially if they see massage as having given them a specific boost to their performance. This group will cross over from the injury group, and become long-term clients after the specific initial injury has healed. They also tend to have chronic injuries or pain, especially as they age, which can help them become repeat clients.

Service Business Analysis

The physiotherapy profession consists of several individual therapists working out of home or private offices, in addition to working in chiropractors' offices, gyms, beauty salons, and other venues. The introduction of more stringent audit processes to assess quality e.g. the Care Quality Commission (CQC) has led to smaller organisations being unable to compete against the larger players. Coastal Clinics are going through the CQC process.

Fortunately, physiotherapy, sports therapy and massage is a very personal service, and different clients are attracted to different techniques and personalities. Coastal Clinics offers individualised services with access to top healthcare consultants and onward referral for diagnostics such as MRI scanning. Staff have core training ensuring the enhanced patient journey which is patient led and professionally case managed. We believe this approach to patient care forms one of our unique selling points. Staff are trained in motivation and use cognitive behavioral approaches to treatments.

This business is becoming increasingly difficult to "break into," since obtaining the training necessary for licensing premises is arduous, expensive and difficult to maintain. The Care Quality Commission (CQC) are increasing standards across all practices, making it difficult for sole practitioners to survive in the new health care market. However bigger threats to our market are the larger organisations, e.g. Virgin, Tesco, who have the infrastructure, funds and staffing levels to position themselves for the new NHS model seeing the value in high volume work. There are huge demands placed on practitioners from insurance providers working to strict key performance indicators (KPIs), varying between commissioners and insurance companies, placing huge demands on administrative time which is costly. While getting the credentials and equipment necessary to start a new MRI business is difficult, establishing a clientele is also tough. Our established proprietor Lisa Brown of over 18 years experience in the field of musculoskeletal medicine with links to

orthopaedic consultants local commissioning groups and solicitors this helps us compete with the likes of larger less personalised companies.

Competition and Buying Patterns

The key element in purchase decisions made by potential clients is trust in the professional reputation, and ultimately, in the skill and knowledge of the provider as experienced in the initial consultation. For this reason, a discount coupon can be an effective way to troll the waters for new clients. A recommendation from other clients and alternative health service providers is also critical. Our latest marketing strategy has successfully used social media sites to generate new business with our new physiotherapist, offering a free an initial consultation if they follow us on Twitter.

While there is a range of prices charged for physiotherapy services and MRI in the area, there is some price sensitivity among the long-term clientele. The NHS was a limited budget and will be looking for the most cost effective service although quality will also be a strong element to the successful provider. Since the variable cost of each treatment is nominal where physiotherapy and sports therapy was concerned, the best bet has seemed to be to charge the average but offer loyalty discount and promotional offers, keeping patients on our mailing list updated of our offers and promotions often generating a reminder for a session. MRI is slightly more advantageous as there is far less competition. There is no space in the local GP practices or the local hospital to provide the service and parking very limited. We are fortunate to have access for the large portable scanner to be placed within our car park. Our competition is slim and costs will be set privately for insurance which is more lucrative than the tariff set for the NHS.

Strategy and Implementation Summary

If, as it has been said, the top three items which determine success in business are location, location, and location, then the location represents our top marketing strategy for all services. By being more available to working clients and by making the other health professionals who will refer those clients to us aware of our location, we literally make ourselves accessible to more business.

Once a client experiences the level of personalised care that we offer, we are confident that we will have a return client, for as long as their funding holds out. And since we have seen many clients who began as insurance-paid injury-recovery cases turn into regular self-paying clients, we believe this will serve our long-term goal of increasing business also.

Competitive Edge

This is another section where mission and passion create the same results as "Marketing". Our "competitive edge" is our ability to give a unique patient journey from admission to the service to exit - to have knowledge and expertise in the client's condition and needs, and deliver what work is needed - where the pain is, where the tension is. Highly qualified staff give an experience that is exactly what each client needs at that given moment.

We have repeatedly heard of word-of-mouth recommendations bringing in new clients with words like "magic hands" and "a higher sense of healing."

Quite apart from this gift, or talent, however, is a sense of what it takes to run a business: how to pace appointments to conserve personal energy; how to use networking - to reach prospective clients; how to maintain that fine balance between personal service and professional boundaries.

The change from a physiotherapy practice to the creation of a physiotherapy service offering a one stop shop approach is bringing the service in line with what the public want. It will definitely make Coastal Clinics desirable to more patients.

AGENDA NO 11

BOARD:	POLICY & ORGANISATION BOARD
DATE OF MEETING:	29 SEPTEMBER 2014
TITLE:	FINAL ACCOUNTS 2013/14
AUTHOR:	BOROUGH TREASURER
STATUS:	FOR APPROVAL

Purpose

This report summarises the outturn position for the 2013/14 financial year and recommends the approval of the Statement of Accounts for 2013/14.

Recommendations

- The Board approve the accounting policies contained within the Statement of Accounts (page 19) and the change in respect of IAS19 (page 9)
- The Board approve the Statement of Accounts for 2013/14 at Appendix G
- The Board note the outturn position contained in the report and Appendices including
 - The capital programme slippage detailed in Appendix D
 - The write offs approved under delegated authority at Appendix E
- The Board approve the Letter of Representation at Appendix F

1.0 Background

- 1.1 The Accounts and Audit Regulations 2011 require the annual Statement of Accounts to be formally approved by members after the external audit has taken place with the subsequent publication of the statement taking place by the end of September. Members therefore receive and approve a final Statement that has been amended for any items arising out of the audit

2.0 Report

- 2.1 The audit of the accounts was undertaken by Ernst and Young (the Council's external auditors) during July, August and September and formally concludes when the audit opinion is issued prior to publication of the statement.

- 2.2 The accounts were available for formal public inspection during July and August and the Council's auditor was available to receive questions from any Gosport local elector. The relevant dates were published in the Hampshire Independent and on the Council website.
- 2.3 Standards and Governance Committee considered Ernst and Young's Audit Results Report on 11 September (this is the formal report from the auditors to 'those charged with governance'). The report noted that, subject to satisfactory completion of the outstanding audit work, Ernst and Young planned to issue an unqualified audit opinion by 30 September after Policy and Organisation Board has formally approved the final financial statements.
- 2.4 The formal statutory Statement of Accounts for 2013/14 which includes any amendments arising from the external audit is included at Appendix G. The key points affecting the Council's finances are summarised below and remain unchanged from those contained in the draft statement at the end of June 2014.

OUTTURN 2013/14

- 2.5 A summary of the key outturn figures for the General Fund, Housing Revenue Account and major Reserves is shown at Appendix A.

GENERAL FUND REVENUE BUDGET

- 2.6 The Council's revenue budget for 2013/14 before transfers to or from reserves was £10,106,180, the actual net expenditure for the year was £9,385,663 giving an under spending of £720,517.

Revenue budget carry forwards total £324,317 so the net underspending excluding carry forwards was £396,200 (approximately 0.6% of the gross budget)

- 2.7 Appendix B summarises the net expenditure or income by Board.
- 2.8 Appendix C sets out a summary of the main variances that comprise the overall £720,517 underspending. Only major variances are included.
- 2.9 Both appendices B and C exclude technical accounting entries.
- 2.10 The resulting gross under spending has been transferred to the Revenue Financing Reserve (RFR) in line with Council policy.

GENERAL FUND RESERVES

- 2.11 The General Fund working balance at 31 March 2014 is £890,000 as projected in the Budget Report for 2014/15 and in line with Council policy.
- 2.12 The Revenue Financing Reserve (RFR) - which is used to fund annual variations in expenditure and income, uninsurable risks and spend to save initiatives – is £2,067,002 at 31 March 2014. This includes the revenue carry forwards at 2.6 above of £324,317. The underlying reserve balance excluding these is £1,742,685.
- 2.13 While the current level of reserves is considered adequate, it is essential that they are maintained, and ideally increased, in order to safeguard the Council against both local and national financial risks – particularly further government funding reductions and, from 1 April 2013, the increased risks borne by local authorities for the collection of business rates through the Business Rate Retention scheme.

HOUSING REVENUE ACCOUNT

- 2.14 The Housing Revenue Account was forecast to have a revenue surplus of £346,000 for 2013/14 with revised account balances totalling £1,478,000 at 31 March 2014. The actual surplus was £709,684 with revenue account balances of £1,841,684 being carried forward into 2014/15.

CAPITAL PROGRAMME

- 2.15 The revised Capital Programme for 2013/14 was budgeted at £6,234,000. The actual capital spend detailed in Appendix D is £5,225,493 and scheme slippage, carried forward into 2014/15 is £1,378,710.
- 2.16 The updated capital programme for 2014/15 and beyond is included in the Budget Strategy 2015/16 report to this Board.

TREASURY MANAGEMENT

- 2.17 The table below summarises the Council's net borrowing position as included in the balance sheet within the financial statements.

31-Mar-13		31-Mar-14
£'000		£'000
3,655	Cash and Cash Equivalents	6,459
(11,411)	Short Term Borrowing	(2,398)
(72,228)	Long Term Borrowing	(74,091)
(79,984)	Net Borrowing position	(70,030)

- 2.18 The Long Term Borrowing figure represents Public Works Loan Board borrowing payable after 2014/15 and includes £57 million taken in 2011/12 to finance the settlement payment to the government for HRA Self Financing.
- 2.19 The Board is receiving the Treasury Management Annual Review and progress report separately on the agenda.

COLLECTION FUND

- 2.20 Following the introduction of Business Rate Retention financing from 1 April 2013, the balance on the Collection Fund, now represents the difference between estimated and actual income for
- Council Tax (shared between Gosport Borough, Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire and Rescue Authority) and
 - Business Rates (shared between Gosport Borough, Hampshire County Council, Hampshire Fire and Rescue Authority and the Government)
- 2.21 The year end balances included in the Statement of Accounts are
- Council Tax £399,000 surplus
 - Business Rates £316,000 surplus
- 2.22 The rates of Council Tax and Business Rates collection for 2013/14 were 95.6% (2012/13 97.6%) and 97.8% (2012/13 96.3%) respectively.

WRITE OFFS

- 2.23 Under Financial Regulations, the Borough Treasurer has delegated authority to approve write offs up to £20,000. These are summarised on Appendix E for 2013/14 along with figures for the previous year for comparison. The Council bears approximately 40% and 14% respectively of Business Rates and Council Tax write offs. In terms of the sums due to be collected the amounts written off represent a fraction of 1% and are in line with budgeted provisions.

LETTER OF REPRESENTATION

- 2.24 The Letter of Representation is a formal letter from the Council to the Council's external auditors (Ernst and Young) that provides assurances on key matters that are contained in the audited Statement of Accounts for 2013/14.
- 2.25 It is a requirement of the external audit to assist in determining whether the financial statements give a true and fair view of the financial position of the Council at 31 March 2014 and once approved it is signed by the Borough Treasurer and the Chairman of Policy and Organisation Board.
- 2.26 The letter is also being separately considered and agreed by Standards and Governance Committee on 11 September 2014.

3.0 RISK ASSESSMENT

- 3.1 The Council's budget for 2014/15 includes a risk assessment that considers the potential impact on the Council's financial position that certain budget areas may have. Generally, most budget variances correspond with this assessment which is kept under review.

4.0 CONCLUSION

- 4.1 This report summarises the outturn position for 2013/14 and requests members to approve the formal Statement of Accounts for 2013/14.

Financial Implications	As set out in the report
Legal Implications:	The Council is required to approve and publish the Statement of Accounts for 2013/14 by 30 September 2014
Service Improvement Plan	This report and the Statement of Accounts reflect both service improvement plans and the corporate plan.
Corporate Plan:	
Risk Assessment:	Section 3 of the report
Background papers:	Final Accounts working papers
Appendices/Enclosures:	A Outturn 2013/14 – Summary B Outturn 2013/14 – By Board and Service C General Fund Variances D Capital Programme 2013/14 E Write Offs

	F Letter of Representation G Statement of Accounts 2013/14
Report Author/Lead Officer	John Norman

GENERAL FUND	Revised 2013/14 £	Actual 2013/14 £	Variance £
Net Expenditure of Boards	10,106,180	9,385,663	(720,517)
Transfer to Reserves	177,910	782,312	604,402
Budget Total	10,284,090	10,167,975	(116,115)
Financed by			
Gosport Council Tax	(4,975,420)	(4,975,423)	(3)
Revenue Support Grant	(3,289,280)	(3,289,279)	1
Collection Fund Deficit	4,760	4,761	1
Business Rates Retention	(2,024,150)	(1,908,034)	116,116
	(10,284,090)	(10,167,975)	116,115
GENERAL FUND - RESERVES	Actual 01-Apr-13 £	Actual 31-Mar-14 £	(Increase) / Decrease £
GF - General Fund Balance	(890,000)	(890,000)	0
GF - Revenue Financing Reserve	(1,284,690)	(2,067,002)	(782,312)
	(2,174,690)	(2,957,002)	(782,312)

HOUSING REVENUE ACCOUNT	Revised 2013/14 £	Actual 2013/14 £	Variance £
Budget Total	(346,000)	(709,684)	(363,684)
HOUSING REVENUE ACCOUNT - RESERVES	Actual 01-Apr-13 £	Actual 31-Mar-14 £	(Increase) / Decrease £
HRA - Revenue Account Balance	(981,000)	(991,738)	(10,738)
HRA - New Build Reserve (Revenue)	(151,000)	(849,946)	(698,946)
	(1,132,000)	(1,841,684)	(709,684)

GENERAL FUND by BOARD by SERVICE		REVISED 2013/14 £	ACTUAL 2013/14 £	VARIATION £
1	COMMUNITY BOARD			
1A	LEISURE & CULTURE	2,079,520	2,016,025	(63,495)
1B	WASTE	1,370,800	1,373,758	2,958
1C	STREETSCENE	629,950	589,865	(40,085)
1D	COMMUNITY SAFETY	308,840	301,945	(6,895)
1E	ENVIRONMENTAL SERVICES	549,290	560,380	11,090
1F	MISC ENVIRONMENTAL & TRANSPORT	507,430	449,922	(57,508)
1G	CEMETERY	7,940	(11,946)	(19,886)
1H	HOME ADAPTATION GRANTS	8,300	8,350	50
1I	PRIVATE SECTOR HOUSING	124,080	128,338	4,258
1J	HOMELESSNESS	425,380	279,605	(145,775)
1K	OTHER GENERAL FUND HOUSING	(74,420)	(40,735)	33,685
		5,937,110	5,655,505	(281,605)
2	ECONOMIC DEVELOPMENT BOARD			
2A	ECONOMIC PROSPERITY	211,410	159,009	(52,401)
2B	MARKET	(62,790)	(57,006)	5,784
2C	TOWN HARBOUR FORESHORE	216,400	210,939	(5,461)
2D	EVENTS	117,310	117,489	179
2E	PROPERTIES	148,680	142,796	(5,884)
2F	MARKETING AND TOURISM	157,720	156,591	(1,129)
2G	LOCAL DEVELOPMENT FRAMEWORK	56,400	54,227	(2,173)
		845,130	784,045	(61,085)
3	POLICY AND ORGANISATION BOARD			
3A	REGISTRATION OF ELECTORS	203,200	193,862	(9,338)
3B	LOCAL LAND CHARGES	(21,430)	(25,877)	(4,447)
3C	CONCESSIONARY TRAVEL	330	(782)	(1,112)
3D	HOUSING BENEFITS	411,900	404,723	(7,177)
3E	LOCAL TAXATION	276,050	236,710	(39,340)
3F	DEVELOPMENT SERVICES	834,960	808,269	(26,691)
3G	LICENSING & REGISTRATION	76,480	106,186	29,706
3H	ASSISTANCE TO VOLUNTARY ORGS	200,760	200,758	(2)
3I	CORPORATE & CIVIC EXPENSES	1,369,190	1,278,141	(91,049)
3J	MISCELLANEOUS SERVICES	307,730	142,557	(165,173)
3K	OTHER CORPORATE AREAS	(335,230)	(398,432)	(63,202)
		3,323,940	2,946,114	(377,826)
		10,106,180	9,385,663	(720,517)
	Transfer to Reserves	177,910	177,910	0
	Transfer to Reserves		604,402	604,402
		10,284,090	10,167,975	(116,115)
	Gosport Council Tax	(4,975,420)	(4,975,423)	(3)
	Revenue Support Grant	(3,289,280)	(3,289,279)	1
	Collection Fund Deficit	4,760	4,761	1
	Business Rates Retention	(2,024,150)	(1,908,034)	116,116
		(10,284,090)	(10,167,975)	116,115
		0	0	0

GENERAL FUND MAIN VARIANCES by BOARD by SERVICE		REVISED 2013/14 £	ACTUAL 2013/14 £	VARIATION £
COMMUNITY BOARD				
Leisure & Culture				
Open Spaces - Special maintenance - weather delayed inc D Day memorial		50,000	7,660	(42,340)
Open Spaces - Maintenance of grounds - bad weather prevented completion		33,500	25,894	(7,606)
Open Spaces - Treework - storm damage		35,000	49,380	14,380
Open Spaces - Grounds maintenance - contract & non contract		392,020	382,697	(9,323)
Open Spaces - Seats and litter baskets (LoS replacement scheme delayed)		12,000	5,190	(6,810)
Investment Property - Consultants		8,550	(100)	(8,650)
Ancient Monuments - Bridge maintenance - ramparts (delayed)		2,000	0	(2,000)
Play Areas - Maintenance & vandalism (weather delayed)		15,080	3,623	(11,457)
Play Areas - Equipment replacement (delayed due to ground conditions)		31,160	19,745	(11,415)
Falklands Fountain - Maintenance - paving work (delayed)		6,000	0	(6,000)
Waste				
Dog / Litter Bins - Installations & removals (delayed)		17,970	12,580	(5,390)
Waste Collection/Recycling - Supplies & services & contract payments		1,316,820	1,295,852	(20,968)
Waste Collection/Recycling - Fees & charges & recycling income		(319,430)	(291,844)	27,586
Streetscene				
Car Parking - Inc machine upgrades, minor repairs etc (delayed)		35,590	29,025	(6,565)
Car Parking - Income		(721,660)	(716,173)	5,487
Public Conveniences - Repair & maintenance of buildings (delayed)		63,060	45,057	(18,003)
Street Cleansing - Special Maintenance - Specific cleansing tasks (delayed)		10,000	0	(10,000)
Street Cleansing - Special Collections (delayed)		16,200	729	(15,471)
Environmental Services				
Public Health - Home Check Scheme - fewer requests for the scheme		18,000	9,166	(8,834)
Pollution - Supplies & Services - equipment / consultants		17,180	8,492	(8,688)
Pest Control - Severance payments		43,460	79,396	35,936
Misc Environmental & Transportation				
Bus Shelters - Refurbishments (delayed)		27,940	7,805	(20,135)
Street Name Plates - Notice boards & signs		28,000	18,461	(9,539)
Slipways - GAFIRS maintenance - delays due to marine licence, planning & tides		8,000	1,796	(6,204)
Cemetery				
Cemetery - Special maintenance & income		(70,720)	(87,020)	(16,300)
Other General Fund Housing				
Stokes Bay Mobile Home Park - Fees & commission - sale not completed		(49,500)	(8,569)	40,931
Homelessness				
Net expenditure excluding admin		(74,420)	(220,195)	(145,775)
ECONOMIC DEVELOPMENT BOARD				
Economic Prosperity				
Town Centre Improvement Project - Initiatives PUSH Match Funding (delayed)		50,900	0	(50,900)
Market				
Market - Income		(102,000)	(95,372)	6,628
Properties				
Depot - Paving investigations with regard to damp to adjacent property (delayed)		20,000	0	(20,000)
POLICY AND ORGANISATION BOARD				
Registration of Electors				
Registration of Electors - Supplies & services		45,300	40,216	(5,084)
Local Land Charges				
Local Land Charges - Legal fees recharge & income		(129,100)	(135,299)	(6,199)
Housing Benefits				
Net cost - subject to external audit of subsidy claim		(24,700)	21,896	46,596
Local Taxation				
Cost of CT Collection - Consultants, court costs, bad debt provision & cost income		(232,250)	(285,796)	(53,546)
NNDR Cost of Collection		(22,000)	(12,706)	9,294
Development Services				
Conservation & Design - Building at risk grant - carried forward		9,000	235	(8,765)
Corporate & Civic Expenses				
Civic Events		18,760	7,577	(11,183)
Municipal Elections - Election fees		5,000	0	(5,000)
Miscellaneous services				
Employee costs		40,000	0	(40,000)
Miscellaneous Income		0	(11,730)	(11,730)
Enterprise Zone Business Rate Relief		0	(100,000)	(100,000)
S.31 Grant re Capitalisation Provision Redistribution Grant		0	(17,343)	(17,343)
		630,710	90,324	(540,386)
ADMINISTRATION EXPENSES				(97,113)
ALL OTHER VARIATIONS				(83,018)
				(720,517)

Item	CAPITAL PROGRAMME 2013/14	Latest Budget 2013/14 £	Actual 2013/14 £	Variance Over (Under) £	Slippage £
	COMMUNITY BOARD - HOUSING (HRA)				
1	LA Tenants Disabled Persons Grant	50,000	50,000	0	0
2	Improvements to Housing Stock	3,500,000	3,505,841	5,841	0
		3,550,000	3,555,841	5,841	0
	COMMUNITY BOARD - HOUSING (GENERAL)				
0	Social Housing Schemes	0	384,000	384,000	0
1	Disabled Facilities	344,700	292,144	(52,556)	(52,570)
2	Housing Renewal	90,000	38,226	(51,774)	(38,370)
0	Fuel Poverty Grant	0	(8,784)	(8,784)	0
		434,700	705,586	270,886	(90,940)
	COMMUNITY BOARD - NON HOUSING				
0	Aid to Voluntary Organisations	0	413	413	0
1	Alver Valley - Habitat Creation & Access Works	0	1,844	1,844	0
2	River Hamble to Portchester. CFERM Strategy	158,000	156,437	(1,563)	0
3	Waste Recycling - Project Integra Contribution	8,000	7,246	(754)	0
4	Car Park resurfacing & upgrading	86,000	13,183	(72,817)	(64,430)
	Gosport Leisure Park	0	18,047	18,047	0
5	Provide lighting to pathways within Leisure Parks,	174,800	0	(174,800)	(174,800)
7	Bus Shelters - A32 Purchase (14)	3,700	0	(3,700)	(3,700)
8	Leesland Skatepark - lighting	10,000	0	(10,000)	(10,000)
9	Stokes Bay Promenade - maintenance of promenade	5,000	1,180	(3,820)	(3,820)
10	Lee Promenade - rolling programme of resurfacing	45,000	0	(45,000)	(45,000)
11	Play Area Equipment - Upgrade & Refurbish (The	900	0	(900)	0
12	Public Conveniences refurbishment	156,000	95,407	(60,593)	(60,590)
13	Transfer of Play Areas at Priddys Hard	5,000	0	(5,000)	(5,000)
15	Replacement Car Park machines	40,000	48,385	8,385	0
16	Cocklepond refurbishment	50,000	3,170	(46,830)	(46,830)
17	Playgrounds - improvements to existing facilities	30,000	0	(30,000)	(30,000)
18	Kerbside & Glass Collection service	44,600	33,885	(10,715)	0
22	Gosport Borough Cricket Club - Training Facility	22,000	20,783	(1,217)	0
	Rowner Copse Park play area, upgrade of play	300	300	0	0
23	Lee on Solent Skate Park, provision of Youth Shelter	7,000	6,332	(669)	0
24	Stokes Bay - Wet & Dry Play Area	318,300	235,844	(82,456)	(82,450)
25	Install permanent vehicle deterrents at various	20,000	0	(20,000)	(20,000)
26	Falklands Gardens fountain - refurbish & replace	15,000	0	(15,000)	(15,000)
27	Foster Gardens - refurbish pond & boundaries	15,000	50	(14,950)	(14,950)
29	Stanley Park - phased refurbishment	20,000	1,550	(18,450)	(18,450)
30	Renew interpretation boards across the Borough	10,000	0	(10,000)	(10,000)
31	Kings Road Playscheme	10,700	6,128	(4,572)	(4,570)
32	Privett Park Enclosure irrigation (will only proceed if	30,000	0	(30,000)	(30,000)
33	Gosport Leisure Park Play Area	47,500	47,711	211	0
34	Ice Rink refurbishment & improvement	100,000	0	(100,000)	(100,000)
		1,432,800	697,894	(734,906)	(739,590)
	ECONOMIC DEVELOPMENT BOARD				
1	Waterfront Masterplanning	76,000	3,700	(72,300)	(72,300)
2	Cemetery Lodge Window Replacement	10,000	9,940	(60)	0
		86,000	13,640	(72,360)	(72,300)

Item	CAPITAL PROGRAMME 2013/14	Latest Budget 2013/14 £	Actual 2013/14 £	Variance Over (Under) £	Slippage £
	POLICY & ORGANISATION BOARD				
1	Forton Lake Opening Bridge - Major Repairs	17,000	15,151	(1,849)	(1,850)
2	CCTV - Replacement & Upgrades	15,000	12,910	(2,090)	0
3	Hampshire High Speed Broadband Project	15,000	0	(15,000)	(15,000)
4	Mobile Home Park - underground pipe renewal	40,000	3,923	(36,077)	(36,080)
5	Mobile Home Park - flooding alleviation	20,000	2,263	(17,737)	(17,740)
6	Upgrade GBC radio system	22,000	18,847	(3,153)	(3,150)
7a	IT - Desktop replacement project (VDI)	228,500	126,662	(101,838)	(101,840)
7c	IT - Server Replacement	30,000	0	(30,000)	(30,000)
7e	IT - System Upgrades	209,000	72,776	(136,224)	(136,220)
8	Town Hall Major Repairs	134,000	0	(134,000)	(134,000)
		730,500	252,532	(477,968)	(475,880)
		6,234,000	5,225,493	(1,008,507)	(1,378,710)
	FINANCED BY				
	HRA - Major Repairs Reserve	2,400,000	2,400,153	153	
	HRA - Revenue Contribution	1,150,000	1,155,688	5,688	
	HRA - Borrowing	0	0	0	
	GF - Capital Receipts	225,000	221,911	(3,089)	
	GF - Developer Contributions - Open Spaces	382,400	195,750	(186,650)	(184,800)
	GF - Developer Contributions - Affordable Housing	0	384,000	384,000	
	GF - Other Grants & Contributions	166,700	158,281	(8,419)	(8,700)
	GF - Capital Grants - Disabled Facilities	274,700	274,717	17	
	GF - Borrowing - GF	1,635,200	434,993	(1,200,207)	(1,185,210)
		6,234,000	5,225,493	(1,008,507)	(1,378,710)

**CUMULATIVE WRITE OFFS UNDER DELEGATED
AUTHORITY**

		2012/13	2013/14
		£	£
Council Tax		67,436	68,474
NNDR		477,935	155,227
Housing Rents	HRA	31,425	37,976
	GF	136,715	95,832
Sundry Debtors		19,126	3,395
Housing Benefits		13,951	77,989
TOTALS		746,588	438,893

Letter of representation

To:
Helen Thompson
Director
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Gosport Borough Council - Audit for the year ended 31 March 2014

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Gosport Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2014:

A. Financial Statements and Financial Records

I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

I confirm that as the Responsible Officer I have:

- ▶ reviewed the accounts;
- ▶ reviewed all relevant written assurances relating to the accounts; and
- ▶ made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

We believe that the effects of any unadjusted audit differences, summarised in paragraph K below, accumulated by you during the audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by, and brought to our attention from, the auditor because we believe the existing treatment to be more informative to the reader of the accounts. We confirm that the appropriate disclosure note has been included in the financial statements (Note 37 refers).

B. Fraud

I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

C. Compliance with Laws and Regulations

I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

I have provided you with:

- ▶ access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- ▶ additional information that you have requested from us for the purpose of the audit; and
- ▶ unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 14 August 2014.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

F. Subsequent Events

Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of, or disclosure in, the financial statements or notes thereto.

G. Accounting Estimates

I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- ▶ I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- ▶ The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- ▶ The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- ▶ No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Segmental reporting

I have reviewed the operating segments reported internally to the Council and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8:Operating Segments, they are similar in each of the following respects:

- ▶ The nature of the services.
- ▶ The nature of the processes.
- ▶ The type or class of customer for the services.

J. Going Concern

I have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

K. Specific Representations

During 2013/14 the Council has corrected three errors that were identified in previous years financial statements, these included:

- ▶ The categorisation of transport contributions held at 31 March 2013 from short term creditors to receipts in advance - £215,000.
- ▶ The Comprehensive Income and Expenditure Statement, the taxation and non-specific grant income note 9 and the grants note 27 for 2012/13 have been restated to reflect the inclusion of the housing benefits administration grant of £696,000 as a service specific rather than a general grant.
- ▶ The adjustment between current cost depreciation and historic cost depreciation has been restated by £43,000 between the revaluation reserve (note 22) and the capital adjustment account (note 22).

The comparative amounts have been correctly restated to reflect the above matters and an appropriate note disclosure of these restatements have also been included in the current year's financial statements.

Signed on behalf of Gosport Borough Council

I confirm that this letter has been discussed and agreed by the Policy & Organisation Board on 25 September 2014.

Signed:

Name: Julian Bowcher

Position: Borough Treasurer

Date: 25 September 2014

Name: Councillor Hook

Position: Chairman, Policy & Organisation Board

Date: 25 September 2014



GOSPORT
Borough Council

STATEMENT OF ACCOUNTS

2013/14

STATEMENT OF ACCOUNTS 2013/14

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EXPLANATORY FOREWORD

1. Introduction

The Statement of Accounts provides an overview of the Council's financial position at 31 March 2014 and a summary of its income and expenditure in the year to 31 March 2014. It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial Reporting Standards. It meets the reporting and accounting requirements of the CIPFA Code of Practice on Local Authority Accounting 2013/14 (the Code) which is based on and compliant with International Financial Reporting Standards (IFRS).

2. The main financial statements are

Statement of Responsibilities

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

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

Cash Flow Statement

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

Notes to the accounts including accounting policies

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

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

Housing Revenue Account and notes

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

Collection Fund and notes

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

Annual Governance Statement

The Accounts and Audit Regulations 2011 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with the Statement of Accounts.

3. Financial performance

General Fund

The Council's revenue budget for 2013/14 before transfers to or from reserves was £10,106,180, the actual net expenditure for the year was £9,385,663 giving an under spending of £720,517. The underspend reflects, in part, revenue budget carry forwards totalling £324,317 - the net underspending excluding these being £396,200 (approximately 0.6% of the gross budget)

The main areas of underspend and additional income include Homelessness £145,780, Enterprise Zone business rates reimbursement £100,000 and Administration Costs including Salaries and Overheads £97,110.

General fund net interest paid was £29,267 (budgeted net interest paid £42,880) and the Minimum Revenue Provision (statutory revenue charge for debt outstanding) was £569,832 (budgeted £569,830)

Under Business Rates Retention the closing Collection Fund balance - which may be a surplus or deficit - cannot be brought to account at the end of the financial year. This timing difference of approximately £116,000 is, under present regulations, carried by the Council's reserves until after 2013/14.

Note 8 in the Explanatory Foreword refers to this also and the Collection Fund is set out at page 99.

The table below summarises 2013/14 by Council board as reflected in the 2014/15 budget book, as opposed to the statutory reporting format in the financial statements, and shows the transfers to reserves. The actual figures include necessary accounting entries to comply with the IFRS Code.

	REVISED 2013/14 £	ACTUAL 2013/14 £	VARIANCE 2013/14 £
GENERAL FUND			
Net Expenditure of Boards	10,106,180	9,385,663	(720,517)
Transfer to Reserves	177,910	782,312	604,402
Budget Total	10,284,090	10,167,975	(116,115)
FINANCED BY			
Gosport Council Tax	(4,975,420)	(4,975,423)	(3)
Revenue Support Grant	(3,289,280)	(3,289,279)	1
Collection Fund Deficit	4,760	4,761	1
Business Rates Retention	(2,024,150)	(1,908,034)	116,116
	(10,284,090)	(10,167,975)	116,115
GENERAL FUND	Actual 01-Apr-13 £	Revised 31-Mar-14 £	Actual 31-Mar-14 £
GF - General Fund Balance	(890,000)	(890,000)	(890,000)
GF - Revenue Financing Reserve	(1,284,690)	(1,462,600)	(2,067,002)
	(2,174,690)	(2,352,600)	(2,957,002)

The General Fund working balance at 31 March 2014 is £890,000 as projected in the Budget Report for 2014/15.

The Revenue Financing Reserve (RFR) - which is used to fund variations in annual maintenance requirements, uninsurable risks and spend to save initiatives including severance costs - is £2,067,002 at 31 March 2014 - this includes the transfer for 2013/14 of £782,312. The underlying balance, excluding the carried forward revenue budgets of £324,317, is £1,742,685. Additionally, the Council has other miscellaneous usable reserves totalling £621,000.

Housing Revenue Account

HOUSING REVENUE ACCOUNT	REVISED 2013/14 £	ACTUAL 2013/14 £	VARIANCE 2013/14 £
Net Surplus	(346,000)	(709,684)	(363,684)
HOUSING REVENUE ACCOUNT	Actual 01-Apr-13 £	Revised 31-Mar-14 £	Actual 31-Mar-14 £
HRA - Revenue Account Balance	(981,000)	(981,000)	(991,738)
HRA - New Build Reserve (Revenue)	(151,000)	(497,000)	(849,946)
	(1,132,000)	(1,478,000)	(1,841,684)

The Housing Revenue Account was forecast to have a revenue surplus of £346,000 for 2013/14 with revised revenue account balances totalling £1,478,000 at 31 March 2014. The actual surplus was £709,684 with revenue account balances of £1,841,684 being carried forward into 2014/15.

The main underspend was on repairs and maintenance work (£217,000) owing to an underspend on the major repairs contract (£60,000) and to the reclassification of some works to capital. Additional income of £179,000 resulted from a higher than budgeted occupancy rate at the Agnew and Barclay House hostels and also from additional service charge income.

4. Material assets acquired or liabilities incurred

A summary of capital expenditure and financing for 2013/14 is shown below. This shows material schemes, additions and enhancements to the council's fixed assets – notably the Stokes Bay Wet and Dry Play Area opened in June 2013

SCHEME	REVISED 2013/14 £	ACTUAL 2013/14 £	SLIPPAGE £
BY BOARD			
Community Board - Housing (HRA)	3,550,000	3,555,841	0
Community Board - Housing (GF)	434,700	705,586	(90,940)
Community Board - Non Housing	1,432,800	697,894	(739,590)
Economic Development Board	86,000	13,640	(72,300)
Policy & Organisation Board	730,500	252,532	(475,880)
	6,234,000	5,225,493	(1,378,710)
BY MAJOR SCHEME			
Council Dwellings	3,550,000	3,555,841	0
Information Technology	467,500	199,438	(268,060)
Disabled Facilities	344,700	292,144	(52,570)
Stokes Bay - Wet & Dry Play Area	318,300	235,844	(82,450)
Lighting in Parks	174,800	0	(174,800)
River Hamble to Portchester. CFERM Strategy	158,000	156,437	0
Public Conveniences refurbishment	156,000	95,407	(60,590)
Town Hall Major Repairs	134,000	0	(134,000)
Car Park Surfacing & Pay & Display Machines	126,000	61,568	(72,817)
Play Area schemes	94,100	53,839	(39,570)
Housing Renewal	90,000	38,226	(38,370)
Promenade schemes	50,000	1,180	(48,820)
Affordable Housing	0	384,000	0
All other schemes	570,600	151,570	(406,663)
	6,234,000	5,225,493	(1,378,710)
FINANCED BY			
HRA - Major Repairs Reserve	2,400,000	2,400,153	
HRA - Revenue Contribution	1,150,000	1,155,688	
GF - Capital Receipts	225,000	221,911	
GF - Developer Contributions - Open Spaces	382,400	195,750	
GF - Developer Contributions - Affordable Housing	0	384,000	
GF - Other Grants & Contributions	166,700	158,281	
GF - Capital Grants - Disabled Facilities	274,700	274,717	
GF - Borrowing - GF	1,635,200	434,993	
	6,234,000	5,225,493	

5. Pensions liability

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

The Balance Sheet and note show an improved position compared to last year's net pension deficit by £11.03 million (£44.64 million to £33.61 million) mainly due to changes in actuarial assumptions in measuring fund liabilities. This is a volatile figure and has a tendency to vary by several millions from year to year depending on actuarial assumptions and government guidance.

31-Mar-13 £'000	31-Mar-14 £'000
(44,640) Net Pension Liability	(33,610)

6. Material or unusual charges or credits in the accounts.

There were no material or unusual charges or credits to the accounts in 2013/14.

7. Significant changes in accounting policies

The Employee Benefits accounting policy has been amended to reflect the Code's adoption of a revised version of IAS19 (IAS19R) which came into effect for accounting periods starting on or after 1 January 2013. The revised standard introduced amended definitions and treatment for some cost components together with enhanced disclosure note requirements. There is no effect on the Council's balance sheet. Notes 1(d) and 31 refer.

8. Major change in statutory functions and planned developments in service delivery

Business Rates Retention

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 - or indeed reduced income, subject to the safety net..

The scheme as legislated is subject to centrally set targets and thresholds as well as a complex system of tariffs, top-ups, safety nets and levies.

While there is a possibility of reward when Business Rate receipts exceed baseline funding levels set by the government, there is also a significant risk for shortfalls in business rate funding - particularly from factors outside of the Council's direct control such as rating appeals approved by the Valuation Office. These may also relate to periods before 01 April 2013.

Note 11 to the Explanatory Forward explains the amount that the Council has provided for in respect of the cost of rating appeals

One feature of the system is that surpluses or deficits on Collection Fund performance at the end of the financial year being reported on cannot be recognised in the financial statements until subsequent financial periods while amounts adjusting safety net or levies must on the other hand be reflected in the General Fund accounts at year end. There is therefore an inbuilt timing difference of receipts and payments which is also mentioned in Note 3 above.

9. Current borrowing facilities and capital borrowing

The table below summarises the Council's net borrowing position as included in the balance sheet in the financial statements.

31-Mar-13 £'000	31-Mar-14 £'000
0 Long Term Investments	0
0 Short Term Investments	0
3,655 Cash and Cash Equivalents	6,459
(11,411) Short Term Borrowing	(2,398)
(72,228) Long Term Borrowing	(74,091)
(79,984) Net Borrowing position	(70,030)

The Council's capital financing requirement (or the underlying need to borrow) – essentially a measure of the outstanding capital expenditure which has not yet been paid for from either revenue or capital resources is set out below. This is reduced each year by the statutory charge to revenue for outstanding debt (the minimum revenue provision).

31-Mar-13 £'000	31-Mar-14 £'000
81,418 Capital Financing Requirement	81,255

10. The council's internal and external sources of funds available to meet its expenditure plans and other financial commitments.

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

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 (for example the Capital Receipts Reserve can only be used fund capital expenditure). These are summarised below:

31-Mar-13 £'000		31-Mar-14 £'000
	Revenue	
	General Fund (GF)	
(890)	GF - General Fund balance	(890)
(1,285)	GF - Revenue Financing Reserve	(2,067)
(717)	GF - Other	(621)
	Housing Revenue Account (HRA)	
(981)	HRA - Housing Revenue Account balance	(992)
(151)	HRA - New Build Reserve (Revenue)	(850)
	Capital	
	General Fund (GF)	
(65)	GF - Capital Receipts (Camden Allotments)	(65)
0	Capital Grants Unapplied	0
	Housing Revenue Account (HRA)	
(170)	Capital Receipts Reserve (HRA)	(724)
(116)	Capital Receipts New Build (RTB)	(622)
0	HRA - Major Repairs Reserve	0
(4,375)		(6,831)

Grants and contributions receipts in advance

In addition to these 'usable' reserves the council also has £1.433 million at 31 March 2014 (£1.827 million at 31 March 2013) of developers' contributions that are available to spend. They are categorised separately to Usable Reserves 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.

11. Details of significant provisions or contingencies and material write-offs.

A provision was set up in 2012/13 to cover the initial levy (£9,000) and potential future liabilities (£51,000) of the MMI Scheme of Arrangement - this issue having previously been reported each year as a Contingent Liability disclosure in the annual Statement of Accounts. (£60,000 in 2011/12). The initial levy was paid in 2013/14

In 2013/14, a provision has been set up in the Collection Fund (page 99) of £3.263 million for the potential cost of rating appeals under the new Business Rates Retention funding scheme which is effective from 2013/14. The Council's share of the provision is £1.305 million (40%) which is disclosed in Note 19 to the Statement. The other precepting authorities and the government include the remainder of the provision (£1.958 million - 60%) in their financial statements for 2013/14

12. Details of any material events after the reporting date up to the date the accounts are authorised for issue

There are no material events after the reporting date up to the date that the accounts were authorised for issue.

13. Impact of the current economic climate on the Council and the services it provides

Against the background of public sector expenditure reductions and an uncertain national economic position, the Council's overall financial position remains stable and a balanced budget has been set for 2014/15.

The need to ensure that future council tax levels are acceptable and reserve levels remain adequate are priorities and prompt and measured action has been taken including service

changes, and staffing reductions. Methods of service delivery have been rigorously examined, with the emphasis on maintaining front line services.

The provisional government settlement for 2015/16 for revenue support grant and business rates retention indicated an overall funding reduction of £740,000. Estimates of government support for 2016/17 and beyond are uncertain and will almost certainly pose considerable financial challenges.

While the service reviews that have been undertaken to date, coupled with staffing reductions and the letting of major contracts, have enabled the approval of balanced budgets with no increase in Council Tax levels, it is likely that a further comprehensive review of services will be necessary.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Authority is required to:

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

Councillor M. Hook
Chair of Policy and Organisation Board

2014

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 2014.

Mr Julian Bowcher
Borough Treasurer, Section 151 officer

2014

Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012	(890)	(1,424)	(603)	0	(65)	0	(2,982)	(41,435)	(44,417)
Movement during 2012/13									
Deficit on the provision of services (restated)	7,846		411				8,257		8,257
Other Comp Income and Exp (restated)							0	(715)	(715)
Total Comprehensive Income and Expenditure	7,846	0	411	0	0	0	8,257	(715)	7,542
Adjs accg basis & funding basis under regulations (restated) (Note 9)	(8,424)		(940)		(286)	0	(9,650)	9,650	0
Net (increase)/decrease before transfers to Earmarked Reserves	(578)	0	(529)	0	(286)	0	(1,393)	8,935	7,542
Transfers to/(from) Earmarked Reserves (Note 21)	578	(578)	151	(151)			0		0
Net (increase)/decrease in 2012/13	0	(578)	(378)	(151)	(286)	0	(1,393)	8,935	7,542
Balance at 31 March 2013	(890)	(2,002)	(981)	(151)	(351)	0	(4,375)	(32,500)	(36,875)

The Movement in Reserves Statement for 2012/13 has been restated where indicated to reflect the adoption by the Code of the Pensions standard IAS19R for accounting periods starting on or after 1 January 2013. See note 37. There is no effect on the Council's finances.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2013 - b/fwd from previous page	(890)	(2,002)	(981)	(151)	(351)	0	(4,375)	(32,500)	(36,875)
Movement during 2013/14									
Deficit on the provision of services	1,481		(710)				771		771
Other Comprehensive Income and Expenditure							0	(14,891)	(14,891)
Total Comprehensive Income and Expenditure	1,481	0	(710)	0	0	0	771	(14,891)	(14,120)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(2,167)		0		(1,060)	0	(3,227)	3,227	0
Net (increase)/decrease before transfers to Earmarked Reserves	(686)	0	(710)	0	(1,060)	0	(2,456)	(11,664)	(14,120)
Transfers to/(from) Earmarked Reserves (Note 21)	686	(686)	699	(699)			0		0
Net (increase)/decrease in 2013/14	0	(686)	(11)	(699)	(1,060)	0	(2,456)	(11,664)	(14,120)
Balance at 31 March 2014	(890)	(2,688)	(992)	(850)	(1,411)	0	(6,831)	(44,164)	(50,995)

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIE&S) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13			Notes	2013/14		
Gross Exp < --- (restated) --- > £000	Gross Income (restated) £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
7,285	(6,430)	855	Central Services to the Public	1,549	(575)	974
2,762	(173)	2,589	Cultural and Related Services	3,097	(127)	2,970
4,422	(992)	3,430	Environment and Regulatory Services	4,374	(971)	3,403
2,319	(966)	1,353	Planning Services	2,183	(855)	1,328
805	(910)	(105)	Highways, Roads & Transport Services	776	(948)	(172)
45,916	(46,731)	(815)	Housing Services	46,037	(48,548)	(2,511)
2,560	(117)	2,443	Corporate & Democratic core	1,656	(116)	1,540
(345)	0	(345)	Non Distributed Costs	232	0	232
65,724	(56,319)	9,405	Cost Of Services	59,904	(52,140)	7,764
		3,897	Other Operating Expenditure	6		291
		6,289	Financing and Investment Income and Expenditure	7		4,080
	(11,334)		Taxation and Non-Specific Grant Income	8		(11,364)
		8,257	Deficit on Provision of Services			771
	(3,430)		Surplus on revaluation of Property, Plant and Equipment assets	22		(1,926)
		5	Other recognised losses			5
		2,710	Actuarial losses / (gains) on pension assets / liabilities	31		(12,970)
		(715)	Other Comprehensive Expenditure			(14,891)
		7,542	Total Comprehensive Expenditure			(14,120)

- The CIE&S for 2012/13 has been restated to reflect (i) the adoption by the Code of the Pensions standard IAS19R and (ii) the inclusion of the Benefits Admin Grant as a service specific, rather than general, grant. (see note 37). Non Distributed Costs have been correctly recorded from 2013/14. The 2012/13 corrected figure is £238,000.
- Housing Services includes both General Fund Housing Services and the Housing Revenue Account (HRA) - which is detailed on pages 91 to 98
- Central Services to the Public, from 2013/14, excludes the payment and reimbursement of Council Tax Benefits. The note to the Collection Fund on page 99 refers.

Balance Sheet

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

01-Apr-12 (restated) £'000	31-Mar-13 (restated) £'000		Notes	31-Mar-14 £'000
141,733	145,273	Property, Plant & Equipment	10	145,796
209	209	Heritage Assets	11	209
10,022	7,216	Investment Property	12	6,938
540	569	Intangible Assets	13	557
5,601	5,567	Long Term Debtors	16	5,498
158,105	158,834	Long Term Assets		158,998
6,894	7,430	Short Term Debtors	16	5,703
506	3,655	Cash and Cash Equivalents	17	6,459
7,400	11,085	Current Assets		12,162
(4,526)	(11,411)	Short Term Borrowing	14	(2,398)
(3,519)	(2,836)	Short Term Creditors	18	(7,277)
(41)	(42)	Short Term Liabilities	30	0
0	(9)	Provisions	19	(1,305)
(8,086)	(14,298)	Current Liabilities		(10,980)
0	(51)	Provisions	19	(51)
(70,521)	(72,228)	Long Term Borrowing	14	(74,091)
(42)	0	Other Long Term Liabilities	30	0
0	0	Receipts in Advance - Revenue Grants	27	(7)
(2,209)	(1,827)	Receipts in Advance - Capital Grants	27	(1,426)
(40,230)	(44,640)	Net Pension Liability	31	(33,610)
(113,002)	(118,746)	Long Term Liabilities		(109,185)
44,417	36,875	Net Assets		50,995
(2,982)	(4,375)	Usable reserves	21	(6,831)
(41,435)	(32,500)	Unusable Reserves	22	(44,164)
(44,417)	(36,875)	Total Reserves		(50,995)

The opening and closing balances for 2012/13 have been restated to disclose the correct classification of Transport Contributions (£215,000 and £271,000 respectively) held by the Council which were previously included under Short Term Creditors but which should have been included under Receipts in Advance – Capital Grants . See Note 37. There is no effect on the Council's finances.

Cash Flow Statement

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

2012/13 (restated) £000	Notes	2013/14 £000
(8,257) Net surplus or (deficit) on the provision of services		(771)
14,873 Adjustments to surplus or deficit on the provision of services for non-cash movements	35	12,665
(2,652) Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	(2,522)
3,964 Net Cash flows from Operating Activities		9,372
(8,186) Net Cash flows from Investing Activities	35	(2,397)
7,371 Net Cash flows from Financing Activities	35	(4,171)
3,149 Net increase or (decrease) in cash and cash equivalents		2,804
506 Cash and cash equivalents at the beginning of the reporting period		3,655
3,655 Cash and cash equivalents at the end of the reporting period		6,459

The Cash Flow Statement for 2012/13 has been restated to reflect the adoption by the Code of the Pensions standard IAS19R for accounting periods starting on or after 1 January 2013. Further details are in notes 31 and 37. There is no effect on the Council's finances.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

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

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

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

National Westminster Group Account consisting of

- Main Account

- Payments Account
- Online Account

Call Accounts

- Corporate Deposit Account
- Liquidity Select Account

Money Market Fund Accounts

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

Temporary Deposits

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

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

d) Employee Benefits

Benefits Payable During Employment

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

The accrual is calculated on the actual outstanding benefits at year end at current wage and salary rates and charged directly to the Surplus or Deficit on the Provision of Services. It is then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

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

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

- The liabilities of the LGPS attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% based on the current rate of return on high quality corporate bonds of equivalent term and currency to the liabilities.
- Assets of the LGPS attributable to the council are included in the balance sheet at their fair value.

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

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

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

Discretionary Benefits

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

e) Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

f) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, 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 applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

h) Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and

impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance of the Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

i) Financial Instruments

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

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

The Council makes car loans, at an interest rate of 4%, available to certain employees as part of its recruitment and retention package

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

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

j) Government Grants and Contributions

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

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

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

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

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

k) Heritage Assets

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

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

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

The Council's collections of heritage assets are accounted for as follows:-

- Civic Regalia – annually updated insurance valuation
- Mayoral Chain and Badge – annually updated insurance valuation
- Paintings and Prints – a collection of 58 paintings located throughout the Town Hall, valued by an annually updated insurance valuation and annual inventory check
- Other Items – including a plaster cast of Nelson and D Day plaque at Stokes Bay are held at historic cost

There are no intangible heritage assets

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 Arts and Museums Service (HCC A MS). 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 and although being located principally in the stores and on display at the Gosport Discovery Centre 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.

Heritage Assets – General

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

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

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

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

I) Intangible Assets

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

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

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

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

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

m) Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

n) Inventories and Long Term Contracts

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

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

o) Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

p) Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

q) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14 (SerCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SerCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services

r) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

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

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

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets Held for Sale must meet certain criteria including that they are likely to be sold in current condition within a year and are being actively marketed.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

s) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

t) Reserves

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

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

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

u) Revenue Expenditure funded from Capital under Statute

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

v) Value Added Tax

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

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

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

The Code for 2014/15 has introduced several new and revised accounting standards which are effective from 1 April 2014 and which may require the publication of a restated balance sheet at the beginning of the preceeding period.

Changes in accounting policies which will be required from 1 April 2014 which are not considered to have a significant impact on the Statement of Accounts are:

- IFRS 10 Consolidated Financial Statements
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- Annual Improvements to IFRS 2009–2011 Cycle.

Changes in accounting policies which will be required from 1 April 2014 which may, subject to further investigation, require additional disclosures in the statement are

- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

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** - there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the Council's assets might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Asset classifications** – the council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These are based on the main reason that the council is holding the asset with the classification determining the valuation method to be used.
- **Lease classifications** – the council has made judgements on whether its lease arrangements are operating leases or finance leases. There is an element of subjectivity in these assessments and de-minimus levels have been applied. The accounting treatment for operating and finance leases is different (see accounting policy on Leases) and may have a significant effect on the accounts.
- **Contractual arrangements** - the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).
- **Jointly Controlled Operation** – As a member of the Portchester Crematorium Joint Committee (PCJC) with a 25% share in the crematorium operation, the Council has made a judgement on the grounds of materiality to disclose its share of the assets and liabilities as part of the Related Parties disclosure note (note 28) rather than incorporate them into the Comprehensive Income and Expenditure Statement
- **Potential Liabilities** - the Council has made judgements about the likelihood of potential liabilities and whether any provisions should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Note 19 refers.

- **Doubtful debts allowances** - the council has made judgements on a prudent level of allowances for doubtful debts. These are based on historical experience of debtor defaults and the current economic climate.

4 Uncertainties relating to Assumptions and Estimates used

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

The items in the Authority's Balance Sheet at 31 March 2014 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>In 2013/14, a provision of £3.263 million has been set up in the Collection Fund accounts 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>The Council's share of the provision is £1.305 million (40%) which is disclosed in Note 19 to the Statement. The other precepting authorities and the government include the remainder of the provision (£1.958 million - 60%) in their financial statements for 2013/14</p> <p>The actual cost of appeals – whether above or below the provision - will impact on retained business rate income for the Council, central government and the major precepting authorities.</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 doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p>

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability for funded LGPS benefits of changes in individual assumptions can be measured.</p> <p>For instance, a 0.1% increase in the discount rate assumption may result in a decrease in the pension liability of £1.39 million.</p> <p>The assumptions interact in complex ways. During 2013/14, the Authority's actuaries advised that the net pensions liability had reduced by £11.03 million – made up of actuarial remeasurements which reduced the liability of £12.97 million and additional net in year liabilities of £1.94 million.</p>
Doubtful Debt Allowances	<p>The Council has made allowances for doubtful debts of £2.195 million in 2013/14 (£1.902 million in 2012/13) 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 £106,600 (£89,000 in 2012/13).</p>

5. Material Items of Income and Expense

There are no material items for 2013/14

During 2012/13 the new Gosport Leisure Centre was completed and opened to the public in December 2012.

The new Leisure Centre was valued at £10.1 million and the difference between this valuation and the sum of the value of the old centre and new centre construction costs was £4.6 million – which was initially charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement and then to the Capital Adjustment Account. There is no effect on the Council's finances from this valuation adjustment.

A capital receipt of £1 million was obtained through the sale of part of the old site and this sum was used towards financing the 2012/13 capital programme.

Both of these sums are reflected for 2012/13 in note 6 to the statement.

6. Other Operating Expenditure

2012/13 £'000	2013/14 £'000
199 Payments to the Government Housing Capital Receipts Pool	230
3,698 (Gain) or Loss on the disposal of non-current assets	61
3,897	291

7. Financing and Investment Income and Expenditure

2012/13 (restated) £'000	2013/14 £'000
2,255 Interest payable & similar charges	2,210
1,840 Pension interest on net defined benefit liability	1,880
(333) Interest receivable & similar income	(315)
2,527 Net income and expenditure in relation to investment properties and changes in their fair value	305
6,289	4,080

The 2012/13 entry for pension interest on net defined benefit liability has been restated following adoption by the Code of the revised Pensions standard IAS19R. See notes 31 and 37.

8. Taxation and Non Specific Grant Income

2012/13 £'000	2013/14 £'000
(5,617) Council Tax Income	(5,056)
(4,792) Non Domestic Rates (Retained Business Rates from 2013/14)	-
- Retained Business Rates	(1,775)
(694) Non-Ringfenced Government Grants	(4,225)
(231) Capital Grants and Contributions	(308)
(11,334)	(11,364)

The 2012/13 Non-Ringfenced Government Grants figure has been restated to reflect the inclusion in the CI&E Statement of the Benefits Admin Grant (£696,000) as a service specific, rather than general, grant. See notes 27 and 37. There is no effect on the Council's finances

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

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

2013/14	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(1,146)	(2,400)			(3,546)	3,546
Revaluation losses on Property Plant and Equipment	(80)	(164)			(244)	244
Movements in the fair value of Investment Properties	(581)		5		(576)	576
Amortisation of intangible assets	(90)				(90)	90
Capital grants and contributions applied	1,013				1,013	(1,013)
Revenue expenditure funded from capital under statute	(888)				(888)	888
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	(173)	(1,400)			(1,573)	1,573

2013/14	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	570				570	(570)
Capital expenditure charged against the General Fund and HRA balances		1,156			1,156	(1,156)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	125	1,417	(1,542)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR			249		249	(249)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(31)	31		0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		(230)	230		0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash			(28)		(28)	28
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		2,400		(2,400)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure				2,400	2,400	(2,400)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(2,405)	(1,085)			(3,490)	3,490
Employer's pensions contributions and direct payments to pensioners payable in the year	1,221	329			1,550	(1,550)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	221				221	(221)
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	46	3			49	(49)
Total Adjustments	(2,167)	0	(1,060)	0	(3,227)	3,227

2012/13	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(943)	(3,594)			(4,537)	4,537
Revaluation losses on Property Plant and Equipment	(108)				(108)	108
Movements in the fair value of Investment Properties	(2,846)	17			(2,829)	2,829
Amortisation of intangible assets	(82)				(82)	82
Capital grants and contributions applied	1,076				1,076	(1,076)
Revenue expenditure funded from capital under statute	(968)				(968)	968
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	(4,691)	(576)			(5,267)	5,267
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	420				420	(420)
Capital expenditure charged against the General Fund and HRA balances		949			949	(949)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,000	582	(1,582)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR			1,263		1,263	(1,263)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(13)	13		0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		(199)	199		0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash			(179)		(179)	179
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		2,362		(2,362)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure				2,362	2,362	(2,362)

2012/13	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (restated) (Note 31)	(2,596)	(694)			(3,290)	3,290
Employer's pensions contributions and direct payments to pensioners payable in the year	1,361	229			1,590	(1,590)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(37)				(37)	37
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)	(3)			(13)	13
Total Adjustments	(8,424)	(940)	(286)	0	(9,650)	9,650

The 2012/13 entry for the reversal of items through the Movement in Reserves Statement has been restated following adoption by the Code of the revised Pensions standard IAS19R. See notes 31 and 37.

10. Property, Plant and Equipment and Impairments

Depreciation

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

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

Movement in Plant, Property and Equipment for 2013/14	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 2013	111,829	22,913	3,752	13,136	3,985	80	206	155,901
Additions	3,556	109	276	16	11	0	244	4,212
Revaluation increases/(decreases) to RR	(840)	(195)						(1,035)
Revaluation increases/(decreases) to SDPS	(42)	(202)						(244)
De-recognition - Disposals	(1,430)							(1,430)
De-recognition - Other		(109)	(78)	(16)				(203)
Assets reclassified		369		57	(498)		(316)	(388)
At 31 March 2014	113,073	22,885	3,950	13,193	3,498	80	134	156,813
Accumulated Depreciation & Impairment								
At 1 April 2013	(2,363)	(1,167)	(2,893)	(4,193)	0	(12)	0	(10,628)
Depreciation Charge	(2,400)	(553)	(246)	(347)	0	0	0	(3,546)
Depreciation & Impairment written out to RR	2,332	629						2,961
De-recognition - Disposals	30							30
De-recognition - Other		95	65	6				166
At 31 March 2014	(2,401)	(996)	(3,074)	(4,534)	0	(12)	0	(11,017)
Net Book Value								
At 31 March 2014	110,672	21,889	876	8,659	3,498	68	134	145,796

Movement in Plant, Property and Equipment for 2012/13	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 2012	172,030	21,652	3,871	13,313	3,901	80	2,899	217,746
Additions	3,513	75	196		84		6,153	10,021
Revaluation increases/(decreases) to RR	(62,368)	(850)						(63,218)
Revaluation increases/(decreases) to SDPS	(1,232)	(108)						(1,340)
De-recognition - Disposals	(938)							(938)
De-recognition - Other		(5,878)	(315)	(177)				(6,370)
Assets reclassified	824	8,022					(8,846)	0
At 31 March 2013	111,829	22,913	3,752	13,136	3,985	80	206	155,901
Accumulated Depreciation & Impairment								
At 1 April 2012	(66,416)	(2,583)	(2,979)	(4,023)	0	(12)	0	(76,013)
Depreciation Charge	(2,362)	(369)	(226)	(347)				(3,304)
Depreciation & Impairment written out to RR	66,053	596						66,649
De-recognition - Disposals	362							362
De-recognition - Other		1,189	312	177				1,678
At 31 March 2013	(2,363)	(1,167)	(2,893)	(4,193)	0	(12)	0	(10,628)
Net Book Value								
At 31 March 2013	109,466	21,746	859	8,943	3,985	68	206	145,273

Capital Commitments

Significant commitments for future expenditure at 31 March include:

2012/13 £'000	2013/14 £'000
237 Accommodation & IT	-
100 Gosport Leisure Park (Ice Rink)	100
168 Stokes Bay - Wet & Dry Play Area	82
505	182

Revaluations

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

	Historical	Fair Value - revalued when indicated					Total £'000
	£'000	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	
Property, Plant & Equipment							
Council Dwellings		113,073					113,073
Operational Property		3,718	10,868	5,818	1,652	64	22,120
Garages	765						765
Equipment	3,950						3,950
Infrastructure	13,193						13,193
Community Assets	3,498						3,498
Surplus Assets	80						80
Assets under Construction	134						134
	21,620	116,791	10,868	5,818	1,652	64	156,813

Impairments

There were no general impairments identified in 2013/14.

Any revaluation gains or losses for those assets that were reported on by the Council's valuers for 2013/14 have been reflected in the Revaluation Reserve or the Capital Adjustment Account (the latter through the Comprehensive Income and Expenditure Statement) as appropriate.

Assets Held For Sale

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

11. Heritage Assets

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

	Civic Regalia £'000	Mayoral Chain £'000	Paintings £'000	Other £'000	Total £'000
Cost or Valuation					
31-Mar-13	49	53	97	10	209
31-Mar-14	49	53	97	10	209

There were two gifted additions to the collection of Paintings and Prints in 2013/14 (a print of Anna Wardley's round the Island swim and a framed Union flag from 33 Field Hospital).

The Council's Heritage Assets were separately identified and valued for the first time on the 2011/12 balance sheet in accordance with the IFRS based CIPFA Code of Practice.

The Council's accounting policies for Heritage Assets are included in note 1 on page 25.

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

The Authority's collections of heritage assets held at the Town Hall have been 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 58 paintings and prints located throughout the Town Hall, valued by an annually updated insurance valuation and annual inventory check
- Other Items – include a plaster cast of Nelson and D Day plaque at Stokes Bay are held at historic cost

A full inventory of Civic inventory is presently in progress which will lead to a re-evaluation of insurance cover.

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

In addition to the Council's heritage assets held in the Town Hall and included in this statement of accounts, a Gosport Museum collection is also held by the Hampshire County Council Arts and Museums Service (HCC A MS). 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 and although being located principally in the stores and on display at the Gosport Discovery Centre some items are held separately in specialised storage conditions at Hampshire County Council premises outside of Gosport. The objects accessioned after this date are owned by Hampshire County Council. No total valuation exists for this collection which is covered by the County Council's insurance arrangements.

12. Investment Properties

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

2012/13 £'000	2013/14 £'000
282 Direct operating expenses arising from investment property	252
(584) Rental income from investment property	(524)
(302) Net gain	(272)

The following table summarises the movement in the fair value of investment properties over the year. The valuation of investment property held on the balance sheet has been undertaken by Capita Ltd.

2012/13 £'000	2013/14 £'000
10,022 Balance at the start of the year	7,216
23 Subsequent expenditure	36
- Disposals	(125)
(2,829) Net gains or (losses) from fair value adjustments	(577)
- Transfers to or from Property, Plant and Equipment	388
7,216 Balance at the end of the year	6,938

13. Intangible Assets

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

The carrying amount of intangible assets is based on historic cost and is amortised on a straight-line basis on estimated lives of up to 10 years. The amortisation of £90,480 charged to revenue in 2013/14 (£82,360 in 2012/13) 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:

2012/13 £'000	2013/14 £'000
Balance at the start of the year	
1,374 Gross carrying amount	1,476
(834) Accumulated amortisation	(907)
540 Net carrying amount at the start of the year	569
111 Purchases	89
(9) Derecognition - Gross carrying amount	(78)
9 Derecognition - Amortisation	67
(82) Amortisation for the year	(90)
569 Net carrying amount at the end of the year	557
Comprising	
1,476 Gross carrying amount	1,487
(907) Accumulated amortisation	(930)

14. Financial Instruments

Categories of Financial Instruments

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

01-Apr-12		31-Mar-13		31-Mar-14	
Long Term	Current	Long Term	Current	Long Term	Current
£'000	£'000	£'000	£'000	£'000	£'000
<u>Financial Liabilities</u>					
(70,391)	(2,209)	(72,175)	(2,215)	(71,953)	(2,222)
-	(156)	-	(156)	-	(151)
(89)	(42)	(53)	(35)		
-	(2,160)	-	(9,000)	(38)	(15)
-	-	-	(5)	(2,100)	
				-	(10)
(70,480)	(4,567)	(72,228)	(11,411)	(74,091)	(2,398)
-	(2,546)		(2,213)		(1,929)
(70,480)	(7,113)	(72,228)	(13,624)	(74,091)	(4,327)
<u>Financial Assets</u>					
31	-	24	-		
83	122	64	58	18	-
575	-	575	-	30	64
4,912	26	4,885	27	575	-
-	754	-	1,532	4,856	
-	506	-	3,655	-	2,721
				-	6,459
5,601	1,408	5,548	5,272	5,479	9,244

Income, Expense, Gains and Losses

31-Mar-13 £'000	31-Mar-14 £'000
<u>Financial Liabilities:</u>	
2,255 Interest from financial liabilities measured at amortised cost	2,210
<u>Financial Assets:</u>	
(57) Interest from loans and receivables	(47)
(234) Interest receivable from Finance Lease	(233)
(42) Discount received from debt restructuring	(35)
1,922 Included in the Surplus or Deficit on the Provision of Services	1,895

Fair Values of Assets and Liabilities

Financial assets and financial liabilities represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount of the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

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

01-Apr-12		31-Mar-13		31-Mar-14	
Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
£'000	£'000	£'000	£'000	£'000	£'000
<u>Financial Liabilities</u>					
(75,047)	(80,317)	(83,639)	(91,491)	(76,489)	(79,015)
(2,546)	(2,546)	(2,213)	(2,213)	(1,929)	(1,929)
(77,593)	(82,863)	(85,852)	(93,704)	(78,418)	(80,944)
<u>Financial Assets</u>					
7,009	7,009	10,820	10,820	14,723	14,723
7,009	7,009	10,820	10,820	14,723	14,723

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date.

15. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programmes focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks.

The procedures for risk management are set out through a legal framework that is included in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - o The Council's overall borrowing;
 - o Its maximum and minimum exposures to fixed and variable rates;
 - o Its maximum and minimum exposures to the maturity structure of its debt;
 - o Its maximum annual exposures to investments maturing beyond a year.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update. The Annual Treasury Management Strategy for 2013/14 which incorporated the prudential indicators was approved by Council on 20 February 2013 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £92.7m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2013/14 was £87.3m. This is the expected level of debt and other long term liabilities during the year.
- The maximum and minimum exposures to the maturity structure of debt are shown on page 52.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits were not made with banks and financial institutions unless they conformed to the Council's investment criteria. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down in the Council's Annual Investment Strategy which imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the authority are detailed below

- The key objectives of the Council's investment strategy are security, liquidity and yield in that order.
- The Council has determined that it will only use approved counterparties from the UK.
- In order to limit interest rate exposure all investments other than short term surplus funds are to be fixed rate transactions. No Investments are to exceed 3 years although most will not exceed 364 days.
- A £3m limit applies with any single group other than the Council's Bank or UK Regulated Qualifying Money Market Funds.
- The Council will invest in UK Regulated Qualifying Money Market Funds.
- Investments will be placed with bodies that meet the Council's creditworthiness criteria which will be assessed by utilising the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard and Poor's, forming the core. The credit ratings of counterparties are supplemented with the following overlays:

- o Credit watches and credit outlooks from credit rating agencies
- o CDS (Credit Default Swaps) spreads to give early warning of likely changes in credit ratings

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine which counterparties are suitable for investments and the suggested duration for investments. Creditworthiness criteria are monitored weekly.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £4.385 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

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

	Note	Amount at 31 March 2014 £'000	Historical experience of default %	Adjustment for market conditions at 31 March 2014 %	Estimated maximum exposure to default £
Cash and cash equivalents	a	6,459	-	-	-
General debtors	b	405	11%	11%	45
Housing rents	b	916	55%	55%	506
Other	b	1,464	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		1,868	75%	75%	1,401
Costs associated with Council Tax and Business Rates Collection		665	37%	37%	243
(a) The council does not expect any default in relation to these elements					
(b) The council does not generally allow credit for customers and the estimated risks are covered by doubtful debt allowances which derive from aged debt analysis and historical experience.					

The Council has no history of default with any of its counterparties in relation to deposits made or received. No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above

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

The Council has ready access to borrowings from the money market to cover any day to day cash flow need, and the Public Works Loans Board and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All trade and other payables are due to be paid in less than one year.

Re-financing risk

The Council maintains a significant debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial liabilities as they mature. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Existing long term debt is repayable between 1 and 15 years ahead and over 45 years ahead. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

<u>Maturity Structure of Fixed Borrowings (excluding accrued interest & restructuring discount)</u>						
01-Apr-12	31-Mar-13	Maturing within:-	2013/14 Approved Limits		31-Mar-14	
Amount	Amount		Minimum	Maximum	Amount	
£'000	£'000		%	%	£'000	%
4,370	11,000	Up to 1 year	2%	15%	2,000	2.6%
2,215	2,000	Over 1 but not over 2 years	2%	15%	3,000	3.9%
6,684	10,000	Over 2 but not over 5 years	10%	20%	12,275	16.1%
12,491	14,390	Over 5 but not over 10 years	18%	30%	16,000	21.0%
15,000	15,000	Over 10 but not over 15 years	55%	70%	12,000	15.7%
-	-	Over 15 but not over 20 years	55%	70%	-	-
-	-	Over 20 but not over 25 years	55%	70%	-	-
-	-	Over 25 but not over 30 years	55%	70%	-	-
-	-	Over 30 but not over 35 years	55%	70%	-	-
-	-	Over 35 but not over 40 years	55%	70%	-	-
-	-	Over 40 but not over 45 years	55%	70%	-	-
34,000	31,000	Over 45 years	55%	70%	31,000	40.7%
74,760	83,390				76,275	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, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects

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

Borrowings are not carried at fair value so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council's Treasury Management Strategy currently includes as a source of borrowing the use in 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.

Risk exposure to interest rate movements is limited to the effect that interest rate movements have on the marketplace generally when placing investments or raising loans. Cash flows and interest rate changes are actively monitored.

The authority to respond to different interest rates throughout the financial year is delegated to the Borough Treasurer, Head of Accountancy and Group Accountant.

If average interest rates in 2013/14 had been 1% higher or lower (with all other variables constant) the financial effect would have been £80,100 (2012/13 £31,000) additional interest receivable and £16,600 (2012/13 £12,100) additional interest payable on short term borrowing.

Fair Value of Assets and Liabilities carried at Amortised Cost

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

- Long Term Borrowing (PWLb) is calculated by reference to the premature repayment set of rates in force 31 March
- Long Term Investments: using applicable discount rates for individual loans relative to the balance sheet date
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

16. Debtors

Long Term Debtors

01-Apr-12 £'000	31-Mar-13 £'000		31-Mar-14 £'000
5,601	5,567	Other Entities and Individuals	5,498
5,601	5,567		5,498

Short Term Debtors (net of allowances for doubtful debts)

01-Apr-12 £'000	31-Mar-13 £'000		31-Mar-14 £'000
2,381	2,658	Central Government Bodies	703
2,176	2,158	Other Local Authorities	1,825
2,337	2,614	Other Entities and Individuals	3,175
6,894	7,430		5,703

17. Cash and Cash Equivalents

01-Apr-12 £'000	31-Mar-13 £'000		31-Mar-14 £'000
507	510	Money Market Funds	2,000
552	4,083	Call Accounts	4,986
66	67	Cash imprests / cash in hand	74
(619)	(1,005)	Bank Overdraft (Grouped accounts)	(601)
506	3,655		6,459

18. Creditors

01-Apr-12 (restated) £'000	31-Mar-13 (restated) £'000		31-Mar-14 £'000
(602)	(864)	Central Government Bodies	(4,770)
(368)	(579)	Other Local Authorities	(928)
(2,549)	(1,393)	Other Entities and Individuals	(1,579)
(3,519)	(2,836)		(7,277)

The opening and closing balances for 2012/13 have been restated to disclose the correct classification of Transport Contributions held by the Council which were previously included under Short Term Creditors but should have been included under Receipts in Advance – Capital Grants. See notes 27 and 37. There is no effect on the Council's finances.

The balance of £4.770 million for Central Government Bodies at 31 March 2014 includes £2.066 million in respect of the Regional Growth Fund for the Daedalus Business Park held by the Council as accountable body

19. Provisions

01-Apr-12 £'000	31-Mar-13 £'000		31-Mar-14 £'000
-	(9)	MMI - Short Term	0
-	(51)	MMI - Long Term	(51)
-	-	Business Rates - Valuation Appeals - Short Term	(1,305)
0	(60)		(1,356)

A provision was set up in 2012/13 to cover the initial levy (£9,000) and potential future liabilities (£51,000) of the MMI Scheme of Arrangement - this issue having previously been reported each year as a Contingent Liability disclosure in the annual Statement of Accounts. (£60,000 in 2011/12). The initial levy was paid in 2013/14.

A provision for Business Rates valuation appeals has been set up through the Collection Fund in 2013/14 as part of accounting for the new Business Rates Retention funding system.

An allowance for doubtful debts is included within note 16.

20. Agency Services

The Council's agency agreement for the provision of highways maintenance and management was terminated by Hampshire County Council on 1 May 2002 and the service was then funded and managed directly by the County although staff remained within the Borough Council offices. The Borough Council retained the agencies for Traffic Management and Development Control with the County Council reimbursing the Borough for this work and making a contribution towards administration costs.

The Traffic Management and Development Control agreement was terminated on 31 March 2009 with future highways management and maintenance being dealt with directly by Hampshire County Council.

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

31-Mar-13 £'000	31-Mar-14 £'000
38 Treework	63
84 Grasscutting	81
(125) Hampshire County Council contribution	(145)
(3)	(1)

21. Usable Reserves

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

	2012/13			2013/14		
	01-Apr-12	Transfers	Transfers	31-Mar-13	Transfers	Transfers
	£'000	In £'000	Out £'000	£'000	In £'000	Out £'000
Revenue						
General Fund Balance	(890)			(890)		(890)
Earmarked General Fund Reserves						
Revenue Financing Reserve	(665)	(620)		(1,285)	(782)	(2,067)
Cherque Farm Open Space	(189)		12	(177)		13
Regional Housing Grant	(159)		21	(138)		19
Priddys Play Area Maintenance	(105)		13	(92)		11
High Street Innovations	0	(100)	15	(85)		43
Building Control Partnership	(67)		14	(53)	(7)	(60)
Preventing Repossessions	(53)		1	(52)		8
Open Spaces Maintenance	(49)		6	(43)		5
A32 Bus Shelter Maintenance	(30)			(30)		(30)
Business Growth Incentive Grant	(22)			(22)		(22)
HPDG	(58)		46	(12)		12
Royan Twinning Fund	(5)	(4)		(9)		(9)
Cherque Farm Land Transfer	0			0	(9)	1
Education Fund	(4)			(4)		(4)
New Homes Bonus Grant	(18)		18	0		0
	(1,424)	(724)	146	(2,002)	(798)	112
Housing Revenue Account						
Housing Revenue Account	(603)	(378)		(981)	(11)	(992)
New Build Reserve (Revenue)	0	(151)		(151)	(699)	(850)
	(603)	(529)	0	(1,132)	(710)	0
Capital						
Capital Receipts Reserve (GF)	(65)	(1,179)	1,179	(65)	(125)	125
Capital Receipts Reserve (HRA)	0	(582)	412	(170)	(1,417)	863
Capital Receipts New Build (RTB)	0		(116)	(116)		(506)
Major Repairs Reserve (HRA)	0	(2,362)	2,362	0	(2,400)	2,400
	(65)	(4,123)	3,837	(351)	(3,942)	2,882
Total Usable Reserves	(2,982)	(5,376)	3,983	(4,375)	(5,450)	2,994

The Council's main reserves are:

Revenue - General Fund

General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. It is effectively a working balance that is available for unforeseen events and to help stabilise annual fluctuations in Council Tax levels. The General Fund balance is not available to be applied to funding HRA services.

Revenue Financing Reserve

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

- assisting in achieving efficiencies by providing funding for spend-to-save initiatives
- helping to ensure that variations in annual maintenance requirements can be adequately financed
- reducing exposure to risk by helping to underwrite uninsurable risks and by saving premiums where self-insurance is undertaken

It is considered that maintaining a viable RFR is an essential element for sound management of the Council's finances and in order to achieve this, the approved Council policy is that the RFR is debited or credited with any General Fund budget variations, receives a base budget contribution and Council Tax Collection Fund surpluses/deficits (subject to the working balance first being maintained at an appropriate level).

Other Usable Reserves including Open Spaces, Play Areas, Bus Shelters and High Street Innovation

Represent earmarked sums for contributing to specific service revenue expenditure.

Regional Housing Grant

A general purpose Housing grant that may be used for both Housing General Fund and Housing Revenue Account services.

Revenue - Housing Revenue Account

HRA balance

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

Major Repairs Reserve

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

New Build Reserve

The reserve created to provide funding for the construction of new affordable housing.

Capital – General Fund

The Capital Receipts reserve may only be utilised to fund capital expenditure. The General Fund balance of £65,000 at 31 March 2014 is in respect of the sale of Camden Allotments and must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

Capital – Housing Revenue Account

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

22. Unusable Reserves

01-Apr-12 (restated) £'000	31-Mar-13 (restated) £'000		31-Mar-14 £'000
(3,290)	(6,684)	Revaluation Reserve	(8,602)
(72,848)	(65,164)	Capital Adjustment Account	(63,643)
(5,696)	(5,511)	Deferred Capital Receipts	(5,478)
40,230	44,640	Net Pension Reserve	33,610
(8)		29 Collection Fund Adjustment Account	(192)
177	190	Accumulated Absences Account	141
(41,435)	(32,500)		(44,164)

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, or
- 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

2012/13 (restated) £'000	2013/14 £'000
(3,290) Balance at 1 April	(6,684)
(3,754) Upward revaluation of assets	(4,155)
324 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,229
(3,430) Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,926)
36 Difference between fair value depreciation and historical cost depreciation	8
36 Amount written off to the Capital Adjustment Account	8
(6,684) Balance at 31 March	(8,602)

The balance b/fwd for 2012/13 has been restated by £43,000 cr to correct the record of historic cost and current cost depreciation within the fixed asset account. The contra entry is in the Capital Adjustment Account also within Unusable Reserves. There is no impact on the Council's finances or Balance Sheet. See note 37.

Capital Adjustment Account

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

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

2012/13 (restated) £'000	2013/14 £'000
(72,848) Balance at 1 April	(65,164)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,304 Charges for depreciation, impairment of noncurrent assets	3,546
1,340 Revaluation losses on Property, Plant and Equipment	244
82 Amortisation of intangible assets	90
968 Revenue expenditure funded from capital under statute	888
5,267 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,573
10,961	6,341
(36) Adjusting amounts written out of the Revaluation Reserve	(8)
Net written out amount of the cost of non-current assets consumed in the year	6,333
Capital financing applied in the year:	
(1,263) Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR	(249)
(2,362) Use of the Major Repairs Reserve to finance new capital expenditure	(2,400)
(590) Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(409)
(486) Application of grants to capital financing from the Capital Grants Unapplied Account	(604)
(420) Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(570)
(949) Capital expenditure charged against the General Fund and HRA balances	(1,156)
(6,070)	(5,388)
2,829 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	576
(65,164) Balance at 31 March	(63,643)

The balance b/fwd for 2012/13 has been restated by £43,000 dr to correct the record of historic cost and current cost depreciation within the fixed asset account. The contra entry is in the Revaluation Reserve also within Unusable Reserves. There is no impact on the Council's finances or Balance Sheet.

Deferred Capital Receipts

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

2012/13 £'000	2013/14 £'000
(5,696) Balance at 1 April	(5,511)
185 Transfer to the Capital Receipts Reserve upon receipt of cash	33
(5,511) Balance at 31 March	(5,478)

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.

2012/13 £'000	2013/14 £'000
40,230 Balance at 1 April	44,640
2,710 Remeasurements of the net defined benefit liability/(asset)	(12,970)
3,290 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	3,490
(1,590) Employer's pensions contributions and direct payments to pensioners payable in the year	(1,550)
44,640 Balance at 31 March	33,610

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic 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

2012/13 £'000	2013/14 £'000
(8) Balance at 1 April	29
37 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	(221)
29 Balance at 31 March	(192)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £'000	2013/14 £'000
177 Balance at 1 April	190
(177) Settlement or cancellation of accrual made at the end of the preceding year	(190)
190 Amounts accrued at the end of the current year	141
190 Balance at 31 March	141

23. Reconciliation with amounts reported internally

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

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

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

Resource allocation and control during the financial year is by exception reporting to Council management team and leadership with further, generally quarterly, reports to Policy and Organisation board as necessary. These reports are generally presented as a summarised list of revenue variances together with a more detailed capital programme review. Budget monitors are available to all members through the Members Information Bulletins (MIBs).

The outturn position for 2013/14 is being reported to members in the same format as the approved budget. Reconciling the approved and reported budgets - which provide the basis of budget monitoring and control and resource allocation - to that shown in the financial statements is complicated because as outlined above certain income and expenditure items are shown in different ways and in different places between the two documents. Some items have a financial impact on the council's finances and some do not.

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

The tables below show for 2013/14 and 2012/13

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

2013/14 - Subjective analysis of Comprehensive Income & Expenditure Statement	Cost of Services	Other Operating Expenditure	Financing and Investment Income & Expenditure	Taxation & Non Specific Grant Income	Total
	£'000	£'000	£'000	£'000	£'000
Employees	1,808	0	0	0	1,808
Premises	4,302	0	253	0	4,555
Transport	59	0	0	0	59
Supplies & Services	5,409	0	0	0	5,409
Third Party Payments	3,838	0	0	0	3,838
Transfer Payments	30,365	0	0	0	30,365
Support Services	9,196	0	1,880	0	11,076
Capital/Financing	4,590	291	4,701	0	9,582
	59,567	291	6,834	0	66,692
Income	(51,803)	0	(2,754)	(11,364)	(65,921)
	7,764	291	4,080	(11,364)	771

2013/14 - Reconciliation of reporting in Council Board structure & the CI&E Statement						
	GF Board Structure	Other Operating Expenditure	Financing & Investment Income & Expenditure	Taxation & Non Specific Grant	Movement in Reserves, Collection	SerCOP Cost of Services
	£'000	£'000	£'000	£'000	£'000	£'000
Community Economic Development Policy & Organisation	5,932		331			6,263
	861		(86)			775
	2,333	(48)	(1,849)	1,245	2,378	4,059
	9,126	(48)	(1,604)	1,245	2,378	11,097
Reserves	782				(782)	0
	9,908	(48)	(1,604)	1,245	1,596	11,097
	SerCOP Structure					
	£'000	£'000	£'000	£'000	£'000	
Cost of Services	11,097				96	11,193
Other Operating Expenditure	0	48				48
Financing and Investment income and Expenditure	0		1,604			1,604
Taxation and Non Specific Grant Income	0			(11,364)		(11,364)
Surplus or Deficit on the Provision of Services	11,097	48	1,604	(11,364)	96	1,481
						(710)
						771

2012/13 - Subjective analysis of Comprehensive Income & Expenditure Statement					
	Cost of Services	Other Operating Expenditure	Financing and Investment Income & Expenditure	Taxation & Non Specific Grant Income	Total
	£'000	£'000	£'000	£'000	£'000
Employees	1,678	0	0	0	1,678
Premises	4,416	0	282	0	4,698
Transport	65	0	0	0	65
Supplies & Services	5,692	0	0	0	5,692
Third Party Payments	3,837	0	0	0	3,837
Transfer Payments	35,246	0	0	0	35,246
Support Services	9,009	0	1,840	0	10,849
Capital/Financing	3,206	3,897	7,000	0	14,103
	63,149	3,897	9,122	0	76,168
Income	(53,744)	0	(2,833)	(11,334)	(67,911)
	9,405	3,897	6,289	(11,334)	8,257

2012/13 - Reconciliation of reporting in Council Board structure & the CI&E Statement	GF Board Structure £'000	Other Operating Expenditure £'000	Financing & Investment Income & Expenditure £'000	Taxation & Non Specific Grant £'000	Movement in Reserves, Collection £'000	SerCOP Cost of Services £'000		
Community	5,864		297	87		6,248		
Economic								
Development	794		(16)	10		788		
Policy & Organisation	3,263	(3,691)	(3,640)	735	7,811	4,478		
	9,921	(3,691)	(3,359)	832	7,811	11,514		
Reserves	619					619		
	10,540	(3,691)	(3,359)	832	7,811	12,133		
	SerCOP Structure £'000	£'000	£'000	£'000	£'000	General Fund £'000	HRA £'000	CI&E £'000
Cost of Services	11,514					11,514	(2,109)	9,405
Other Operating								
Expenditure	0	3,691				3,691	206	3,897
Financing and								
Investment income								
and Expenditure	0		3,975			3,975	2,314	6,289
Taxation and Non								
Specific Grant Income	0			(11,334)		(11,334)	0	(11,334)
Surplus or Deficit on								
the Provision of								
Services	11,514	3,691	3,975	(11,334)	0	7,846	411	8,257

24. Members' Allowances

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

2012/13 £000	2013/14 £000
229 Allowances	232
4 Expenses	4
233	236

25. Officers Remuneration

Number of employees 2012/13	Left during 2012/13	The number of employees (excluding senior officers which are disclosed individually in separate tables) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:	Number of employees 2013/14	Left during 2013/14
		Remuneration band		
3	-	£50,000 - £54,999	5	2
2	-	£55,000 - £59,999	2	-
-	-	£60,000 - £64,999	-	-
-	-	£65,000 - £69,999	-	-

Exit Packages

Exit package cost band (including special)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £'000	2013/14 £'000
£0 - £20,000	3	13	0	0	3	13	10	119
£20,001 - £40,000	1	5	0	0	1	5	33	155
£40,001 - £60,000	0	1	0	0	0	1	0	45
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
	4	19	0	0	4	19	43	319

The Authority terminated the contracts of 19 employees in 2013/14 (4 in 2012/13), incurring liabilities of £319,000 (£43,000 in 2012/13). This includes both payments to the Local Government Pension Scheme and severance payments and has been largely financed by contributions from the Revenue Financing Reserve and salary savings achieved in the year.

26. External Audit Costs

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

2012/13 £000	2013/14 £000
Fee payable to Ernst & Young with regard to external audit services carried out by appointed auditors	
70 External audit services	70
21 Certification of grant claims and returns	20
91	90

27. Grant Income

The Authority credited the grants and contributions shown in the table on page 69 to the Comprehensive Income and Expenditure Statement in 2013/14.

In addition to the grants received and / or applied in 2013/14 which were not subject to any outstanding conditions described above, the council also holds £1.426 million as at 31 March 2014 (£1.827 million as at 31 March 2013) of developers' contributions which are shown as Grants and Contributions Receipts in Advance in the Balance Sheet. These grants and contributions are categorised as liabilities because 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 and the sums are available to spend on appropriate capital schemes – at which point the liability will cease and the sums will be accounted for through the Comprehensive Income and Expenditure statement. An analysis of these sums is shown below

01-Apr-12 (restated) £'000	31-Mar-13 (restated) £'000		31-Mar-14 £'000
Receipts in Advance - Revenue Grants			
0	0	INSPIRE Annex III New Burden funding	(7)
0	0		(7)
Receipts in Advance - Capital Grants			
(569)	(394)	Affordable Housing	(10)
(1,204)	(999)	Open Spaces and Play Areas	(857)
(137)	(137)	Nimrod Drive Footpath	(137)
(215)	(271)	Transport Contributions	(359)
(84)	(26)	Other grants and contributions	(63)
(2,209)	(1,827)		(1,426)

The opening and closing balances for 2012/13 have been restated to disclose the correct classification of Transport Contributions held by the Council which were previously included under Short Term Creditors (note 18). but which should have been included under Receipts in Advance – Capital Grants See note 37. There is no effect on the Council's finances.

2012/13 (restated) £000	Grant Income	2013/14 £000
Included in Taxation and Non Specific Grant Income		
<u>Non-Ringfenced Government Grants</u>		
Department for Communities and Local Government:		
(4,792)	Distribution from NNDR Pool	-
(93)	Revenue Support Grant	(3,289)
(140)	Council Tax Freeze Grant	(56)
(227)	New Homes Bonus Grant	(498)
(87)	Preventing Homeless	-
(110)	New Burdens Grants & Town Team Partnership	(86)
-	Capitalisation Provision Redistribution Grant	(17)
-	Section 31 - Small Business Rate Relief	(259)
-	Enterprise Zone	(110)
Department for Work and Pensions		
(37)	Benefits Transition & Council Tax Reform	(21)
(5,486)		(4,336)
<u>Capital Grants and Contributions</u>		
(227)	Developers Contributions - Open Spaces	(197)
(4)	Other Contributions	-
(231)		(197)
Service Specific Revenue Grants and Contributions (included in cost of services)		
<u>Department for Work and Pensions</u>		
(35,384)	HB / CTB Subsidy	(30,237)
(696)	HB / CTB Administration	(664)
<u>Developers Contributions (Section 106)</u>		
(175)	Affordable housing	(384)
<u>Environment Agency</u>		
(155)	Coast Protection	(156)
<u>Department of Energy and Climate Change</u>		
(149)	Fuel Poverty Grant	-
<u>Department for Communities and Local Government</u>		
(372)	Disabled Facilities Grant	(275)
(84)	NNDR Cost of Collection	(82)
(15)	High Street Innovations Grant	-
(37,030)		(31,798)

The Grants note for 2012/13 has been restated to correct the inclusion of the Benefits Admin Grant as a service specific, rather than general, grant. See note 37. There is no effect on the Council's finances

28. Related Parties

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

Central government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in note 24. Except for the instance below, there were no related party transactions during the year by members of the Council. As approved by Policy and Organisation Board in 2003, Councillor Hook and Mrs Hook entered into an agreement in 2004/05 with the council for the rent and insurance of office accommodation in their ownership for the provision of council services. The agreement was made in full compliance with the Council's standing orders and with proper declaration of interest. A payment of £12,250 was made to surrender the lease from 11 November 2013 and the value of rental payments from 1 April 2013 to 10 November 2013 was £5,251

Officers

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

Gosport and Fareham Building Control Partnership

The Gosport and Fareham Building Control Partnership provides building control services to both Fareham and Gosport Borough Council. The Partnership has been in operation since 2003. During 2013/14, the Partnership charged Gosport Borough Council £157,931 (£146,911 in 2012/13) for statutory building control services. The Partnership has a policy of dividing generated surpluses between the two authorities based on fee generating work in each Authority area. At 31 March 2014, the balance of retained surplus for future investment in the service held by Fareham Borough Council was £77,378 (£66,903 in 2012/13) and £55,076 (£48,389 in 2012/13) held by Gosport Borough Council.

Regional Growth Fund – Daedalus Business Park

The Council is the accountable body for administering the Regional Growth Fund (RGF) awarded by the Secretary of State for Business, Innovation and Skills. At 31 March 2014, £2.066 million was included in the balance sheet under Short Term Creditors in respect of RGF monies held but not yet distributed. This sum will be distributed on behalf of the Local Enterprise Partnership as grants or there is a remote possibility that any balance may become repayable with interest to the government

Other Public Bodies

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

2012/13 £000			2013/14 £000
28,781	Hampshire County Council	Precept payments	25,462
1,590	Hampshire County Council	Pension Fund payments	1,550
4,056	Hampshire Police Authority	Precept payments	3,711
1,702	Hampshire Fire & Rescue Authority	Precept payments	1,506
254	Building Control Partnership	Payments to Fareham Borough Council	225
(330)	Building Control Partnership	Income from Fareham Borough Council	(337)
(43)	Internal Audit Partnership	Income from Eastleigh Borough Council	(50)

Entities controlled or significantly influenced by the Council

Portsmouth Harbour Renaissance Ltd

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

Portchester Crematorium

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

During 2013/14 the Council received £150,000 (£150,000 in 2012/13) 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 2013/14 are shown below

2012/13 £'000	2013/14 £'000
Portchester Crematorium - Gosport share (25%)	
1,455 Long Term Assets	1,850
227 Current Assets	291
(29) Current Liabilities	(18)
(240) Long Term Liabilities	(162)
(198) Usable Reserves	(273)
(1,215) Unusable Reserves	(1,688)
0	0
(544) Income	(542)
702 Expenditure	474

29. Capital Expenditure and Capital Financing

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

2012/13 £'000	2013/14 £'000
76,366 Opening Capital Financing Requirement	81,418
Capital Investment	
10,021 Plant, Property & Equipment	4,212
23 Investment Properties	36
111 Intangible Assets	89
968 Revenue Expenditure funded from Capital under Statute	888
Sources of Finance	
(1,237) Capital Receipts	(222)
(1,076) Government Grants & Other Contributions	(1,013)
(3,312) HRA Revenue Financing / Major Repairs Reserve	(3,556)
Other Adjustments	
(26) Finance lease principal repayments	(27)
(420) Sum set aside from Revenue (MRP)	(570)
81,418 Closing Capital Financing Requirement	81,255
Explanation of Movements in year	
5,498 Increase in underlying need to borrow (unsupported by Government financial assistance)	434
(446) Increase / (Decrease) in underlying need to borrow due to refinancing, MRP & Finance Lease payments	(597)
5,052 Increase / (decrease) in Capital Financing Requirement	(163)

Revenue Expenditure Funded From Capital under Statute

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

	Balance at 1 April £'000	Expenditure £'000	Charged to Revenue £'000	Balance at 31 March £'000
Affordable Housing	0	384	(384)	0
Housing Grants	0	330	(330)	0
Other Capital Schemes	0	174	(174)	0
Total 2013/14	0	888	(888)	0
Total 2012/13	0	968	(968)	0

30. Leases

Authority as Lessee

Finance Leases

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

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

	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Vehicles, Plant, Furniture and Equipment	80	40	0
	80	40	0

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

	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Finance lease liabilities			
current	41	42	0
non current	42	0	0
Finance costs payable in future years	4	1	0
Minimum lease payments	87	43	0

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

	Minimum Lease Payments			Finance Lease Payments		
	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Not later than one	43	43	0	41	42	0
Later than one year	44	0	0	42	0	0
Later than five years	0	0	0	0	0	0
	87	43	0	83	42	0

Operating Leases

The Authority has lease arrangements for vehicles and data link lines.

The future estimated minimum lease payments are:

	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Not later than one year	25	33	35
Later than one year and not later than five years	32	46	57
Later than five years	7	7	7
	64	86	99

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-13 £'000	31-Mar-14 £'000
Minimum lease payments	40	35
	40	35

Authority 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.

	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Finance lease debtor			
current	26	27	29
non current	4,912	4,885	4,856
Unearned finance income	7,863	7,630	7,397
Gross investment in the lease	12,801	12,542	12,282

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

	Gross Investment in the Lease			Finance Lease payments		
	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Not later than one	260	260	260	260	260	260
Later than one year	1,040	1,040	1,040	1,040	1,040	1,040
Later than five years	11,501	11,242	10,982	11,501	11,242	10,982
	12,801	12,542	12,282	12,801	12,542	12,282

Operating Leases

The Authority 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:

	01-Apr-12 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Not later than one year	531	556	534
Later than one year and not later than five years	2,125	2,222	2,136
Later than five years	16,449	15,467	15,392
	19,105	18,245	18,062

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.

31. Defined Benefit Pension Scheme

Introduction

Funded - the disclosures below relate to the funded liabilities within the Hampshire County Council Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme (the 'LGPS'). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme.

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 contributions to be paid until the date the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate.

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

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

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

Contributions for the accounting period ending 31 March 2015

- **Funded** - the Employer's regular contributions to the Fund for the accounting period 31 March 2015 are estimated to be £1.40m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.
- **Unfunded** - in the accounting period ending 31 March 2015 the Employer expects to pay £0.21m directly to beneficiaries

Revision to IAS19

A revised version of IAS19 came into effect for the accounting periods commencing on or after 1 January 2013. The disclosures below have therefore been calculated under the revised IAS19 (IAS 19R) including the restated 2012/13 figures where necessary.

The key changes are:

- The interest cost and expected return on asset items have been replaced by a single 'net interest' item calculated at the discount rate.
- Additional disclosure requirements, including
 - A requirement to provide a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date.
 - Disclosure of assets held split by those assets which have a quoted market value in an active market and those which are not quoted.
- There are also a number of smaller changes such as where scheme expenses are recognised.

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 via 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

2012/13		Transactions relating to Post-employment Benefits	2013/14	
Funded (restated)	Unfunded (restated)		Funded	Unfunded
£m	£m		£m	£m
<u>Comprehensive Income and Expenditure Statement</u>				
Cost of Services				
1,410		Current service costs	1,580	
40		Past service costs	30	
Financing and Investment Income and Expenditure				
1,710	130	Interest on net defined benefit liability	1,760	120
3,160	130	Pension expense recognised in the Surplus or Deficit on the Provision of Services	3,370	120
Remeasurements of the Net Defined Liability, comprising				
(4,970)		0 Return on plan assets (in excess of) / below that recognised in net interest	(3,270)	0
7,590	220	Actuarial (gains) / losses due to change in financial assumptions	(7,820)	(140)
0	0	Actuarial (gains) / losses due to changes in demographic assumptions	(970)	80
(120)	(10)	Actuarial (gains) / losses due to liability experience	(810)	(40)
2,500	210	Total amount recognised in Other Comprehensive Income and Expenditure	(12,870)	(100)
5,660	340	Total amount recognised	(9,500)	20
(3,160)	(130)	Movement in Reserves Statement	(3,370)	(120)
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code				
<u>Actual amount charged against the General Fund Balance for pensions in the year</u>				
1,390		Employers' contributions payable to scheme	1,350	
	200	Retirement benefits payable to pensioners		200

Assumptions

The latest actuarial valuation of Gosport Borough Council's funded liabilities and unfunded LGPS benefits took place as at 31 March 2013 and 31 March 2014 respectively. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were

2012/13		2013/14
<u>Principal financial assumptions (% per annum)</u>		
<u>Funded</u>		
4.3%	Discount rate	4.3%
3.6%	RPI Inflation	3.3%
2.7%	CPI Inflation	2.3%
2.7%	Rate of increase to pensions in payment *	2.3%
2.7%	Rate of increase to deferred pensions	2.3%
4.6%	Rate of general increase in salaries **	3.8%
* In excess of Guaranteed Minimum Pension increases in payment where appropriate		
** In addition, allowance is made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013		
<u>Unfunded</u>		
4.1%	Discount rate	4.2%
3.5%	RPI Inflation	3.2%
2.6%	CPI Inflation	2.2%
2.6%	Rate of increase to pensions in payment	2.2%

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements

2012/13		2013/14
<u>Post retirement mortality (retirement in normal health)</u>		
<u>Males</u>		
Standard SAPS Normal Health Light Amounts (S1NMA_L)	Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NMA_L)
0	Rating to above base table * (years)	0
100%	Scaling to above base table rates	100%
CMI_2009 with a long term rate of improvement of 1.25% p.a.	Improvements to base table rates	CMI_2012 with a long term rate of improvement of 1.5% p.a.
24.0	Future lifetime from age 65 (aged 65 at accounting date)	24.4
25.7	Future lifetime from age 65 (aged 45 at accounting date)	26.5
<u>Females</u>		
Standard SAPS Normal Health Light Amounts (S1NFA_L)	Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NFA_L)
0	Rating to above base table * (years)	0
100%	Scaling to above base table rates	95%
CMI_2009 with a long term rate of improvement of 1.25% p.a.	Improvements to base table rates	CMI_2012 with a long term rate of improvement of 1.5% p.a.
25.0	Future lifetime from age 65 (aged 65 at accounting date)	26.2
26.9	Future lifetime from age 65 (aged 45 at accounting date)	28.5
* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.		

2012/13	2013/14
Commutation (Funded only)	
Each member assumed to exchange 25% of the maximum amount permitted of their pre 01 April 2010 pension entitlements, for additional lump sum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum
Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum	

Asset Allocation

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

31-Mar-13 Total	Asset Split	Quoted	31-Mar-14 Unquoted	Total
57.6% Equities		57.6%	3.2%	60.8%
7.8% Property		7.5%	0.0%	7.5%
24.9% Government Bonds		23.5%	0.1%	23.6%
1.3% Corporate Bonds		1.4%	0.2%	1.6%
2.3% Cash		3.8%	0.0%	3.8%
6.1% Other #		0.2%	2.5%	2.7%
100.0% Total		94.0%	6.0%	100.0%
# Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.				

Reconciliation to Balance Sheet

01-Apr-12 £m	31-Mar-13 £m		31-Mar-14 £m
<u>Reconciliation to Balance Sheet</u>			
<u>Funded</u>			
48.77	54.46	Fair value of assets	58.40
(86.11)	(96.07)	Present value of funded defined benefit obligation	(89.16)
(37.34)	(41.61)	Funded status	(30.76)
0.00	0.00	Impact of minimum funding requirement/asset ceiling	0.00
(37.34)	(41.61)	Pension liability recognised on the Balance Sheet	(30.76)
The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:			
Active members			29%
Deferred Pensioners			13%
Pensioners			58%
<u>Unfunded</u>			
(2.89)	(3.03)	Present value of defined benefit obligation	(2.85)
(2.89)	(3.03)	Pension liability recognised on the Balance Sheet	(2.85)
(40.23)	(44.64)	Total	(33.61)

Breakdown of amounts recognised in Surplus or Deficit on the Provision of Services and Other Comprehensive Income and Expenditure

2012/13 (restated) £m	2013/14 £m
<u>Funded Operating Cost</u>	
1.41 Current service cost #	1.58
0.04 Past service cost	0.03
<u>Financing Cost</u>	
1.71 Interest on net defined benefit liability	1.76
Pension expense recognised in Surplus or Deficit on the Provision of Services	3.37
<u>Remeasurements in Other Comprehensive Income and Expenditure</u>	
(4.97) Return on plan assets in excess of that recognised in net interest	(3.27)
7.59 Actuarial (gains)/losses due to change in financial assumptions	(7.82)
0.00 Actuarial (gains)/losses due to changes in demographic assumptions	(0.97)
(0.12) Actuarial (gains)/losses due to liability experience	(0.81)
Total amount recognised in Other	
2.50 Comprehensive Income and Expenditure	(12.87)
5.66 Total amount recognised	(9.50)
# The current service cost includes an allowance for administration expenses of £0.02m	
<u>Unfunded Operating Cost</u>	
0.00 Current service cost	0.00
0.00 Past service cost	0.00
<u>Financing Cost</u>	
0.13 Interest on net defined benefit liability	0.12
Pension expense recognised in Surplus or Deficit on the Provision of Services	0.12
<u>Remeasurements in Other Comprehensive Income and Expenditure</u>	
0.22 Actuarial (gains)/losses due to change in financial assumptions	(0.14)
0.00 Actuarial (gains)/losses due to changes in demographic assumptions	0.08
(0.01) Actuarial (gains)/losses due to liability experience	(0.04)
Total amount recognised in Other	
0.21 Comprehensive Income and Expenditure	(0.10)
0.34 Total amount recognised	0.02

Changes to the present value of defined benefit obligation during the accounting period

2012/13 (restated) £m	2013/14 £m
<u>Funded</u>	
86.11 Opening defined benefit obligation	96.07
1.41 Current service cost	1.58
3.97 Interest expense on defined benefit obligation	4.07
0.44 Contributions by participants	0.43
7.59 Actuarial (gains)/losses due to change in financial assumptions	(7.82)
0.00 Actuarial (gains)/losses due to changes in demographic assumptions	(0.97)
(0.12) Actuarial (gains)/losses due to liability experience	(0.81)
(3.37) Net benefits paid out #	(3.42)
0.04 Past service cost	0.03
96.07 Closing defined benefit obligation	89.16
<u>Unfunded</u>	
2.89 Opening defined benefit obligation	3.03
0.00 Current service cost	0.00
0.13 Interest expense on defined benefit obligation	0.12
0.22 Actuarial (gains)/losses due to change in financial assumptions	(0.14)
0.00 Actuarial (gains)/losses due to changes in demographic assumptions	0.08
(0.01) Actuarial (gains)/losses due to liability experience	(0.04)
(0.20) Net benefits paid out #	(0.20)
3.03 Closing defined benefit obligation	2.85
# Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums. Also includes an allowance for fund administration expenses of £0.02m	

Changes to the fair value of assets during the accounting period

2012/13 (restated) £m	2013/14 £m
<u>Funded</u>	
48.77 Opening fair value of assets	54.46
2.26 Interest income on assets	2.31
4.97 Remeasurement gains/(losses) on assets	3.27
1.39 Contributions by the employer	1.35
0.44 Contributions by participants	0.43
(3.37) Net benefits paid out #	(3.42)
54.46 Closing fair value of assets	58.40
# Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums. Also includes an allowance for fund administration expenses of £0.02m	
<u>Unfunded</u>	
0.20 Contributions by the employer	0.20
(0.20) Net benefits paid out	(0.20)
0.00 Closing fair value of assets	0.00

Actual return on assets

2012/13 (restated) £m	2013/14 £m
2.26 Interest income on assets	2.31
4.97 Remeasurement gain/(loss) on assets	3.27
7.23 Actual return on assets	5.58

Sensitivity Analysis

The results shown in this report are sensitive to the assumptions used.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised on page 77. For inflation, for example, it is assumed that this will not change the salary inflation figure and will affect pension increases only.

Sensitivity of unfunded benefits is not included on materiality grounds.

Funded LGPS Benefits		
Discount rate assumption		
Adjustment to discount rate	+0.1% pa	-0.1% pa
Present value of total obligation (£m's)	87.77	90.61
% change in present value of total obligation	-1.6%	1.6%
Rate of general increase in salaries		
Adjustment to salary increase rate	+0.1% pa	-0.1% pa
Present value of total obligation (£m's)	89.39	88.93
% change in present value of total obligation	0.3%	-0.3%
Rate of increase to pensions in payment and deferred pensions assumption		
Adjustment to pension increase rate	+0.1% pa	-0.1% pa
Present value of total obligation (£m's)	90.35	88.03
% change in present value of total obligation	1.3%	-1.3%
Post retirement mortality assumption		
Adjustment to mortality age rate assumption #	-1 year	+1 year
Present value of total obligation (£m's)	91.36	86.94
% change in present value of total obligation	2.5%	-2.5%
# A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them		

32. Contingent Liabilities

▪ Browndown Tip

The Council's officers are of the opinion that the Council could have substantial liabilities under the provisions of the Environmental Protection Act 1990 as a class B person namely the current owner / occupier of the land. The extent of the liability depends on the contamination, whether a class A person (one who caused or knowingly permitted the contamination) can be identified and the future use of the land. These matters continue to be investigated by the Environment Agency and a final report is still awaited at April 2014.

▪ Local Land Charges

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has estimated that the maximum value of claims could be £80,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

▪ Regional Growth Fund – Daedalus Business Park

The Council is the accountable body for administering the Regional Growth Fund (RGF) for the Daedalus Business Park. At 31 March 2014, £2.066 million was included in the balance sheet under Short Term Creditors in respect of RGF monies held but not yet distributed. It is possible

that there may be an interest cost if any grant monies received should not be distributed and instead become repayable with interest to the government.

33. Contingent Assets

- VAT

In conjunction with the Council's VAT advisors, the Council has protected its position regarding VAT collected for off street car parking charges by voluntarily declaring VAT income to HM Revenues and Customs (HMRC) from 2004/05 to 2013/14. The potential recovery of this sum is dependent on the outcome of an appeal against the decision of the VAT Tribunal which ruled in favour of the HMRC. It is widely felt by advisors that the final decision will also fall in favour of the HMRC. The total VAT claim is £1,013,000. No claim has been made for any interest

- Landing Stage

The new Gosport Ferry Terminal opened on 27 June 2011. Final works and contract sums remain to be completed at 31 March 2014 and discussions regarding final payments and retentions will be concluded at the end of the defects period.

- Priddys Hard Profit Share

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

34. Events after the Balance Sheet Date

The Draft Statement of Accounts was authorised for issue by the Borough Treasurer on 30 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2014 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

The Council has been operating a shared Environmental Health service in conjunction with Fareham Borough Council since January 2011. On 1 April 2014, the Gosport and Fareham Environmental Health teams were restructured into a single team employed by Fareham in order to deliver targeted efficiency savings of approximately £50,000 per annum for each authority.

35. Cash Flow Statement - notes

2012/13 (restated) £000	Adjustments to surplus or deficit on the provision of services for non-cash movements	2013/14 £000
4,536	Depreciation and Impairments	3,546
108	Impairment and Downward Valuations	244
82	Amortisation	90
3	Increase/(Decrease) in Interest Creditors	-
260	Increase/(Decrease) in Creditors	2,006
70	(Increase)/Decrease in Debtors	1,430
-	(Increase)/Decrease in Interest Debtors	(1)
(42)	Adjustment of Effective Interest Rates	(35)
1,700	Movement in Pension Liability	1,940
5,267	Carrying amount of non-current assets sold	1,573
2,829	Movement in Investment Property Values	576
60	Contributions to / (from) Provisions	1,296
14,873	Net cash flow	12,665

This Cash Flow Statement note for 2012/13 has been restated to reflect the adoption by the Code of the Pensions standard IAS19R for accounting periods starting on or after 1 January 2013. Further details are in Note 31. There is no effect on the Council's finances.

2012/13 £000	Net cash flow from Interest and Dividends	2013/14 £000
333	Interest Received	314
(2,294)	Interest Paid	(2,175)
(1,961)	Net cash outflow from Interest and Dividends	(1,861)

2012/13 £000's	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2013/14 £000
(1,076)	Capital Grants credited to surplus or deficit on the provision of services	(1,013)
(1,576)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,509)
(2,652)		(2,522)

2012/13 £000	Net Cash Flow from Investing Activities	2013/14 £000
(10,738)	Purchase of property, plant and equipment, investment property and intangible assets	(4,642)
(2,000)	Purchase of short-term investments	-
1,761	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,542
2,000	Proceeds from short-term and long-term investments	-
153	Other receipts from investing activities	84
638	Capital grants received	619
(8,186)	Net cash outflow from investing activities	(2,397)

2012/13 £000	Net Cash Flow from Financing Activities	2013/14 £000
18,000	Cash receipts of short and long-term borrowing	5,100
(1,219)	Council Tax and NNDR adjustments	2,944
(9,410)	Repayments of short and long-term borrowing	(12,215)
7,371	Net cash inflow from financing activities	(4,171)

36. Certification and authorisation of the Accounts

Statement of Accounts – unaudited draft authorised for issue

Signed

Date

J. BOWCHER

Borough Treasurer, Section 151 officer

Statement of Accounts – audited statement authorised for issue

Signed

Date

J. BOWCHER

Borough Treasurer, Section 151 officer

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

Signed

Date

COUNCILLOR M. HOOK

Leader of the Council

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

Signed

Date

J. BOWCHER

Borough Treasurer, Section 151 officer

37. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

IAS19 Change to Accounting Standard

A revised version of IAS19 came into effect for accounting periods starting on or after 1 January 2013. This is included in the Code for 2013/14.

The key changes are:

- The interest cost and expected return on asset items have been replaced by a single 'net interest' item calculated at the discount rate.
- Additional disclosure requirements, including
 - A requirement to provide a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date.
 - Disclosure of assets held split by those assets which have a quoted market value in an active market and those which are not quoted.

The Council's Accounting Policies at note 1d have been updated to reflect the change

There is no effect on the Council's balance sheet - only in the presentation within the Comprehensive Income and Expenditure Statement (CI&ES) and the Pensions note 31.

Correction of errors

1. Categorisation of Transportation Contributions

The Council holds Transport Contributions which have previously been contained within Short Term Creditors on the Balance Sheet but should correctly have been categorised under Receipts in Advance – Capital Grants as they are subject to conditions as to their use.

The opening and closing balances for 2012/13 (£215,000 and £271,000 respectively) have been moved from Short Term Creditors (note 18) to Receipts in Advance – Capital (note 27) on the Balance Sheet to provide the required comparatives for the correct treatment in the 2013/14 Balance Sheet. There is no effect on the Council's finances.

2. Classification of the Benefits Administration Grant and Non Distributed Costs

The CI&ES, the Taxation and Non Specific Grant Income note (9) and the Grants note (27) for 2012/13 have been restated to reflect the inclusion of the Benefits Admin Grant of £696,000 as a service specific rather than a general grant. The CI&ES has been amended to reflect the correct recording of Non Distributed Costs. There is no effect on the Council's finances

3. Current Cost and Historic Cost Depreciation Adjustment

The balance brought forward for 2012/13 for the 'Adjustment between current cost depreciation and historic cost depreciation' has been restated by £43,000 between the Revaluation Reserve (note 22) and the Capital Adjustment Account (also note 22) to correct the record of historic cost and current cost depreciation within the fixed asset account. There is no impact on the Council's finances or Balance Sheet.

Comprehensive Income and Expenditure Statement (£'000)		Net Exp	IAS19	Benefits	2012/13		
		2012/13	Pensions	Adm & NDC	Restated		
Central Services to the Public		1,551		(696)	855		
Cultural and Related Services		2,589			2,589		
Environment and Regulatory Services		3,430			3,430		
Planning Services		1,353			1,353		
Highways, Roads & Transport Services		(105)			(105)		
Housing Services		(885)	70	0	(815)		
Corporate & Democratic core		2,443		0	2,443		
Non Distributed Costs		(345)		0	(345)		
Cost Of Services		10,031	70	(696)	9,405		
Other Operating Expenditure		3,897			3,897		
Financing and Investment Income and Expenditure		5,539	750		6,289		
Taxation and Non-Specific Grant Income		(12,030)		696	(11,334)		
Deficit on Provision of Services		7,437	820	0	8,257		
Surplus on revaluation of Property, Plant and Equipment assets		(3,430)			(3,430)		
Other recognised losses		5			5		
Actuarial losses on pension assets / liabilities		3,530	(820)		2,710		
Other Comprehensive Expenditure		105	(820)	0	(715)		
Total Comprehensive Expenditure		7,542	0	0	7,542		
Movement in Reserves Statement (£'000)		Usable	IAS19		2012/13		
		Reserves	Pensions		Restated		
Balance at 31 March 2012		(2,982)			(2,982)		
Deficit on the provision of services		7,437	820	0	8,257		
Other Comp Income and Exp (restated)		0			0		
Total Comprehensive Income and Expenditure		7,437	820	0	8,257		
Adjs accg basis & funding basis under regulations (restated) (Note 9)		(8,830)	(820)		(9,650)		
Net (increase)/decrease before transfers to Earmarked Reserves		(1,393)	0	0	(1,393)		
Transfers to/(from) Earmarked Reserves (Note 21)		0			0		
Net (increase)/decrease in 2012/13		(1,393)	0	0	(1,393)		
Balance at 31 March 2013		(4,375)	0	0	(4,375)		
Balance Sheet (£'000)		01-Apr-12	Transport	01-Apr-12	31-Mar-13	Transport	31-Mar-13
			Contribution:	Restated		Contribution:	Restated
Property, Plant & Equipment	141,733			141,733	145,273		145,273
Heritage Assets	209			209	209		209
Investment Property	10,022			10,022	7,216		7,216
Intangible Assets	540			540	569		569
Long Term Debtors	5,601			5,601	5,567		5,567
Long Term Assets	158,105	0		158,105	158,834	0	158,834
Short Term Debtors	6,894			6,894	7,430		7,430
Cash and Cash Equivalents	506			506	3,655		3,655
Current Assets	7,400	0		7,400	11,085	0	11,085
Short Term Borrowing	(4,520)			(4,520)	(11,411)		(11,411)
Short Term Creditors	(3,734)	215		(3,519)	(3,107)	271	(2,836)
Short Term Liabilities	(41)			(41)	(42)		(42)
Provisions	0			0	(9)		(9)
Current Liabilities	(8,295)	215		(8,080)	(14,569)	271	(14,298)
Provisions	0			0	(51)		(51)
Long Term Borrowing	(70,521)			(70,521)	(72,228)		(72,228)
Other Long Term Liabilities	(42)			(42)	0		0
Receipts in Advance - Capital Grants	(1,994)	(215)		(2,209)	(1,556)	(271)	(1,827)
Net Pension Liability	(40,230)			(40,230)	(44,640)		(44,640)
Long Term Liabilities	(112,787)	(215)		(113,002)	(118,475)	(271)	(118,746)
Net Assets	44,423	0		44,423	36,875	0	36,875
Usable reserves	(2,982)			(2,982)	(4,375)		(4,375)
Unusable Reserves	(41,435)			(41,435)	(32,500)		(32,500)
Total Reserves	(44,417)	0		(44,417)	(36,875)	0	(36,875)

HRA INCOME AND EXPENDITURE STATEMENT

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

2012/13 (restated) £'000	HRA INCOME AND EXPENDITURE STATEMENT	2013/14 £'000	2013/14 £'000
	EXPENDITURE		
4,321	Repairs & Maintenance	4,232	
3,141	Supervision & Management	3,548	
151	Rents, Rates, Taxes & Other Charges	357	
3,594	Depreciation, Impairment and Revaluation Losses of Non Current Assets	2,564	
54	Debt Management Costs	58	
0	Movement in the Allowance for Bad or Doubtful Debts	53	
11,261	TOTAL EXPENDITURE		10,812
	INCOME		
(12,357)	Dwelling Rents	(13,381)	
(238)	Non Dwelling Rents	(243)	
(775)	Charges for Services and Facilities	(716)	
(13,370)	TOTAL INCOME		(14,340)
(2,109)	NET INCOME OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE STATEMENT		(3,528)
0	HRA Services' share of Corporate and Democratic Core		99
(2,109)	NET INCOME FOR HRA SERVICES		(3,429)
	HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE STATEMENT		
7	Loss on the disposal of HRA Non-Current Assets		13
199	Payments to the Governments Housing Capital Receipts Pool		230
1,882	Interest Payable and Similar Charges		1,876
(9)	Interest and Investment income		(11)
458	Pension interest on net defined benefit liability		615
(17)	Investment Properties changes in Fair Value		(4)
411	(SURPLUS) OR DEFICIT FOR THE YEAR ON HRA SERVICES		(710)

2012/13 (restated) £'000	MOVEMENT ON THE HRA STATEMENT	2013/14 £'000	2013/14 £'000
(603)	Balance on the HRA at the end of the previous year		(981)
411	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	(710)	
(940)	Adjustments between accounting basis and funding basis under statute	0	
(529)	Net increase before transfers to reserves		(710)
151	Transfers to Reserves		699
(378)	Increase in year on HRA		(11)
(981)	Balance on the HRA at the end of the current year		(992)

The HRA Income and Expenditure Statement for 2012/13 has been restated to reflect the adoption by the Code of the Pensions standard IAS19R for accounting periods starting on or after 1 January 2013. Further details are in Note 31. There is no effect on the HRA's finances.

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.

The amounts included in the HRA differ from those included in respect of HRA services in the Income and Expenditure Account for the authority as a whole, which includes income and expenditure in accordance with the Code rather than in accordance with statutory and non-statutory proper practices.

The HRA statement has two parts in order to reconcile these two approaches

- HRA Income and Expenditure Statement – which shows in more detail the income and expenditure on HRA services included in the whole authority Surplus or Deficit on the Provision of Services (comprising as well as the amounts included in the whole authority Net Cost of Services for the HRA, the HRA's share of amounts included in the whole authority Net Service Cost but not allocated to individual services and the HRA's share of operating expenditure and income such as the pension interest on net defined benefit liability).
- Movement on the Housing Revenue Account Statement – which shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year

Following HRA reform, the depreciation charged to the HRA in 2013/14 has been based on the Major Repairs Allowance (MRA) used in the Government self-financing buyout determination. This is permissible during a transitional period while local authorities develop asset systems that will allow

componentised depreciation to become a real charge to the Housing Revenue Account

2. Adjustments between Accounting and Funding bases under regulations

ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS	
2012/13	2013/14
(restated)	
£'000	£'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
(1,232)	Impairment and Revaluation Losses of Plant, Property & Equipment (PPE) (164)
(7)	(Loss) on the disposal of HRA Non-Current Assets (13)
17	Investment Properties changes in Fair Value 4
(199)	Contributions from the Capital Receipts Reserve to finance payments to the Governments Housing Capital Receipts Pool (230)
949	Capital Expenditure funded by the HRA 1,156
(3)	Net charges to Accumulated Absences Account 4
(694)	Net charges made for retirement benefits in accordance with IAS19 (1,086)
2,362	Depreciation transfer to Major Repairs Reserve 2,400
(2,362)	Depreciation transfer from Capital Adjustment Account (2,400)
(1,169)	(329)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
229	Employers contributions payable to the Local Government Pension Scheme and retirement benefits payable directly to pensioners 329
229	329
(940)	0
Net additional amount required by statute to be credited to the HRA Balance for the year	

3. Charges for Services and Facilities

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

4. Housing Stock

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

01-Apr-12	31-Mar-13		31-Mar-14
<u>Numbers</u>			
1,314	1,307	Houses	1,290
441	441	Bungalows	441
1,431	1,445	Flats	1,445
3,186	3,193		3,176
<u>Analysis of bedroom type</u>			
1,557	1,572	1 bedroom	1,560
540	535	2 bedroom	546
1,004	1,001	3 bedroom	985
85	85	4 or more bedrooms	85
3,186	3,193		3,176
<u>Analysis of stock by age</u>			
256	268	Pre 1945	264
1,310	1,315	1945 - 1964	1,306
659	634	1965 - 1974	631
961	976	1974 onwards	975
3,186	3,193		3,176

5. Value of Housing Revenue Account Property

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

01-Apr-12		31-Mar-13		31-Mar-14	
Number	Value £'000	Number	Value £'000	Number	Value £'000
<u>Operational Assets</u>					
2,970	102,072	2,966	105,816	2,956	106,819
221	3,542	220	3,650	237	3,853
748	925	706	995	513	765
1	33	1	33	1	33
3,940	106,572	3,893	110,494	3,707	111,470
<u>Non Operational Assets</u>					
1	12	1	29	1	34
	106,584		110,523		111,504

The HRA asset base is valued annually – the 2013/14 stock valuation has been carried out by Savills (UK) Ltd on behalf of the Council and has been guided by the 'Stock Valuation for Resource Accounting: Guidance for Valuers – 2010' published by the Department for Communities and Local

Government (DCLG) in January 2011 which requires the review of the housing stock to be undertaken at the commencement of the financial year 2013/14 on 1 April 2013.

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

01-Apr-12	31-Mar-13		31-Mar-14
£'000	£'000		£'000
330,044	342,079	Dwellings	345,852
925	995	Other Land & Buildings	765
330,969	343,074		346,617

6. 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.

2012/13	2013/14
£'000	£'000
0 Balance at 1 April	0
2,362 HRA Depreciation	2,400
(2,362) HRA Capital Financed	(2,400)
0 Balance at 31 March	0

7. Housing Repairs

2012/13	2013/14
£'000	£'000
7,834 Expenditure on Repairs	7,788
5,538 Of which planned	5,324
70.7% % of Planned / Response	68.4%

£ 3.556 million of the 2013/14 expenditure (£3.513 million in 2012/13) on repairs was capital expenditure. The main categories of expenditure were a hostel conversion, sheltered scheme improvements and kitchen, bathroom and central heating installation.

8. Capital Expenditure

2012/13 £'000	2013/14 £'000
2,416 HRA Properties - capital repairs & maintenance	2,688
50 LA Tenants Disabled Persons Grants	50
1,047 Barclay Hostel	818
3,513	3,556

9. Capital Financing

2012/13 £'000	2013/14 £'000
2,362 Major Repairs Reserve	2,400
202 Borrowing	0
949 Revenue	1,156
3,513	3,556

10. Capital Receipts

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

2012/13 £'000	2013/14 £'000
582 Right to Buy sales	1,418
582	1,418

11. Depreciation and Impairments

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

2012/13 £'000	2013/14 £'000
2,362 Depreciation	2,400
2,362	2,400

The revaluation loss charged to the HRA in respect of reductions in the value the Council's housing stock which cannot be offset against a Revaluation Reserve balance was £164,000 (£1.232 million in 2012/13)

2012/13 £'000	2013/14 £'000
1,232 Revaluation Loss and Impairments	164
1,232	164

12. Rent Arrears

2012/13 £'000	2013/14 £'000
161 Current Tenants	174
42 Former Tenants	49
1 Garages	1
204 Total Rent Arrears	224
(12,605) Gross Rent Income	(13,625)
1.6% Arrears as a % of Gross Rent Income	1.6%

The provision for HRA bad debts at 31 March 2014 is £ 178,000 (£125,000 at 31 March 2013)

13. Rent Income from Dwellings

2012/13 £'000	2013/14 £'000
(12,627) Full rental income from dwellings	(13,823)
238 Less rent due on void properties	413
32 Write offs	29
(12,357) Total Rents	(13,381)

14. Service Charge Breakdown

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

2012/13 £'000	2013/14 £'000
(143) Service Charges	Leaseholders (106)
(128) Housing Care	Care element of sheltered rent (128)
(43) Insurance	Leaseholders insurance repayments (46)
(69) Water / Alarms	Sheltered accommodation recharge (22)
(6) Court Costs	From tenants (7)
(87) Service Charges	Tenants (117)
(43) Management	Non care element sheltered rent (43)
(256) Other	(247)
(775)	(716)

15. 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 (Note 2 to the HRA) with no net residual cost to the HRA.

2012/13 (restated) £'000	2013/14 £'000
Net Cost of Services	
7 Current service costs and past service costs	142
Surplus or (Deficit) for the year on HRA Services	
458 Pension interest on net defined benefit liability	615
Statement of Movement on the HRA Balance	
(694) Reversal of net charges made for retirement benefits in accordance with IAS19	(1,086)
Actual amount charged against Rents	
229 Employers' contributions payable to scheme	329

The amounts for 2012/13 have been restated to reflect the adoption by the Code of the Pensions standard IAS19R for accounting periods starting on or after 1 January 2013. Further details are in Note 31. There is no effect on the HRA's finances

COLLECTION FUND

2012/13 £'000	COLLECTION FUND	£'000 Business Rates	2013/14 £'000 Council Tax	£'000 Total
INCOME				
(34,637)	Council Tax	-	(36,746)	(36,746)
	Transfers from General Fund			
(5,642)	Council Tax Benefits (see footnote)	-	73	73
(14,502)	Income collectable from Business Ratepayers	(14,874)	-	(14,874)
	- Contributions towards previous year's Collection Fund Deficit	-	(34)	(34)
(54,781)		(14,874)	(36,707)	(51,581)
EXPENDITURE				
216	Contribution towards previous year's estimated Collection Fund surplus	-	-	-
Precepts, Shares and Demands				
14,420	Central Government	5,516	-	5,516
5,624	Gosport Borough Council	4,412	4,975	9,387
28,781	Hampshire County Council	993	25,462	26,455
4,056	Hampshire Police and Crime Commissioners	-	3,710	3,710
1,702	Hampshire Fire and Rescue Authority	110	1,506	1,616
54,583		11,031	35,653	46,684
Charges to the Collection Fund				
78	Write off of uncollectable amounts	122	68	190
93	Increase / (Decrease) in Bad Debt Provisions	48	374	422
	- Increase / (Decrease) in Provision for appeals	3,263	-	3,263
82	Cost of collection	82	-	82
	- Transitional protection payments	12	-	12
253		3,527	442	3,969
55,052	TOTAL EXPENDITURE	14,558	36,095	50,653
271	Surplus / (Deficit) arising during the year	(316)	(612)	(928)
COLLECTION FUND (SURPLUS) OR DEFICIT				
(58)	Deficit / (Surplus) at 1 April	-	213	213
271	(Surplus) / Deficit for the year	(316)	(612)	(928)
213	(Surplus) / Deficit at 31 March	(316)	(399)	(715)

From 2013/14, Council Tax Benefits are no longer credited to the Collection Fund from the Council's General Fund with the cost then being reclaimed through government subsidy. Instead, the Council Tax Base is reduced to reflect that certain tax-payers' will have a reduced liability to pay Council Tax (note 2 refers).

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 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	11.5	5/9	6.4
A	4,595.8	6/9	3,063.9
B	10,888.3	7/9	8,468.7
C	7,670.5	8/9	6,818.2
D	4,591.1	9/9	4,591.1
E	1,712.8	11/9	2,093.4
F	1,227.3	13/9	1,772.8
G	290.0	15/9	483.3
H	4.3	18/9	8.6
			<hr/> 27,306.4
Plus MOD contributions in lieu			816.7
Less adjustments for Council Tax Support			(3,486.9)
Less allowance for losses on collection			(337.8)
Add second homes adjustment			234.0
Tax Base for 2013/14			<hr/> 24,532.4
Tax base for 2012/13			27,731.0

The Band D Council Tax for a Gosport property in 2013/14 was £202.81 (£202.81 in 2012/13)

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 2013/14 surplus/deficit (shared with preceptors 2013/14) £'000	Actual 31- Mar -13 £'000		Estimated 2013/14 surplus/deficit (shared with preceptors 2014/15) £'000	Actual 31- Mar -14 £'000
24	152	Hampshire County Council	(154)	(284)
2	22	Hampshire Fire & Rescue Authority	(9)	(17)
3	9	Hampshire Police and Crime Commissioners	(22)	(42)
5	30	Gosport Borough Council	(30)	(56)
34	213		(215)	(399)

The difference between the estimated surplus for 2013/14 and the actual will be shared with preceptors in 2015/16.

3. Non-Domestic Rates (NDR)

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

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

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

The NDR multiplier for the year was 47.1 pence (45.8p in 2012/13). The total non-domestic rateable value at the year-end was £40,347,250. (£39,434,780 in 2012/13).

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

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

Distribution of the Non Domestic Rates surplus or deficit

Estimates for business rates to be collected in the following financial year are required to be made in the January before the year starts. As with Council Tax, there will be differences between the estimated and actual business rates collected leading to a Non-Domestic Rates surplus or

deficit position within the Collection Fund at the year end. The year-end surplus or deficit on the Collection Fund is distributed between billing authority, precepting authorities and central government on the basis of estimates of the year-end balance made by the preceding 31 January.

This is then apportioned to the relevant precepting authorities, including the government, in the proportions set out above and on the basis of an estimate of the year-end balance made by the preceding 31 January.

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 the Gosport Borough Council are included in the Council's balance sheet.

31-Mar-13 £'000 Council Tax #	31-Mar-14		
	£'000 Business Rates	£'000 Council Tax	£'000 Total
<u>Debtors</u>			
- Hampshire County Council		1,163	1,163
- Hampshire Fire & Rescue Authority		69	69
- Hampshire Police and Crime Commissioners		173	173
- Gosport Borough Council		227	227
<u>Creditors</u>			
1,488 Hampshire County Council	(319)		(319)
88 Hampshire Fire & Rescue Authority	(35)		(35)
217 Hampshire Police and Crime Commissioners	-		-
262 Gosport Borough Council	(115)		(115)
645 Central Government	(1,775)		(1,775)
<u>Provisions</u>			
- Gosport Borough Council	(1,305)		(1,305)
2,700	(3,549)	1,632	(1,917)

GOSPORT BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2013/14

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 Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011.

The purpose of the governance framework

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

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

The governance framework has been in place at Gosport Borough Council for the date of approval of the 2013/14 Statement of Accounts.

The governance framework

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

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

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

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

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

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

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

The Council's mission is:

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

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



The Council continues to have a well-developed Performance Management Framework (performance information & actions) which has continued to be enhanced within Covalent (software) with the additional risk module maturing through the year which assesses both operational and strategic risks within this package.

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

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

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

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

The Council reviewed its Financial Procedure Rules and Contract Procedure Rules in 2011/12 and these are, incorporated in the Council's Constitution.

Risk Management is monitored by the Corporate Risk Management Group, which meets approximately four times a year. The Group reviews risk arrangements and advises Management Team on risk issues within the Council and on existing and planned risk controls. In addition, the Council (including Housing as a stand-alone review) (this was a county wide review) was examined against their insurers (Zurich) risk management standards with the overall conclusion of good/adequate. There were areas of significant improvement from the previous review.

Operational and strategic Risks are reported by use of risk registers. Each section is required to update its own register. These registers are now held and managed on the Covalent system as previously mentioned.

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

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

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

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

Council
Policy and Organisation Board
Community Board
Economic Development Board
Regulatory Board
Licensing Board

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

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

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A code of practice governs the relationship between officers and members of the Council. In certain circumstances, senior and other officers of the Council can make decisions under delegated authority, as detailed in the Borough's Constitution.

The Council Management Team (CMT) meet weekly to develop policy and strategic issues commensurate with the Council's aims, objectives and priorities. CMT also considers other internal control issues, including risk management, performance management, compliances, efficiency and financial management. Four CMT sub-groups, Corporate Risk, Organisation, C3 (communications) and the Equalities & Diversity Group are in place to consider specific areas of work. The Leader and Deputy Leader of the Council hold weekly meetings with the Chief Executive Officer to review progress in achieving the Council's objectives, priorities for action, performance management and forward planning for major issues.

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

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

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

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

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

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

The financial management of the Authority is conducted in accordance with the financial rules set out in the Constitution and underpinned with Financial Procedure Rules. The Council has designated the Borough Treasurer as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010) requires the Chief Finance Officer to report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Council does comply with this requirement in that the Borough Treasurer is part of the Council's Senior Management Team.

The Council operates an Internal Audit section, which operates to the standards set out in the 'Public Sector Internal Audit Standards 2013'. This section continues to operate successfully under a partnership arrangement with Eastleigh Borough Council and broadened the arrangement with the introduction of Test Valley Borough Council from the 1st October 2013 (initially a one year trial). It reports to the Standards and Governance Committee and is managed by the Borough Treasurer within the Financial Services Business Unit.

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

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

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

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

The Standards and Governance Committee promotes monitors and enforces probity and high ethical standards amongst the Members, as well as providing a vessel for audit, risk and compliance issues to be considered. Training for the Committee Members is planned for 2014/15.

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

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

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

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

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

Local government is accountable and transparent in a number of ways. Elected local authority members are democratically accountable to their local area and this gives them a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

Review of effectiveness

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

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

1. The Borough Solicitor & Deputy Chief Executive (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. The Council has an Overview and Scrutiny Committee. They can establish sub-groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Board/Council.
3. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager. The report includes recommendations for improvements that are included within an action plan (and are graded as critical, essential, important & advisory) and requires agreement or rejection by service managers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.
4. An Internal Audit Annual Report is taken to the Standards & Governance Committee (as per the Public Sector Internal Audit Standards 2013) and this provides the overall opinion on the Council's internal control environment.

The Standards & Governance Committee also received Internal Audit monitoring reports throughout 2013/14.

Internal Audit reviews and computer-based assignments had been undertaken in accordance with the risk index previously agreed with Members and the Council's external auditors.

Significant governance issues

The following governance issues were identified during 2013/14 as a result of the review of arrangements and by the work of external and internal audit.

NO	ISSUE	ACTION/PROGRESS TO DATE
1	A reducing workforce.	Management to be aware of the loss of knowledge and expertise and short term pressure on the internal control environment.
2	To continue to identify efficiencies within the Council's operations to ensure continued value for money	Working with management to review those areas with opportunities to re-engineer and effectively deliver with reduced resources.
3	Major contracts with three new suppliers (Environmental & Housing).	Management and internal audit to continue its overview within the year to ensure strong governance arrangements are in effectively operating with each of the contractors.
4	Ensure compliance with all new and updated legislation and guidance from Central Government.	To monitor closely all the amendments to both legislation and guidance in all areas and ensure compliance.

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

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 ie premises, property, vehicles, equipment, cash or a debt
Authorised Limit	This represents the legislative limit on the Council's external debt under the Local Government Act 2003
Balance Sheet	A statement of the recorded assets, liabilities and other balances at the end of an accounting period
Billing Authority	A local authority empowered to collect Council Tax and Business Rates, and manage the collection fund, on behalf of itself, local authorities in its area and the government
Budget	A financial statement that expresses the Council's service delivery plans and capital programme in monetary terms
Capital Adjustment Account	The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or, expenditure which adds to and not merely maintains the value of an existing non-current asset. The asset may not be owned by the authority. Expenditure that does not fall within this definition must be charged to a revenue account.
Capital Financing Charges	The annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals
Capital Receipts	Income from the sale of fixed assets. Capital receipts cannot be used to fund revenue services.
Collection Fund	The separate fund, administered by billing authorities, recording the expenditure and income relating to Council Tax and Non Domestic Rates
Community Assets	Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their

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

	rules on accounting, audit, administrative and budgeting procedures
General Fund	The main revenue fund of the Council, it includes income and expenditure on the Council's day to day activities – excluding those of the Housing Revenue Account
Group Accounts	Group Accounts consolidate the financial results of the Council, any of its subsidiaries and/or associates. The Council is not required to produce these for the 2013/14 Statement of Accounts, due to materiality.
Heritage Assets	Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture
Housing Benefit	This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowances.
Housing Revenue Account (HRA)	Local Authorities are required to maintain a separate account - the HRA which sets out the income from and expenditure on the provision of council housing.
Impairment	A reduction in the value of a non-current asset below its carrying amount in the balance sheet. At the end of each reporting period, an assessment of assets must take place to identify any potential impairments
Infrastructure Assets	Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. ie footpaths, bridges, coast protection works
International Financial Reporting Standards (IFRS)	Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.
Income	Amounts due to the Authority for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received since income is deemed to have been earned once the goods or services have been supplied even if cash has not been received
Intangible Assets	Assets that do not have a physical form ie software and licences
Investment Properties	Properties that are held solely for appreciation or income generation
Leases - General	Where a rental is paid for the use of an asset for a specified period of time. There are two forms of lease – finance and operating. The lessor leases the asset to the lessee. The Council is both lessee and lessor
Leases - Finance Lease	A lease or lease type arrangement whereby the risks and rewards of ownership are considered to be borne by the lessee and therefore the asset concerned is included on the lessee's balance sheet
Lease - Operating Lease	Any lease or lease type arrangement which is not a finance lease. The assets concerned remain on the lessors balance sheet and the payments or income are dealt with as revenue income or expenditure
Liabilities	Amounts due to individuals or organisations payable at some time in the future. Current liabilities are usually payable within one year of the balance sheet date
Major Repairs Allowance (MRA)	The MRA was a government grant for capital expenditure to maintain the housing stock to a good standard. Now being phased out during a transitional period of conversion to fully componentised depreciation accounting
Major Repairs Reserve (MRR)	This reserve is restricted to being applied towards new capital expenditure, the repayment of HRA debt and meeting liabilities under credit arrangements
Minimum Revenue Provision	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

(MRP)	
National Non Domestic Rates (NNDR) (also known as Business Rates)	Effective from 1 April 2013, the Business Rates Retention enables a proportion of the Business Rates collected to be retained locally by billing and precepting authorities with the balance being paid over to central government. There is therefore the potential reward of additional income or indeed reduced income, subject to the safety net. The scheme is subject to centrally set targets and thresholds as well as a complex system of tariffs, top-ups, safety nets and levies.
Net Book Value (NBV)	The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation
Operational Boundary	This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.
Pension - Current Service Cost	The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period. ie the pension benefits "earned" by employees in the current year's employment net of contributions paid
Pension - Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
Pension - Interest on the Net Defined Benefit Liability (Asset),	The change during the period in the net defined benefit liability (asset) that arises from the passage of time - calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Pension - Actuarial gains and losses	Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions
Pension - Past Service Cost	Discretionary benefits awarded on early retirement are treated as past service costs
Pension – Strain on Pension Fund Contribution	Pension strain is a concept for the management of the pension fund finances arising from an employee retiring early, without actuarial reduction of pension. This causes lost contribution income and creates an interest cost arising from the associated earlier, increased cash flow
Pension - Curtailment	Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year
Precepts	The method by which a non-charging authority obtains the income it requires by making a levy on the appropriate charging or billing authorities. Billing authorities, such as Gosport, will themselves precept on the Collection Fund to obtain their own income.
Prior Period Adjustments	These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors
Provision	An amount held in a reserve for a liability of uncertain timing or amount
Public Works Loan Board (PWLB)	An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities
Related Parties	Related parties are Central Government, other Local Authorities, precepting and levying bodies, any subsidiary and associated companies, elected members, all senior officers and the Pension Fund. For individuals, related parties includes members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.
Revaluation Reserve	The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to

	the extent that these gains have not been consumed by subsequent downward movements in value).
Revenue Contribution	The method of financing capital expenditure directly from revenue
Revenue Expenditure	Expenditure incurred on the day to day running of the Council. This includes employee costs, general running expenses and capital financing costs
Revenue Support Grant	A central government grant paid each year as a general contribution towards the cost of the Council's services
Service Reporting Code of Practice (SeRCOP)	Prepared and published by CIPFA , the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.
The Code	The CIPFA Code of Practice 2013/14 (the Code) which is based on and compliant with International Financial Reporting Standards (IFRS) and which governs the preparation of the Council's financial statements
Treasury Management	This is the process by which the Council controls its cash flow and its borrowing and lending activities
Treasury Management Strategy (TMS)	A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council
Usable Reserves	Reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations (for example the Capital Receipts Reserve can only be used fund capital expenditure)
Unsupported (Prudential) Borrowing	This is borrowing for which no financial support is provided by Central Government. The borrowing costs are met from current revenue budgets
Unusable Reserves	Reserves that are not used to provide services - but that represent <ul style="list-style-type: none"> ▪ unrealised gains and losses (ie 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' (ie depreciation)

AGENDA ITEM NO. 12

Board/Committee:	Policy and Organisation Board
Date of Meeting:	Monday 29 th September 2014
Title:	Staffing Review
Author:	Housing Services Manager
Status:	FOR DECISION

Purpose

This report presents a number of staffing issues for decision including details of a revised structure which has been designed to enable the Property Services Section to meet future challenges and offer an improved service.

Recommendation

That the Policy and Organisation Board approve:

- a) The creation of a new post of Principal Development Surveyor
- b) Bringing into the GBC establishment the two Building Surveyor posts (one currently vacant) that are currently seconded from Kier Services
- c) Create a permanent post of Asset Management Officer within Asset Management – Housing to replace the temporary post of Asset Management Surveyor, which is currently vacant and due to expire on 10th March 2015.
- d) Create a new post of Maintenance Surveyor within Property Services' Corporate Asset Management team.

1 Background

- 1.1 A report was taken to the Policy & Organisation Board on 26th October 2012, following reviews of both the Council's Corporate Property function and the Housing Services Technical Services/Asset Management teams making a number of recommendations including the creation of a Head of Property Services and thereby a new division within Housing Services.
- 1.2 The main theme of the report was to highlight staffing shortfalls within the Technical Services and Asset Management functions within Housing Services. These shortfalls occurred as the annual spend and need to invest in the stock increased significantly following Housing Subsidy Reform which resulted in an 'HRA Settlement' and thereby a fundamental change in the funding regime. At that time it was predicted that spending on reactive, cyclical and planned maintenance would increase from circa £3.9m per annum to circa £6m by 2014/15. This has

proven to be a slight under estimate as the actual budget for 2014/15 is closer to £6.8m.

To address the staffing shortfall the report included proposals to engage two Building Surveyors through the partnering arrangement with Kier Services, whereby they would be employed by Kier then seconded to GBC, and managed by the Principal Surveyor (Technical Services).

- 1.3 Approval was given for an Asset Management Surveyor to be engaged on a two year fixed term contract to carry out stock condition surveys and data validation.
- 1.4 The report also highlighted that the Corporate Property function could be divided into two distinct areas of the service; Facilities Management and Corporate Asset Management. The team moved to the Housing Services Unit on 1st April 2013. Appendix A - shows the current Property Services Structure and Appendix B the proposed structure.

2 Report

- 2.1 Currently there are a number of ambitious projects which have been proposed including the Grange Farm Gateway at the Alver Valley, building new Council owned homes and the development of a new extra care scheme. This report recommends the creation of a Principal Development Surveyor role to take forward the Authority's development aspirations in relation to new social housing and corporate projects. The salary for this post has yet to be determined however it is anticipated that the level of duties and responsibilities and the senior nature of the role will justify Grade 10/11. This role will be supported by two existing posts, one currently within the Asset Management - Housing team and the other from within the current Corporate Asset Management team, forming a small team (shaded purple on Appendix B – Proposed Property Services structure) that will also continue to deal with all the land /leasing and licensing matters again both in terms of the Housing and Corporate portfolios.
- 2.2 Approval is sought to bring into the GBC establishment the two Building Surveyor posts (one currently vacant) that have, since their creation following the report to P&O Board in September 2012, been indirectly funded through an arrangement with our Partner Contractor Kier Services (see 1.3 above). That arrangement has proved difficult to manage and it is recommended that improvements to customer service can be achieved by bringing these posts 'in house'. It is envisaged that this will be cost neutral and will enable the development of a patch based service in line with the housing officer patches.

Further information showing the anticipated role of the surveyors is provided at Appendix C.

- 2.3 The Asset Management Surveyor (two year fixed term contract) engaged to carry out Stock Condition Surveys and Data Validation (referred to in 1.4 above) started in March 2013 and left the organisation some six months prior to the end of that contract.
- 2.4 This post enabled the 20% stock condition data which has previously been collected by Savills to be increased to 40%. There remains approximately 60% of the Council's stock to be surveyed to obtain accurate stock condition information to enable long term programme planning and the most effective use of resources. There is a requirement to survey 20% of the stock year on year on an ongoing basis. Additionally there is a significant amount of work required to transfer the Stock Condition information collected to date into the new Asset Management module of the Council's Housing Management IT System.
- 2.5 This post has now been reviewed and it is recommended that the post be included within the establishment. It is however necessary to refocus the responsibilities of the role to put greater emphasis on the input and management of stock data to ensure development of future improvement programmes through the Asset Management module which is specifically designed for the purpose. The responsibility for collecting stock condition data would also remain with this post. It is proposed to retitle from asset management surveyor to asset management officer to better reflect the changes in duties.
- 2.6 Since the Corporate Property team has been integrated within the Housing Services Unit, additional responsibilities have been undertaken by the Principal Building Surveyor. Following the recent insurance risk audits which have been introduced annually by our insurers, the Council is required to undertake compliance and stock condition surveys.

- 2.7 For a number of years the Council has relied upon the services on an external Surveyors company to project manage/facilitate a proportion of the building projects/general maintenance of Council property. A review of the Facilities Management service has concluded that it is more cost effective to redirect the resources identified for outsourcing this work to the appointment of an additional surveyor post within the team to carry out this project management work. In addition the post would have the capacity to undertake general surveying, compliance, stock appraisal and fire risk assessments. This would also offer greater resilience for the team to cover for staff absence.
- This proposal would be cost neutral.

- 2.8 The estimated total additional cost if recommendations a) to d) are approved is shown below:-

<u>Recommend</u>	<u>Post</u>	<u>Costs</u>
a	Principal Development Surveyor	£45567 + on-costs
b	In house Building Surveyors	£0
c	Asset Management Officer	£24892+ on-costs
d	Maintenance Surveyor	£0

3 Risk Assessment

- 3.1 The proposals recommended within this report are primarily associated with the management of risk. This includes the risk of non-delivery on high profile improvement projects, and also the identification and mitigation of risks on an operational basis.

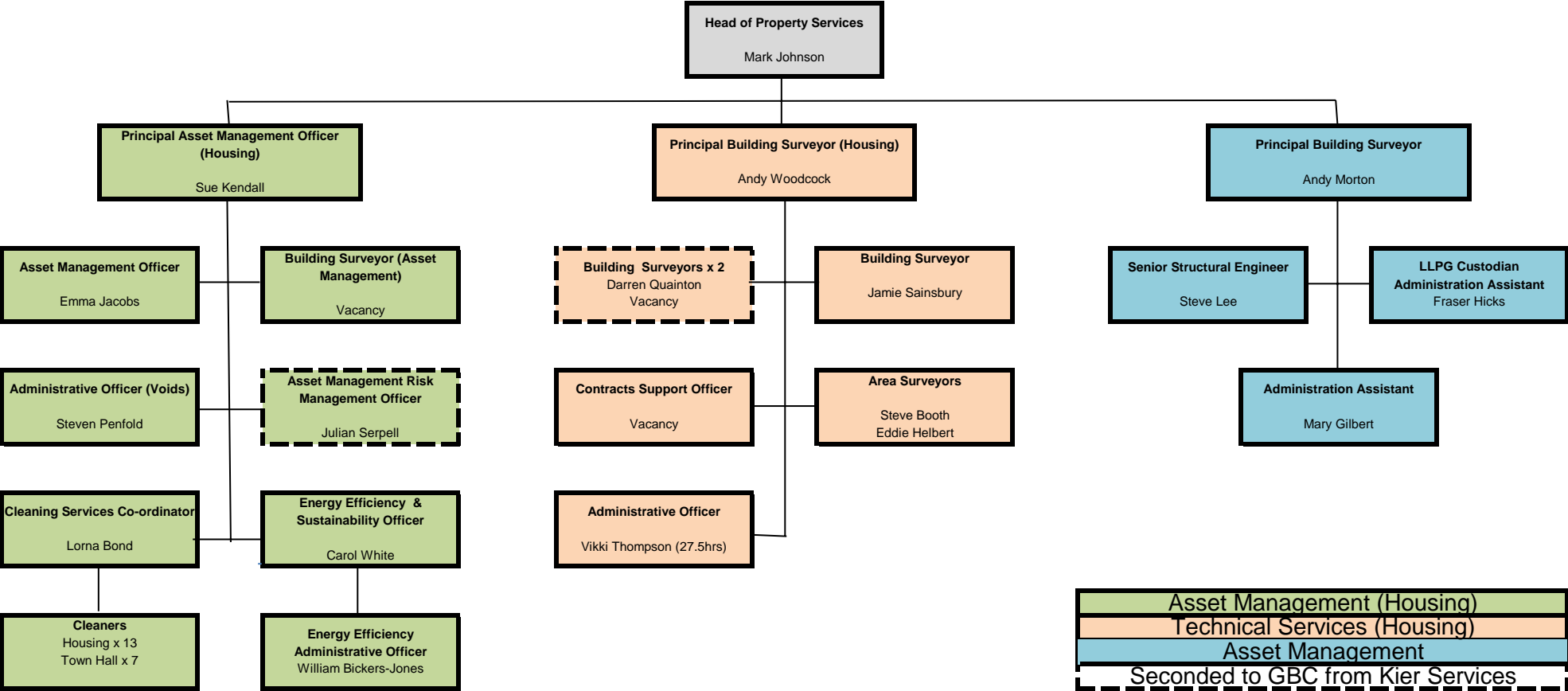
4 Conclusion

- 4.1 A review has been undertaken regarding the staffing requirements within the Property Services team and recommendations for additional posts have been identified as a result.

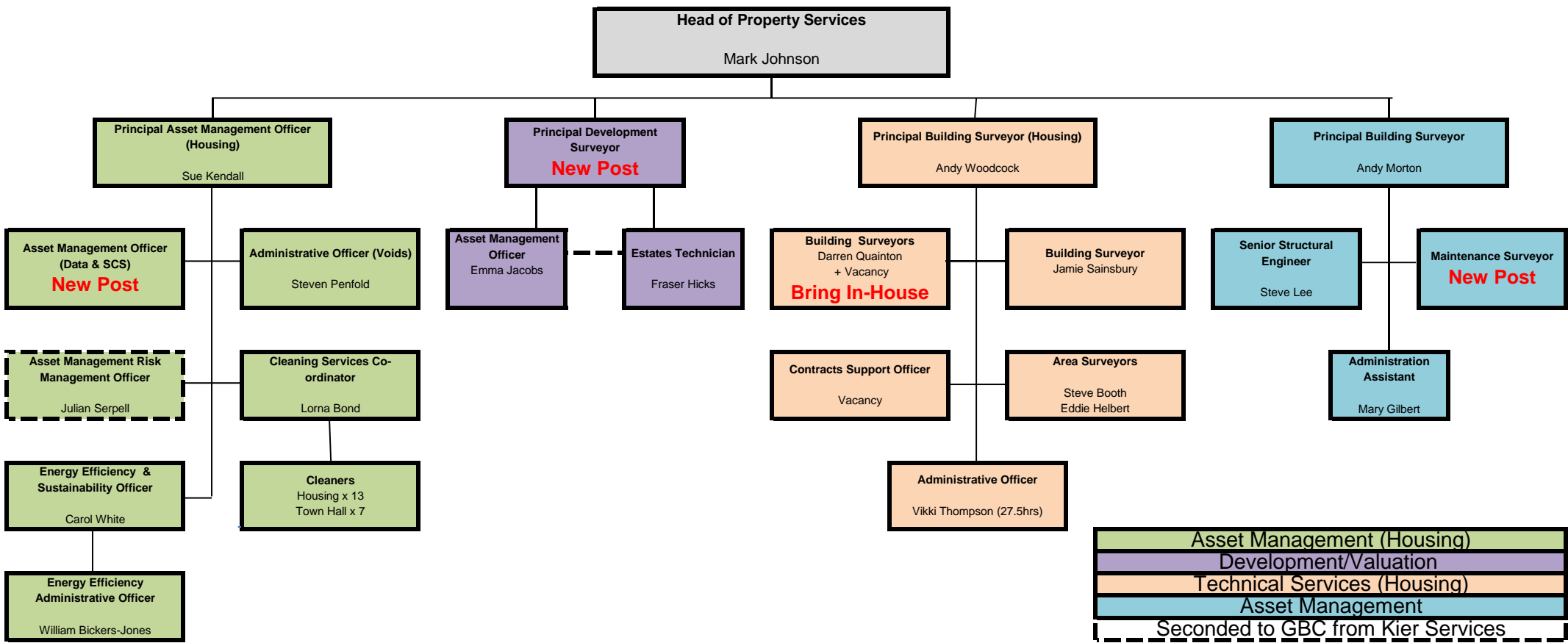
Financial Services comments:	The estimated additional costs related to the proposed changes to the establishment are detailed in paragraph 2.8 and if approved will be included in the budget.
Legal Services comments:	None
Crime and Disorder:	None
Equality and Diversity:	None
Service Improvement Plan implications:	Proposals contribute to Service Improvement Plan implications

Corporate Plan:	Posts contribute to Corporate Plan priorities
Risk Assessment:	See 3.1
Background papers:	Report to Policy and Resources Board 'Housing Staffing Review' 26/08/14
Enclosures:	
Appendix A	Current Property Services Structure
Appendix B	Proposed Property Services Structure
Appendix C	Details of the Surveyor Roles
Report author/ Lead Officer:	Corinne Waterfield – Housing Services Manager

Appendix A - Current Structure August 2014



Appendix B - Proposed Structure



Surveyor 1	Surveyor 2	Surveyor 3	Surveyor 4	Surveyor 5
<i>Day to Day Repairs Issues (inc Pre & Post Inspections)</i> <i>Leave/Sickness Cover –urgent works-</i> <i>Voids (Post Inspections)</i> Area 1	<i>Day to Day Repairs Issues (inc Pre & Post Inspections)</i> <i>Leave/Sickness Cover –urgent works-</i> <i>Voids (Post Inspections)</i> Area 2	<i>Day to Day Repairs Issues (inc Pre & Post Inspections)</i> <i>Leave/Sickness Cover –urgent works-</i> <i>Voids (Post Inspections)</i> Area 3	<i>Day to Day Repairs Issues (inc Pre & Post Inspections)</i> <i>Leave/Sickness Cover –urgent works-</i> <i>Voids (Post Inspections)</i> Area 4	<i>Day to Day Repairs Issues (inc Pre & Post Inspections)</i> <i>Leave/Sickness Cover –urgent works-</i> <i>Voids (Post Inspections)</i> Area 5
<i>Housing Officer TBA</i>	<i>Housing Officer TBA</i>	<i>Housing Officer TBA</i>	<i>Housing Officer TBA</i>	<i>Housing Officer TBA</i>
<u>Portfolio</u> - Heating (Installs & Gas Servicing) -Electrics (Upgrade programmes) Whole Borough	<u>Portfolio</u> -Kitchens -Bathrooms -Aids & Adaptations Whole Borough	<u>Portfolio</u> -Ext Works -Roofs/fascias/rwg -Ext Wall Finishes -Windows/Doors Whole Borough	<u>Portfolio</u> -External Painting -Non Kier Works -Insurance Whole Borough	<u>Portfolio</u> -Compliance - Hostels -Sheltered Schemes Whole Borough
<i>Kier Contact D.Reekie & K. Morgan</i>	<i>Kier Contact Alan Workman</i>	<i>Kier Contact Simon White</i>	<i>Novas Contact TBA</i>	<i>Kier Contact Simon White</i>