



# **STATEMENT OF ACCOUNTS**

**2022/23**

**(Currently unaudited and may  
be subject to change)**

## **STATEMENT OF ACCOUNTS 2022/23**

<b>CONTENT</b>	<b>PAGE</b>
1 NARRATIVE REPORT	1
2 STATEMENT OF RESPONSIBILITIES	15
3 FINANCIAL STATEMENTS	
1. Comprehensive Income and Expenditure Statement	16
2. Movement in Reserves Statement	17
3. Balance Sheet	18
4. Cash Flow Statement	19
4 NOTES TO THE FINANCIAL STATEMENTS	
1. Accounting Policies	20
2. Accounting Standards issued, not adopted	36
3. Critical Judgements in applying Accounting Policies	36
4. Uncertainties relating to Assumptions and Estimates used	37
5. Events after the Reporting Period	38
6. Other Operating Expenditure	38
7. Financing and Investment Income and Expenditure	39
8. Taxation and Non Specific Grant Income and Expenditure	39
9. Adjustments between Accounting Basis and Funding Basis under Regulations	39
10. Expenditure and Funding Analysis	42
11. Note to the Expenditure and Funding Analysis	43
12. Expenditure and Income Analysed by Nature	44
13. Property, Plant and Equipment and Impairments	45
14. Heritage Assets	49
15. Investment Properties	50
16. Intangible Assets	51
17. Financial Instruments	51
18. Nature and Extent of Risks Arising from Financial Instruments	54
19. Debtors	57
20. Cash and Cash Equivalents	58
21. Creditors	58

22.	Provisions	58
23.	Agency Services	58
24.	Usable Reserves	59
25.	Unusable Reserves	62
26.	Members Allowances	65
27.	Officers Remuneration	65
28.	External Audit Costs	67
29.	Grant Income	68
30.	Related Parties	69
31.	Capital Expenditure and Capital Financing	71
32.	Leases	72
33.	Pensions	74
34.	Contingent Liabilities	81
35.	Contingent Assets	81
36.	Cash Flow Statement Notes	82
37.	Certification and authorisation of the Accounts	84
5	SUPPLEMENTARY FINANCIAL STATEMENTS	
1.	Housing Revenue Account	85
2.	Collection Fund	91
6	ANNUAL GOVERNANCE STATEMENT	96
7	AUDIT OPINION (blank page not in draft)	111
8	GLOSSARY OF TERMS	112

# NARRATIVE REPORT

This narrative report is divided into four sections

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

## 1. GOSPORT AREA AND ORGANISATION OVERVIEW

This report provides a detailed summary of the financial performance of Gosport Borough Council for the financial year 2022/23. At the February 2022 Council meeting a robust budget was set as well as setting Medium Term Financial Forecast estimates for the following financial years up to 2025/26.

### Cost of Living Crisis

During 2022/23 the provision of Council Services was set against rising costs as a result of the cost of living crisis and the need to provide several additional services to help support households during the cost of living crisis.

#### Energy Rebate Scheme

- The Council supported central government in administering measures introduced to support rising energy bills. This support measure was the introduction of a £150 non-repayable rebate for Households in England in council tax bands A to D, known as the Council Tax Energy Rebate scheme. Council's across England were chosen as the body to discharge this policy on behalf of central government.
- During 2022/23 the Council made 32,000 payments to residents within Gosport amounting to £4.8million

#### Housing Support Fund Grant Scheme

The Council received £482,000 by way of Household Support grant from Hampshire County Council which was used to support residents in most need particularly those who may not be eligible for other government support and to help with global inflationary challenges and the significantly rising cost of living. Over 5,000 households in the Borough benefited from this scheme.

#### Impact on the Council

Significant cost pressures arose during 2022/23 with Inflation peaking at 11.1% in October. These pressures along with the increased demand for some Council services led to unplanned increases in the cost of providing Council Services. Despite this the Council set a revised budget for 2022/23 without having to draw on its reserves.

The cost of living crises impacts the Council's finances beyond 2022/23 as inflationary cost increases outstrip the rates at which sources of Council funding increase, this leads to a "structural gap" between spending and funding.

The Councils 2022/23 medium term financial strategy indicated that the Council needed to make savings of £575,000 in 2023/24, however due to increased cost pressures this target was revised upwards to £750,000 when setting the 2023/24 budget.

# NARRATIVE REPORT

## **Council Structure**

Following the Local Elections held in May 2022 the Council has 28 local councillors. The current political structure of the council is:

- 10 Conservatives
- 16 Liberal Democrats
- 2 Labour

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

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

## **Council Corporate Plan**

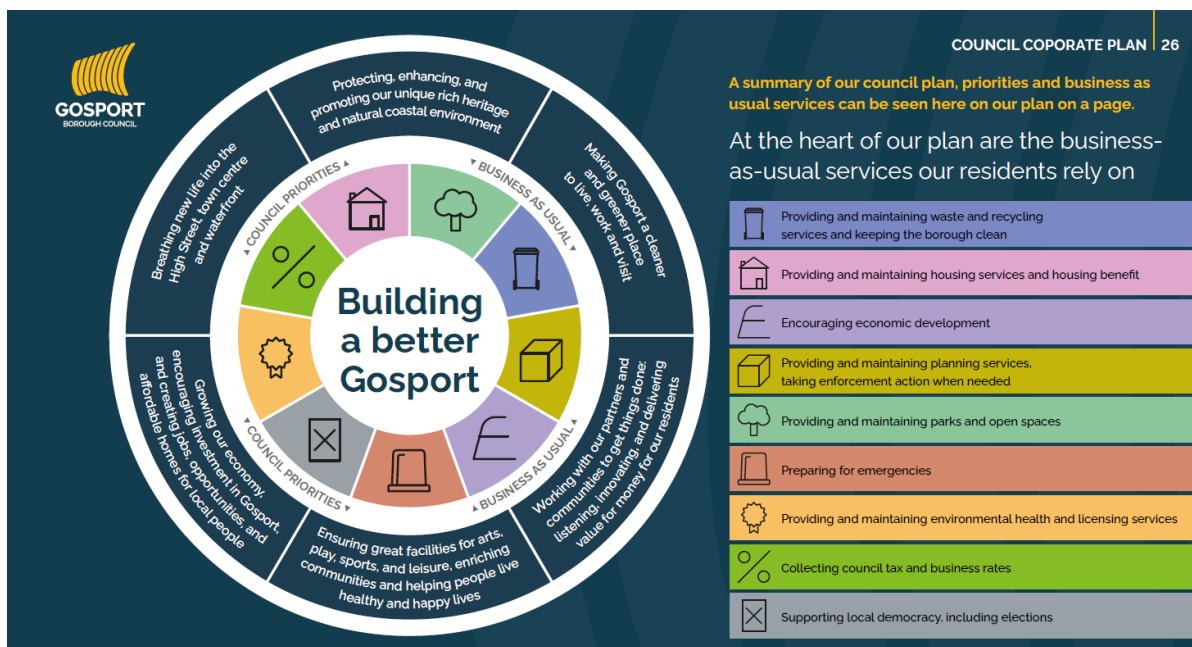
The purpose of the Council's Corporate Plan is to set out clearly what our priorities are for the borough, so our residents, staff and other stakeholders can understand what the Council is working to achieve for Gosport and where we think it is most important that we focus our attention and resources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

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

Building a better Gosport for everyone by:

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

# NARRATIVE REPORT



## 2. Financial Narrative

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

For 2022/23, the Council set a budget that accommodated inflationary costs, a Revenue Contribution to Capital of £1.032m in order to meet the costs associated with New Capital Investment proposals together with implementing a spend to save scheme relating to the introduction of a new "self-service" benefits functionality and a new document management system .

The Council benefited from a delay to the implementation of Local Government Funding Reform and Business Rates Retention reset. This enabled the Council to delay implementing a planned savings programme of £0.7m for 2022/23.

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

- Performance of the General Fund (this is the funding the Council has for its day-to-day activities which is predominantly funded by Council Tax and Business Rates);
- The extent to which the Council holds adequate financial Reserves (holding reserves enables the Council to fund future specific projects or services and also to ensure it has sufficient financial resilience in the event of unexpected financial impacts);
- Performance of its Housing Revenue Account (HRA) (the HRA is where income and costs for our 3,000+ social housing units is monitored, including specific HRA reserves);
- Performance of the Council's Capital Programme (as well funding for day-to-day services, the Council undertakes in the region of £8million per annum of capital investment in its services, social housing stock, economic opportunities and other development plans); and

# NARRATIVE REPORT

## General Fund

The following table shows outturn against Budget, including how the General Fund is financed and the main reserves. It is presented in the Council's Budget Book format (which mirrors the Council's decision making structure) as opposed to the statutory reporting format in the following financial statements.

The General Fund Underspent by £821,000 compared to the 2022/23 revised budget. The underspending can be split between operational activities £356,000 and revenue financing of the Capital programme £465,000.

In Summary the main variations giving rise to the revenue (operational) underspend of (£356,000) are set out below.

- The need to carry forward activity to 2023/24 that was unable to be completed in 2022/23, amounting to £379,000. The carry forwards reflect work associated with the completion of the repairs to Stokes Bay Sea Defence wall, Local Development Plan studies, a range of Economic Development initiatives and a number of Leisure open space schemes.
- Service net overspending £20,000; mainly in the following areas

<b>General Fund Service (Under) / Over spend compared against Revised Budget (excl. budgets carried forward to 2023/23)</b>	
	<b>£'000</b>
<i><u>Main favourable variances</u></i>	
Staffing Costs – vacancies etc.	(£50,000)
Gosport Leisure Centre	(£52,000)
Additional non ringfenced Government Grants	(£176,000)
Additional Development Control Income	(£53,000)
Additional Net Property Income	(£96,000)
<i><u>Main Adverse variances</u></i>	
Cost of Homelessness and Homelessness Prevention	£208,000
Net Cost of Housing Benefit Payments	£172,000
Reduction in Court Cost income from recovery of Council Tax and Business Rates	£89,600
Additional Net Interest Costs	£47,200
Recycling Income	£56,000
All other variances across services	(£125,800)
(Under) / Overspend compared with Revised Budget	£20,000

The table below shows the transfer to and from reserves during the year, in particular:

- Revenue Financing Reserve – under spend compared to revise budget during 2022/23 including budget carry forwards to 2023/24 and revenue funding of the capital programme.
- Stability and Resilience Reserve - £1.596 million was transferred from this reserve during 2022/23 which primarily funded the Council's share of the estimated deficit on the Collection Fund at 31<sup>st</sup> March 2022.

# NARRATIVE REPORT

GENERAL FUND - OUTTURN	REVISED BUDGET 2022/23 £'000	ACTUAL 31-Mar-23 £'000	MOVEMENT £'000
<b>GENERAL FUND BUDGET</b>			
Community Board	6,090	5,756	(334)
Housing Board	646	831	185
Policy and Organisation Board	4,517	4,725	208
<b>TOTAL NET EXPENDITURE</b>	<b>11,253</b>	<b>11,312</b>	<b>59</b>
<b>REVENUE CONTRIBUTION TO CAPITAL</b>	<b>1,054</b>	<b>1,288</b>	<b>234</b>
<b>TRANSFER TO/(FROM) RESERVES</b>			
Revenue Financing Reserve	(1,066)	(245)	821
Stability and Resilience Reserve	(1,492)	(1,596)	(104)
Income Compensation Reserve	(127)	(127)	-
Covid-19 Reserve	(36)	(35)	1
Capital Grants Unapplied CIL	-	(519)	(519)
Revenue Reserve for Capital	-	(142)	(142)
Other Earmarked Reserves	-	122	122
<b>BUDGET TOTAL</b>	<b>9,586</b>	<b>10,058</b>	<b>472</b>
<b>FINANCED BY</b>			
<b>Council Tax</b>	(6,587)	(6,587)	-
<b>Government Grants</b>	(703)	(1,081)	(378)
<b>Business Rates Retention</b>	(2,296)	(2,390)	(94)
	<b>(9,586)</b>	<b>(10,058)</b>	<b>(472)</b>
<i># (Red) figures are income &amp; in the variance column indicate an underspending or additional income</i>			

GENERAL FUND - MAIN REVENUE RESERVES	ACTUAL 01-Apr-22 £'000	ACTUAL 31-Mar-23 £'000	MOVEMENT £'000
General Fund Working Balance	(1,000)	(1,000)	0
Revenue Financing Reserve	(5,740)	(5,495)	245
Stability and Resilience Reserve	(3,047)	(1,451)	1,596
Homelessness Support Grant Reserve	(553)	(488)	65
Revenue Reserve for Capital	(581)	(439)	142



# NARRATIVE REPORT

## Housing Revenue Account

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

HOUSING REVENUE ACCOUNT - OUTTURN	REVISED 2022/23 £'000	ACTUAL 2022/23 £'000	MOVEMENT £'000
Net HRA (Surplus) / Deficit for Year	470	107	(363)
Revenue Funding of Capital Programme			0
Transfer (to) / from the New Build and Loan Repayment Reserve	470	107	(363)
<i># (Red) figures are income &amp; in the variance column indicate an underspending or additional income</i>			

The HRA made a loss of £107,000 during 2022/23 which was transferred to the New Build and Loan Repayment Reserve. Compared to the 2022/22 revised budget the HRA underspent by £363,000. .

In Summary the net overspend can be explained as follows

- Increased cost of repairs and maintenance of the Housing Stock £307,000.
- Increased costs of Supervision and Management £101,000
- Reduction in depreciation costs transferred to the Major Repairs Reserve and capital expenditure to be financed from the MRR -£493,000
- Reduction in Rents, Rates and Other charges payable -£144,000
- Reduced net interest costs on HRA Debt -£181,000
- Reduced income from rents and service charges £19,000
- All other variations £28,000.

A net transfer of £25,000 was made from to the Major Repairs Reserve to fund capital expenditure. This transfer is the difference between depreciation charged to the HRA and the capital expenditure subsequently financed from the MRR reserve. This reflects a reduction in capital expenditure on Improvements to Housing Stock schemes compared to that forecasted.

# NARRATIVE REPORT

Useable Reserves available to the HRA are summarised below.

<b>HRA - REVENUE RESERVES</b>	<b>ACTUAL 01-Apr-22 £'000</b>	<b>ACTUAL 31-Mar-23 £'000</b>	<b>MOVEMENT £'000</b>
Revenue Account Balance	(992)	(992)	-
New Build & Loan Repayment Reserve	(3,488)	(3,381)	107
	<b>(4,480)</b>	<b>(4,373)</b>	<b>107</b>
<b>HRA - CAPITAL RESERVES</b>	<b>ACTUAL 01-Apr-22 £'000</b>	<b>ACTUAL 31-Mar-23 £'000</b>	<b>MOVEMENT £'000</b>
Capital Receipts New Build	(1,959)	(3,134)	(1,175)
HRA Capital Receipts Reserve	(329)	(923)	(594)
Major Repairs Reserve	(978)	(953)	25
	<b>(3,266)</b>	<b>(5,010)</b>	<b>(1,744)</b>

# NARRATIVE REPORT

## Capital Programme

A summary of capital expenditure for 2022/23 is detailed in the table below, presented in the Budget Book format. The programme overall underspent by £3,323,000 compared to the revised forecast. This underspend will not result in additional resources as the schemes will complete during 2023/24 and beyond. Major scheme variations are set out in the table below.

SCHEME	REVISED 2022/23 £'000	ACTUAL 2022/23 £'000	VARIANCE £'000	SLIPPAGE to 2023/24 £'000
<b>BY BOARD</b>				
Community Board - Housing (HRA)	3,932	3,559	(373)	0
Housing Board	1,230	1,329	99	10
Community Board	2,718	1,343	(1,375)	1,501
Economic Development Board	1,413	180	(1,233)	1,175
Policy & Organisation Board	1,514	948	(566)	492
	<b>10,807</b>	<b>7,359</b>	<b>(3,448)</b>	<b>3,178</b>
<b>BY MAJOR SCHEME</b>				
Improvements to Housing Stock (HRA)	3,782	3,315	(467)	0
Coastal Flood Schemes (All)	582	573	(9)	101
Disabled Facilities Grant	1,220	1,329	109	0
Stokes Bay Seawall	384	74	(310)	310
Essential Paving Improvements & Upgrades	100	0	(100)	100
New Build (HRA)	150	244	94	0
Leisure Centre Solar Panels	188	0	(188)	188
Waterfront (Bus Station) Regeneration	1,181	168	(1,013)	1,013
Alver Valley Marshes	280	285	5	0
IT Systems Upgrades	144	23	(121)	121
Walpole Park - Inclusive Play Zone	125	125	0	0
Provision of New Cemetery	547	17	(530)	530
Heritage Action Zone	100	0	(100)	42
Tukes Avenue Open Space - Play Zone	100	99	(1)	0
IT - Desktop Upgrades	102	0	(102)	102
Play Area Kings Road	100	104	4	0
Criterion Building - Acquisition & Refurbishment	700	625	(75)	75
NEC Document Management	166	186	20	0
All other schemes	856	192	(664)	596
	<b>10,807</b>	<b>7,359</b>	<b>(3,448)</b>	<b>3,178</b>

# (Red) figures in the variance column indicate an underspending

# NARRATIVE REPORT

## 3. THE FINANCIAL STATEMENTS

The Statement of Accounts sets out the Council's financial position at 31 March 2023 and a summary of its income and expenditure in the year to 31 March 2022. It is, in parts, a complex document which is prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2022/23 (the Code) which is underpinned by International Financial Reporting Standards (IFRS). It comprises of core and supplementary statements together with disclosure notes and is subject to external audit. These are summarised over four headings below:

### a. Core financial statements

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

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

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

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

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

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

### b. Notes to the financial statements

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

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

# NARRATIVE REPORT

## c. Supplementary financial statements

- Housing Revenue Account (HRA) and notes

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

- Collection Fund and notes

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

## d. Important governance statements

- Statement of Responsibilities

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

- Annual Governance Statement

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

## 4. KEY ISSUES AND OUTLOOK

### Key financial figures included in the statement

- Pensions liability

The Balance Sheet shows a reduction the net pension liability of £22.137 million during 2022/23. This is mainly due to a reduction in pension liabilities of £30.471 million partially offset by a reduction in the fair value of assets of £8.334 during the year.

The reduction in pension liabilities arising from actuarial assumptions reducing the estimated pension liabilities and primarily an increase in the discount rate used to value future pension liabilities. The liability is a volatile figure and has a tendency to vary by several millions from year to year depending on actuarial assumptions and government guidance.

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

# NARRATIVE REPORT

31-Mar-22 £'000	31-Mar-23 £'000
<b>(29,440) Net Pension Liability</b>	<b>(7,303)</b>

- **Borrowing and Cash**

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

31-Mar-22 £'000	31-Mar-23 £'000
2,002 Short Term Investments	0
11,275 Cash and Cash Equivalents	3,405
<b>(8,143) Short Term Borrowing</b>	<b>(11,168)</b>
<b>(49,650) Long Term Borrowing</b>	<b>(46,550)</b>
<b><u>(44,516) Net Borrowing position</u></b>	<b><u>(54,313)</u></b>

- **Capital Financing Requirement**

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

31-Mar-22 £'000	31-Mar-23 £'000
<b>81,898 Capital Financing Requirement</b>	<b>81,769</b>
<i>Explanation of movement in the year</i>	
<b>211 Increase in need to borrow to fund capital expenditure</b>	<b>502</b>
<b>Decrease in need to borrow due to Minimum Revenue</b>	
<b>(586) Provision</b>	<b>(631)</b>

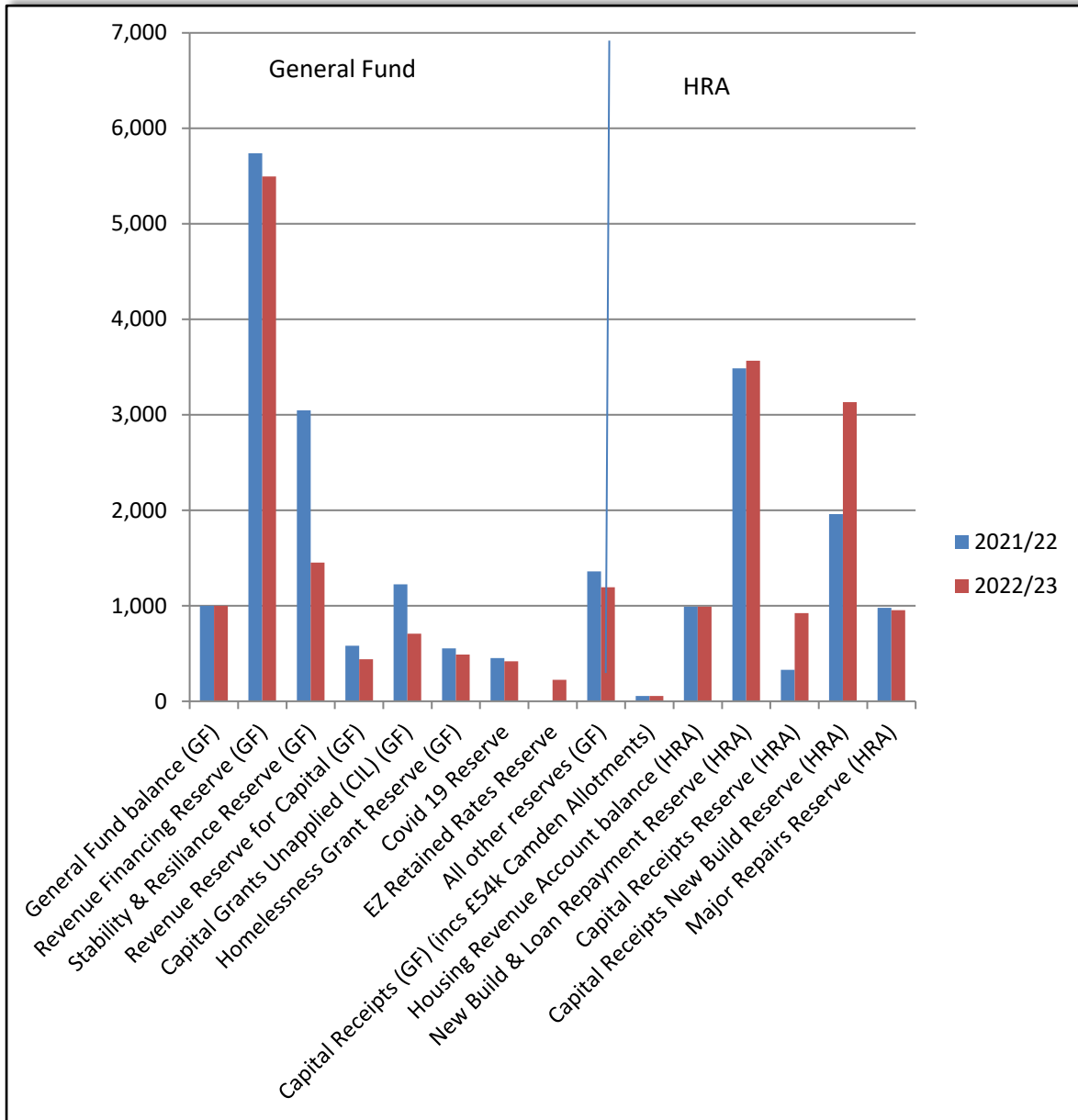
- **Resources**

The council's available reserves at the end of 2022/23 to meet both General Fund and Housing Revenue Account capital and revenue expenditure plans are summarised below:

31-Mar-22 £'000	31-Mar-23 £'000
<b><u>Revenue</u></b>	
<b>(12,152) General Fund (GF)</b>	<b>(10,271)</b>
<b>(4,480) Housing Revenue Account (HRA)</b>	<b>(4,373)</b>
<b><u>Capital</u></b>	
<b>(3,581) General Fund (GF)</b>	<b>(2,494)</b>
<b>(3,266) Housing Revenue Account (HRA)</b>	<b>(5,010)</b>
<b><u>(23,479)</u></b>	<b><u>(22,148)</u></b>

# NARRATIVE REPORT

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



In addition the Council has £5.379 million of developers' contributions and other grants and contributions available to spend at 31st March 2023 (£6.113 million at 31 March 2022).

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

# NARRATIVE REPORT

## Outlook

### • General Fund (GF)

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

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

Over the next 3 years, the Council has a forecast budget deficit to remedy amounting to **£1.456m**. The most significant risks to the assumptions used in our projections are

Government Reviews affecting funding of Local Government (both of which are set to be implemented in 2025/26).

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

Health of Economy and other cost pressures

- Collection rates for Council Tax and Business Rates
- The level of successful business rate appeals arising from the national revaluation of business rates in 2023/24
- The extent to which elevated levels of inflation will persist and the consequent price and demand pressures that result.

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

## Our Response (Strategy)

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

Looking forward, the Council's financial strategy will include

- Income generation and a commercialisation programme
- Continued zero based budget reviews
- Partnership Working
- Continue to pursue efficiency by undertaking a full review of existing Capital Schemes.
- Invest in the Borough for regeneration to stimulate employment and also to increase funding by improving the Business Rate Base and the Council Tax Base for the Council; this will also positively improve prosperity for the Borough generally and reduce the dependency on Council Services

## Conclusion

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

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



# NARRATIVE REPORT

- **Housing Revenue Account (HRA)**

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

- Over the 30 year period, the Business Plan is forecast to remain in balance with HRA Reserves forecast to steadily accumulate over this period. At the end of the 30 year's amounting to £42 million. It provides a smooth profile of repairs and maintenance funding at average levels of £7.6 million per annum. Significant build cost increases and high inflation have had an impact on balances in the shorter term as have continuing high numbers of RTB sales.
- Government policy on social rents have allowed increases of CPI +1% since April 2020 for the next five years. As a result of this rents increased by 7% in April 2023. Although CPI was higher the Government capped the maximum allowable increase.
- Gross HRA borrowing at 31 March 2023 is £43.8 million. The HRA's capital financing requirement (underlying need to borrow) is £61.4 million and so the HRA is therefore presently under-borrowed by £17.6 million; effectively this amount is borrowed from the Council's General Fund.
- The Council currently has three social house building schemes identified, estimated costs have increased since the scheme was first planned and now are budgeted to cost £6.4m, these costs can be met from reserves and 1-4-1 RTB receipts with no additional borrowing being required.

- **Capital Programme**

The currently approved capital programme covers the four year period from 2023/24 to 2024/25 for both the GF and the HRA and is summarised below.

The programme will be updated following the 2022/23 outturn to incorporate any slippage, re-phasing and under or over spends.

	2023/24 £,000	2024/25 £,000	2025/26 £,000	Total £'000
<b>CAPITAL BUDGETS BY BOARD</b>				
HOUSING REVENUE ACCOUNT				
SCHMES	6,525	7,600	3,700	17,825
GENERAL FUND SCHEMES	3,358	2,155	1,097	6,610
				0
	<b>9,883</b>	<b>9,755</b>	<b>4,797</b>	<b>24,435</b>
<b>FUNDING</b>				
HRA RESOURCES	6,525	7,600	3,700	17,825
<i>General Fund Resources</i>				
EXTERNAL GRANTS AND CONTRIBUTIONS	1,143	1,613	900	3,656
LOCAL RESOURCES	960	155	165	1,280
BORROWING (GF)	1,255	387	32	1,674
	<b>9,883</b>	<b>9,755</b>	<b>4,797</b>	<b>24,435</b>

# STATEMENT OF RESPONSIBILITIES

## **The Authority's responsibilities**

The Authority is required to:

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

Councillor P Chegwyn  
Chair of Policy and Organisation Board

## **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 2023.

Mr Chris Ward  
Borough Treasurer, Section 151 officer

# FINANCIAL STATEMENTS

## Comprehensive Income and Expenditure Statement

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

Gross Exp £'000	2021/22		Notes	2022/23		Net Exp £'000
	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	
9,330	(2,360)	6,970	Community Board	9,261	(2,332)	6,929
4,102	(3,243)	859	Housing Board	4,752	(3,310)	1,442
1,493	(361)	1,132	Economic Development Board	-	-	-
26,250	(21,100)	5,150	Policy and Organisation Board	24,157	(17,322)	6,835
14,331	(15,394)	(1,063)	Housing Revenue Account	14,796	(15,898)	(1,102)
<b>55,506</b>	<b>(42,458)</b>	<b>13,048</b>	<b>Cost Of Services</b>	<b>52,966</b>	<b>(38,862)</b>	<b>14,104</b>
		3,618	Other Operating Expenditure			3,330
		423	Financing and Investment Income and Expenditure			764
	(13,049)		Taxation and Non Specific Grant Income and Expenditure			(12,335)
		<b>4,040</b>	<b>Deficit on Provision of Services</b>			<b>5,863</b>
	(15,239)		Surplus on revaluation of Property, Plant and Equipment assets			(12,471)
	(17,414)		Actuarial losses / (gains) on pension assets / liabilities			(24,345)
	<b>(32,653)</b>		<b>Other Comprehensive (Income)</b>			<b>(36,816)</b>
	<b>(28,613)</b>		<b>Total Comprehensive (Income)/Expenditure</b>			<b>(30,953)</b>

Following a board re-organisation in 2022/23 the functions of the Economic Development Board were transferred to the Policy and Organisation Board.

# FINANCIAL STATEMENTS

## Movement in Reserves Statement

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

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2022</b>	<b>(12,152)</b>	<b>(4,480)</b>	<b>(2,924)</b>	<b>(978)</b>	<b>(2,945)</b>	<b>(23,479)</b>	<b>(101,343)</b>	<b>(124,822)</b>
<b>Movement in reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	1,714	4,149				5,863	(36,816)	(30,953)
Adjustments between accounting basis & funding basis under regulations (Note 9)	167	(4,042)	(1,627)	25	946	(4,531)	4,531	0
<b>(Increase)/decrease in 2022/23</b>	<b>1,881</b>	<b>107</b>	<b>(1,627)</b>	<b>25</b>	<b>946</b>	<b>1,332</b>	<b>(32,285)</b>	<b>(30,953)</b>
<b>Balance at 31 March 2023</b>	<b>(10,271)</b>	<b>(4,373)</b>	<b>(4,551)</b>	<b>(953)</b>	<b>(1,999)</b>	<b>(22,147)</b>	<b>(133,628)</b>	<b>(155,775)</b>

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2021</b>	<b>(12,135)</b>	<b>(4,736)</b>	<b>(1,801)</b>	<b>(812)</b>	<b>(2,874)</b>	<b>(22,358)</b>	<b>(73,851)</b>	<b>(96,209)</b>
<b>Movement in reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	(373)	4,413				4,040	(32,653)	(28,613)
Adjustments between accounting basis & funding basis under regulations (Note 9)	356	(4,157)	(1,123)	(166)	(71)	(5,161)	5,161	0
<b>(Increase)/decrease in 2021/22</b>	<b>(17)</b>	<b>256</b>	<b>(1,123)</b>	<b>(166)</b>	<b>(71)</b>	<b>(1,121)</b>	<b>(27,492)</b>	<b>(28,613)</b>
<b>Balance at 31 March 2022</b>	<b>(12,152)</b>	<b>(4,480)</b>	<b>(2,924)</b>	<b>(978)</b>	<b>(2,945)</b>	<b>(23,479)</b>	<b>(101,343)</b>	<b>(124,822)</b>

# FINANCIAL STATEMENTS

## Balance Sheet

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

31-Mar-22 £'000	Notes	31-Mar-23 £'000	
200,005	Property, Plant & Equipment	13	208,017
599	Heritage Assets	14	342
8,426	Investment Properties	15	8,978
133	Intangible Assets	16	317
4,639	Long Term Debtors	19	4,621
<b>213,802</b>	<b>Long Term Assets</b>		<b>222,275</b>
2,002	Short Term Investments	17	0
9,314	Short Term Debtors	19	9,736
11,275	Cash and Cash Equivalents	20	3,405
<b>22,591</b>	<b>Current Assets</b>		<b>13,141</b>
(8,143)	Short Term Borrowing	17	(11,168)
(18,765)	Short Term Creditors	21	(10,086)
0	Short Term Liabilities	32	0
(972)	Short Term Provisions	22	(259)
<b>(27,880)</b>	<b>Current Liabilities</b>		<b>(21,513)</b>
(45)	Long Term Provisions	22	(45)
(49,650)	Long Term Borrowing	17	(46,550)
(143)	Other Long Term Liabilities	32	(142)
(19)	Receipts in Advance - Revenue Grants	29	0
(4,394)	Receipts in Advance - Capital Grants	29	(4,087)
(29,440)	Net Pension Liability	33	(7,303)
<b>(83,691)</b>	<b>Long Term Liabilities</b>		<b>(58,127)</b>
<b>124,822</b>	<b>Net Assets</b>		<b>155,776</b>
(23,479)	Usable Reserves	24	(22,148)
(101,343)	Unusable Reserves	25	(133,628)
<b>(124,822)</b>	<b>Total Reserves</b>		<b>(155,776)</b>

# FINANCIAL STATEMENTS

The unaudited Statement was issued on 17<sup>th</sup> July 2023 and the audited Statement was issued on xx/xx/2023.

Chris Ward CPFA  
Borough Treasurer,  
xx/xx/2023

## Cash Flow Statement

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

2021/22 £'000	Notes	2022/23 £'000
(4,040) Net surplus or (deficit) on the provision of services		(5,863)
12,999 Adjustments to surplus or deficit on the provision of services for non-cash movements	36	1,720
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36	(3,625)
<b>5,345</b> Net Cash flows from Operating Activities		<b>(7,768)</b>
1,128 Net Cash flows from Investing Activities	36	(598)
(4,460) Net Cash flows from Financing Activities	36	496
<b>2,013</b> Net increase or (decrease) in cash and cash equivalents		<b>(7,870)</b>
9,262 Cash and cash equivalents at the beginning of the reporting period		11,275
11,275 Cash and cash equivalents at the end of the reporting period		3,405

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023.

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### b) Going Concern

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

Following the impact of the Covid pandemic 2022/23 has seen a cost of living crisis that has brought new difficult issues for businesses and residents even with an element of government assistance. Areas such as gas and electricity has seen significant price increases with knock issues for general price increases with inflation peaking at 11.1% in October 2022 and persisting at similar levels for the remainder of the financial year.

The cost of living crisis impacts on Gosport Borough Council's finances through a number of ways

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

The current medium term financial strategy was refreshed in February 2023 taking into account the cost of living crisis and indicates that cumulative savings of £1,456,000 over the period 2024/25 to 2026/27 are required to produce a balanced budget, any shortfalls in individual years being met by using existing reserves.

The Councils useable revenue reserves at 31<sup>st</sup> March 2023 are as follows

<b>General Fund</b>	<b>General Fund Earmarked Reserves</b>	<b>Housing Revenue Account Reserves</b>
£1,000,000	£9,271,000	£4,373,000

# NOTES TO THE FINANCIAL STATEMENTS

Going forward the cost of living crisis has impacted the Council's finances in 2022/23 and beyond. The pay award for April 2023 is yet to be settled, higher than expected inflation prevailing and interest rates increasing, careful financial planning will be needed to ensure reserves are kept to a healthy level.

It is not anticipated that the availability of cash will be a concern. At the 31st March 2023 the Council held short term investments and cash and cash equivalents of £3,405,000 and generally holds these balances at a minimum £10,000,000 during the year which it can reduce if required and can borrow a further £24,000,000 (within the currently approved Treasury Management Strategy) from a number of sources including the Public Works Loans Board as it has deferred borrowing to fund its prior year's capital programme. In the unlikely circumstance that this level of cash is insufficient, the Council could approve a higher Authorised Borrowing Limit. The Council has prepared a detailed cash flow up to 31st March 2025 and remains confident in its ability to maintain sufficient cash for its services throughout the medium term. The Council is of course also able to borrow short term for cash management if ever needed.

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

## **c) Accruals of Income and Expenditure**

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

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

## **d) Cash and Cash Equivalents**

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **f) Charges to Revenue for Non-Current Assets**

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

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

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

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

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

### Accounting for Council Tax and NDR

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## h) Employee Benefits

### Benefits Payable During Employment

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

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

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

## Discretionary Benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

## i) Events after the Reporting Period

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

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

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

## j) Financial Instruments

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

### Financial Liabilities

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

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

### Financial Assets

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

There are three main classes of financial assets measured at:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## Financial Assets Measured at Amortised Cost

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

## Expected Credit Loss Model

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

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

## Financial Assets Measured at Fair Value through Profit of Loss

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

## Fair value measurements of financial assets

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

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

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

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

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

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

## **k) Government Grants and Contributions**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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.

## Community Infrastructure Levy

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

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

## **I) Heritage Assets**

The Council's Heritage Assets are

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

## **m) Intangible Assets**

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

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

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

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

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

## **n) Joint Arrangements**

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



# NOTES TO THE FINANCIAL STATEMENTS

## **o) Inventories and Long Term Contracts**

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

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

## **p) Investment Property**

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

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

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

## **q) Leases**

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

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

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

### The Council as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:



# NOTES TO THE FINANCIAL STATEMENTS

- 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 (i.e. there is a rent-free period at the commencement of the lease).

## The Council as Lessor

### *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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 (i.e. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income

## r) **Overheads and Support Services**

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

## s) **Property, Plant and Equipment**

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## Impairment

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## Depreciation

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

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

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

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

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

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

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

## Disposals and Non-Current Assets Held for Sale

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

## t) **Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

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

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

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## u) Reserves

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

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

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

## v) Revenue Expenditure funded from Capital under Statute

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

## w) Value Added Tax

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

## x) Fair Value Measurement of non-financial assets

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards in the 2023/24 Code.

The new standards in the 2023/24 Code that apply from 1 April 2023 are:

- Definition of Accounting Estimates (Amendments to IAS 8 )issued in February
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

It is not expected that these new standards will have a material impact on the Council's financial statements.

## 3. Critical Judgements in applying Accounting Policies

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

- **Future funding for local government** – while there is a high degree of uncertainty about future levels of funding for local government, the Council has determined that this uncertainty is not sufficient to provide an indication that the Council's assets might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Asset classifications** – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These are based on the main reason that the council is holding the asset with the classification determining the valuation method to be used.
- **Lease classifications** – the Council has made judgements on whether its lease arrangements are operating leases or finance leases. There is an element of subjectivity in these assessments and de-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).
- **Joint Arrangement** - The four member authorities of the Portchester Crematorium Joint Committee (PCJC) have made an assessment of the relationship against IFRS11, Joint Arrangements, to determine the appropriate accounting treatment. PCJC decisions take place through majority voting with no one authority having overall control, although each can exercise a significant influence over the PCJC. This joint arrangement means that each member authority has equal 25% voting rights. PCJC is an entity in its own right, with the ability to make binding decisions, employ staff and enter into contracts. The entity (PCJC) has been assessed as being an Associate and each member is required to reflect its 25% share of the PCJC assets and liabilities in its respective statement of accounts. The Council has made a judgement on the grounds of materiality that group accounts are not required and has therefore disclosed its share of the assets and liabilities as part of the Related Parties disclosure note (Note 30) rather than incorporate them into its Balance Sheet.
- **Potential Liabilities** - the Council has made judgements about the likelihood of potential liabilities and whether any provisions should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Note 22 refers.
- **Doubtful debts allowances** - the council has made judgements on a prudent level of allowances for doubtful debts. These are based on historical experience of debtor defaults and the current economic climate.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 Uncertainties relating to Assumptions and Estimates used

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

The items in the Authority's Balance Sheet at 31 March 2023 for which material assumptions and estimates have been made are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>The introduction of Business Rates Retention from 1 April 2013 has placed a significant risk for shortfalls in business rate funding onto the Council and precepting authorities. This is particularly true for factors outside of the Council's direct control such as rating appeals.</p> <p>A provision is held in the Collection Fund for the estimated total value of rating appeals that may require refunding but have not yet been formally agreed by the Valuation Office.</p>	<p>At 31 March 2023, the Council's share of the total provision of £0.649 million (£2.460 million in 2021/22) is £0.259 million (£0.984 million in 2021/22).</p> <p>The actual cost of appeals – whether above or below the provision - will impact on retained business rate income.</p>
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about individual assets service delivery and level of repairs and maintenance. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance which may bring into 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> <p>It is estimated that the annual depreciation charge for buildings would increase by £51,000 for every year that useful lives had to be reduced</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 and a sensitivity analysis is included in note 33 (i.e. the projected service cost is estimated to decrease by £109,000 for a 1 year increase in the 2022/23 mortality rate assumption)</p> <p>However, the assumptions interact in complex ways. During 2022/23, the authority's actuaries advised that the net pensions liability had increased by £10.174 million as a result of</p>



# NOTES TO THE FINANCIAL STATEMENTS

		estimates being corrected as a result of experience and decreased by £43.146 million attributable to updating of financial assumptions
Doubtful Debt Allowances	<p>The Covid 19 pandemic and legacy impact has increased the risk of non-payment of debt.</p> <p>The Council has made allowances for doubtful debts of £3.626 million in 2022/23 (£3.626 million in 2021/22) based on what it believes to be a prudent but realistic level.</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 £181,000 (£181,000 in 2021/22).
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), then fair value is measured using valuation techniques, which, where possible, are based on observable data. Where this is not possible then judgement is required in establishing fair values – including comparison with market transactions of similar properties, Depreciated Replacement Cost (DRC), cash flow analysis etc.</p>	<p>Information about the valuation techniques and inputs used in determining the fair value of the Council's Investment Properties and Financial Instruments are disclosed in notes 15 and 17 to the financial statements.</p> <p>The judgements and unobservable inputs used include considerations of uncertainty and risk and changes in these assumptions and inputs could affect the fair value of the authority's assets and liabilities</p>

## 5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Borough Treasurer on xxx. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have been identified.

## 6. Other Operating Expenditure

2021/22 £'000	2022/23 £'000
278 Payments to the Government Housing Capital Receipts Pool	-
3,340 (Gain) or Loss on the disposal of non-current assets	3,330
<b>3,618</b>	<b>3,330</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Financing and Investment Income and Expenditure

2021/22 £'000	2022/23 £'000
1,784 Interest payable and similar charges	1,750
907 Pension interest on net defined benefit liability	776
(236) Interest receivable and similar income	(495)
(2,032) Net income and expenditure in relation to investment properties and changes in their fair value	(1,267)
<b>423</b>	<b>764</b>

## 8. Taxation and Non Specific Grant Income and Expenditure

2021/22 £'000	2022/23 £'000
(6,403) Council Tax Income	(6,272)
(1,898) Retained Business Rates	(2,449)
(3,944) Non-Ringfenced Government Grants (Note 29)	(2,984)
(804) Capital Grants and Contributions (Note 29)	(630)
<b>(13,049)</b>	<b>(12,335)</b>

## 9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

# NOTES TO THE FINANCIAL STATEMENTS

2022/23	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transfers to or (from) the Pensions Reserve)	(1,478)	(730)			
Council Tax and Business Rates (transfers to or (from) the Collection Fund adjustment account)	1,563				
Holiday pay (transferred to the Accumulated Absences Reserve)	8				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,726)	(8,615)			
<b>Total Adjustments to Revenue Resources</b>	<b>(2,633)</b>	<b>(9,345)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	10	2,036	(2,046)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(23)	23		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		0	0		
Posting of HRA resources from revenue to the Major Repairs Reserve		3,290		(3,290)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	631				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,715				
Transfers to / (from) Capital Reserves	(1,088)		142		946
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,268</b>	<b>5,303</b>	<b>(1,881)</b>	<b>(3,290)</b>	<b>946</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			296		
Use of the Major Repairs Reserve to finance capital expenditure				3,315	
Application of capital grants to finance capital expenditure	1,532				
Cash payments in relation to deferred capital receipts			(42)		
<b>Total Adjustments to Capital Resources</b>	<b>1,532</b>	<b>0</b>	<b>254</b>	<b>3,315</b>	<b>0</b>
<b>Total Adjustments</b>	<b>167</b>	<b>(4,042)</b>	<b>(1,627)</b>	<b>25</b>	<b>946</b>

# NOTES TO THE FINANCIAL STATEMENTS

2021/22	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transfers to or (from) the Pensions Reserve)	(2,281)	(704)	-	-	-
Council Tax and Business Rates (transfers to or (from) the Collection Fund adjustment account)	1,645	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	39	28	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,595)	(8,254)	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(2,192)</b>	<b>(8,930)</b>	-	-	-
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	11	1,839	(1,850)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(27)	27	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	(278)	278	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,239	-	(3,239)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	586	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	318	-	-	-	-
Transfers to / (from) Capital Reserves	20	-	51	-	(71)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>935</b>	<b>4,773</b>	<b>(1,494)</b>	<b>(3,239)</b>	<b>(71)</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	411	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,073	-
Application of capital grants to finance capital expenditure	1,613	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	(40)	-	-
<b>Total Adjustments to Capital Resources</b>	<b>1,613</b>	-	<b>371</b>	<b>3,073</b>	-
<b>Total Adjustments</b>	<b>356</b>	<b>(4,157)</b>	<b>(1,123)</b>	<b>(166)</b>	<b>(71)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Expenditure and Funding Analysis

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

Net Expenditure chargeable to the GF & HRA Balances £'000	2021/22		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000		2022/23		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
	Adjustments between Funding & Accounting Basis £'000				Net Expenditure chargeable to the GF & HRA Balances £'000	Adjustments between Funding & Accounting Basis £'000	
4,644	(2,326)	6,970	Community Board	5,029	(1,900)	6,929	
450	(409)	859	Housing Board	1,267	(175)	1,442	
687	(445)	1,132	Economic Development	-	-	-	
6,703	1,552	5,151	Policy and Organisation	8,929	2,094	6,835	
(1,524)	(460)	(1,064)	Housing Revenue Account	(1,717)	(615)	(1,102)	
<b>10,960</b>	<b>(2,088)</b>	<b>13,048</b>	<b>Cost Of Services</b>	<b>13,508</b>	<b>(596)</b>	<b>14,104</b>	
(10,741)	(1,733)	(9,008)	Other Income and Expenditure	(10,432)	(2,191)	(8,241)	
<b>219</b>	<b>(3,821)</b>	<b>4,040</b>	<b>(Surplus) or Deficit</b>	<b>3,076</b>	<b>(2,787)</b>	<b>5,863</b>	
(19,745)			Opening General Fund and HRA Balance	(19,577)			
219			Less / Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	3,076			
(51)			Less Transfer to Revenue Reserve for Capital	(142)			
<b>(19,577)</b>			Closing General Fund and HRA Balance at 31 March #	<b>(16,643)</b>			

# for a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement and Note 24

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Note to the Expenditure and Funding Analysis

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

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

Adjustments between Funding and Accounting Basis 2021/22	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Community Board	(1,662)	(436)	(228)	(2,326)
Housing Board	(215)	(78)	(116)	(409)
Economic Development Board	(338)	(55)	(52)	(445)
Policy and Organisation Board	904	(1,027)	1,675	1,552
Housing Revenue Account	(6)	(482)	28	(460)
<b>Net Cost Of Services</b>	<b>(1,317)</b>	<b>(2,078)</b>	<b>1,307</b>	<b>(2,088)</b>
Other income & expenditure from the Expenditure & Funding Analysis	(1,231)	(907)	405	(1,733)
<b>Difference between the General Fund surplus or deficit &amp; the Comprehensive Income &amp; Expenditure Statement surplus or deficit on the provision of services</b>	<b>(2,548)</b>	<b>(2,985)</b>	<b>1,712</b>	<b>(3,821)</b>

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

**Other Differences** - include

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

## 12. Expenditure and Income Analysed by Nature

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

2021/22 £'000	2022/23 £'000
0 Employees ( <i>excludes Business Unit staff</i> )	659
646 Premises	6,736
6,689 Transport	24
19 Supplies & Services	4,329
4,274 Third Party Payments ( <i>includes major contracts</i> )	4,056
3,650 Transfer Payments ( <i>includes Benefit payments</i> )	17,227
20,571 Support Services ( <i>see note below #</i> )	14,550
14,642 Depreciation, amortisation, impairment	10,093
9,247 Capital/Financing ( <i>includes interest, MRP</i> )	2,397
2,371 Fees & Charges ( <i>see analysis below</i> )	(5,483)
(4,853) Non Fees & Charges ( <i>see analysis below</i> )	(48,725)
<b>57,256 Deficit on Provision of Services</b>	<b>5,863</b>

# Support service costs are the recharges to services (both General Fund and Housing Revenue Account) from the Council’s administrative business units. The gross cost of those services (i.e. including their share of apportioned administration and overheads) is £15.2 million in 2022/23 (£14.0 million in 2021/22). The total employee related costs included are £10.7 million and £10.2 million respectively.

# NOTES TO THE FINANCIAL STATEMENTS

Income can be further analysed over the following headings

2021/22 £'000	2022/23 £'000
<b><u>Fees &amp; Charges (see segmental analysis below)</u></b>	
0 Cust & Client Receipts - Sales	(371)
(268) Cust & Client Receipts - Rents	(2,340)
(1,998) Cust & Client Receipts - Fees & Charges	(2,772)
<b>(2,587) Non Fees &amp; Charges</b>	
0 Government Grants ( <i>includes Business Rates, Revenue Support Grant &amp; Benefits Subsidy payments</i> )	(24,977)
(29,367) Other Grants, Reimbursements & Contributions ( <i>a broad range of service grants &amp; contributions, including Business Rates Cost of Collection</i> )	(1,408)
(3,204) Interest ( <i>includes interest reimbursed by the HRA to the GF</i> )	(2,254)
(2,061) Taxation & Non Specific Grants ( <i>includes Council Tax precept</i> )	(4,758)
(3,959) HRA - income ( <i>includes Benefits rental income</i> )	(15,272)
(14,608) Other	(58)
<b>(58,052)</b>	<b>(54,210)</b>
<b><u>Fees &amp; Charges by reporting segment</u></b>	
0 Community Board	(2,533)
(2,069) Housing Board	(1,640)
(1,560) Economic Development Board	(49)
(225) Policy and Organisation Board	(638)
(398) Housing Revenue Account	(623)
<b>(4,252)</b>	<b>(5,483)</b>

## 13. Property, Plant and Equipment and Impairments

### Depreciation

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

Asset	Depreciation Method
Council Dwellings	Straight line method over the estimated useful life of the asset which on average is 50 years
Other Land & Buildings (Operational Property and Garages)	Straight line method over the estimated useful life of the asset which range between 2 and 60 years Garages are not depreciated as it is the Council's view that most of the value is in the land
Vehicles Plant & Equipment	Straight line method over the estimated useful life of the asset which are between 3 and 20 years
Infrastructure	Straight line method over the estimated useful life of the asset which are between 15 and 60 years
Community Assets	No charge – it is the Council's view that most of the value of Community Assets is held in land and is not therefore depreciable



# NOTES TO THE FINANCIAL STATEMENTS

Movement in Plant, Property and Equipment for 2022/23	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2022	162,109	23,349	3,336	13,719	4,445	773	1,985	209,716
Additions	3,315	28	376	0	311		1,701	5,731
Revaluation increases/(decreases) to RR	5,856	2,251				90		8,197
Revaluation increases/(decreases) to SDPS		(280)				(19)		(299)
De-recognition - Disposals	(2,005)	0	0					(2,005)
De-recognition of replacement parts	(3,315)	(28)	0				(8)	(3,351)
Assets reclassified		68	0	0	8	0	(76)	0
<b>At 31 March 2023</b>	<b>165,960</b>	<b>25,388</b>	<b>3,712</b>	<b>13,719</b>	<b>4,764</b>	<b>844</b>	<b>3,602</b>	<b>217,989</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2022	0	(573)	(1,800)	(7,319)	0	(19)	0	(9,711)
Depreciation Charge	(3,290)	(726)	(415)	(376)				(4,807)
Depreciation & Impairment written out to RR	3,290	1,236						4,526
De-recognition - Disposals		1	0			19		20
De-recognition of replacement parts								0
Assets reclassified								0
<b>At 31 March 2023</b>	<b>0</b>	<b>(62)</b>	<b>(2,215)</b>	<b>(7,695)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,972)</b>
<b>Net Book Value</b>								
<b>At 31 March 2023</b>	<b>165,960</b>	<b>25,326</b>	<b>1,497</b>	<b>6,024</b>	<b>4,764</b>	<b>844</b>	<b>3,602</b>	<b>208,017</b>

# NOTES TO THE FINANCIAL STATEMENTS

Movement in Plant, Property and Equipment for 2021/22	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
<b>Cost or Valuation</b>								
At 1 April 2021	151,960	23,615	3,120	13,632	4,444	728	1,858	199,357
Additions	3,170	383	216	87	1		733	4,590
Revaluation increases/(decreases) to RR	11,988	(184)				45		11,849
Revaluation increases/(decreases) to SDPS		(716)						(716)
De-recognition - Disposals	(1,839)							(1,839)
De-recognition - Other	(3,170)	(142)						(3,312)
Assets reclassified		393					(606)	(213)
<b>At 31 March 2022</b>	<b>162,109</b>	<b>23,349</b>	<b>3,336</b>	<b>13,719</b>	<b>4,445</b>	<b>773</b>	<b>1,985</b>	<b>209,716</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2021	0	(80)	(1,398)	(6,946)				(8,424)
Depreciation Charge	(3,239)	(651)	(402)	(373)				(4,665)
Depreciation & Impairment written out to RR	3,239	151						3,390
Impairment losses/(reversals) to RR								0
Impairment losses/(reversals) to SDPS								0
De-recognition - Disposals						(19)		(19)
De-recognition - Other		7						7
Assets reclassified								0
<b>At 31 March 2022</b>	<b>0</b>	<b>(573)</b>	<b>(1,800)</b>	<b>(7,319)</b>	<b>0</b>	<b>(19)</b>	<b>0</b>	<b>(9,711)</b>
<b>Net Book Value</b>								
<b>At 31 March 2022</b>	<b>162,109</b>	<b>22,776</b>	<b>1,536</b>	<b>6,400</b>	<b>4,445</b>	<b>754</b>	<b>1,985</b>	<b>200,005</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Capital Commitments

Significant commitments for future expenditure at 31 March 2023 include:

2021/22 £'000	2022/23 £'000
68 Provision of New Cemetery (Design)	-
540 Housing New Build	-
51 Financial System Upgrade	-
<b>659</b>	<b>0</b>

## Revaluations

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

	Historical £'000	Fair Value - revalued when indicated				Total £'000
		2022/23 £'000	2021/22 £'000	2019/20 £'000	2018/19 £'000	
<b>Property, Plant &amp; Equipment</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Council Dwellings	-	165,960	-	-	-	165,960
Operational Property		21,771	2,414	8	0	24,193
Garages	-	1,195	-	-	-	1,195
Equipment	3,712		-	-	-	3,712
Infrastructure	13,719		-	-	-	13,719
Community Assets	4,764		-	-	-	4,764
Surplus Assets	-	844	-	-	-	844
Assets under Construction	3,602		-	-	-	3,602
	<b>25,797</b>	<b>189,770</b>	<b>2,414</b>	<b>8</b>	<b>0</b>	<b>217,989</b>

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

## Surplus Assets

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

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

## Impairments

There were no general impairments identified in 2022/23 or 2021/22.

# NOTES TO THE FINANCIAL STATEMENTS

Any revaluation gains or losses for those assets that were reported on by the Council's valuers for 2022/23 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.

## 14. Heritage Assets

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

	Civic Regalia inc Mayoral Chain (Held in the Town Hall)	Paintings	Other	Historical Sites	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
<b>01-Apr-21</b>	260	117	18	85	480
Additions	-	-	-	123	123
Depreciation	-	-	-	(4)	(4)
<b>31-Mar-22</b>	260	117	18	204	599
Additions	-	-	-	-	0
Revaluation increases/(decreases) to RR	(210)	(42)	-	-	(252)
Reclassification	8	-	(8)	-	0
Depreciation	-	-	-	(5)	(5)
<b>31-Mar-23</b>	58	75	10	199	342

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

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

The Council's Heritage Assets held at the Town Hall are considered to have an indefinite life and no depreciation is therefore charged.

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

The existing inventory of items remains unchanged for 2022/23 and the insurance cover has been re-evaluated.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 15. Investment Properties

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

2021/22 £'000	2022/23 £'000
53 Direct operating expenses arising from investment property	45
(502) Rental income from investment property	(759)
<b>(449) Net gain</b>	<b>(714)</b>

### Fair Value Hierarchy

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

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

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

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

### Highest and best use

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

### Valuation process for Investment Properties

The Council's investment property has been valued as at 31 March 2023 by Capita Ltd in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

2021/22 £'000	2022/23 £'000
6,603 Balance at the start of the year	8,426
26 Subsequent expenditure	-
214 Assets reclassified	-
- De-recognition - Disposals	(7)
1,583 Net gains or (losses) from fair value adjustments	559
<b>8,426 Balance at the end of the year</b>	<b>8,978</b>

## 16. Intangible Assets

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

The carrying amount of intangible assets is based on historic cost and is amortised on a straight-line basis on estimated lives between 3 and 10 years. The amortisation of £91,000 charged to revenue in 2022/23 (£57,000 in 2021/22) 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:

2021/22 £'000	2022/23 £'000
Balance at the start of the year	
549 Gross carrying amount	607
(417) Accumulated amortisation	(474)
<b>132 Net carrying amount at the start of the year</b>	<b>133</b>
58 Purchases	275
(57) Amortisation for the year	(91)
<b>133 Net carrying amount at the end of the year</b>	<b>317</b>
Comprising	
607 Gross carrying amount	882
(474) Accumulated amortisation	(565)

## 17. Financial Instruments

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

### Financial Liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

## Financial Assets

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

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

31-Mar-22			31-Mar-23	
Long Term	Current		Long Term	Current
£'000	£'000		£'000	£'000
<b><u>Financial Liabilities</u></b>				
(49,650)	(3,100)	PWLB Debt	(46,550)	(3,100)
-	(42)	PWLB Debt - Accrued Interest	-	(41)
-	(5,000)	Market Loans	-	(8,000)
-	(1)	Market Loans - Accrued Interest	-	(27)
-	(282)	Bank Overdraft **	-	(384)
(49,650)	(8,425)	Total Borrowings	(46,550)	(11,552)
-	(4,460)	Trade Payables at amortised cost	-	(3,196)
<b>(49,650)</b>	<b>(12,885)</b>	<b>Total Financial Liabilities</b>	<b>(46,550)</b>	<b>(14,748)</b>
All borrowing is at fixed rates and is shown at amortised cost				
<b><u>Financial Assets</u></b>				
-	2,002	Investments at amortised cost	-	-
Cash and Cash Equivalents				
-	3	- Amortised cost	-	28
-	11,554	- Fair Value through profit or loss	-	3,761
Debtors at amortised cost				
34	-	Staff Loans (Car, Bike and Bus Pass)	63	-
4,570	42	Finance Lease	4,526	44
-	4,017	Trade Receivables	-	2,673
<b>4,604</b>	<b>17,618</b>	<b>Total Financial Assets</b>	<b>4,589</b>	<b>6,506</b>
<b>** Bank Overdraft is netted of cash and cash equivalents in the balance sheet</b>				

## Income, Expense, Gains and Losses

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

31-Mar-22			31-Mar-23	
£'000			£'000	
<b><u>Financial Liabilities:</u></b>				
1,784		Interest from financial liabilities measured at amortised cost		1,750
<b><u>Financial Assets:</u></b>				
(236)		Interest from Financial Assets		(495)
<b>1,548</b>		<b>Included in the Surplus or Deficit on the Provision of Services</b>		<b>1,255</b>





# NOTES TO THE FINANCIAL STATEMENTS

31-Mar-22				31-Mar-23	
Carrying Amount	Fair Value		Fair Value Level	Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
		<b><u>Financial Assets held at amortised cost</u></b>			
4,570	3,488	Long Term Lease receivables	3	4,526	2,786
34	34	Long Term Staff Loans (Car, Bike and Bus Pass)	3	63	63
4,604	3,522	Total		4,589	2,849
17,618		<b><u>Assets for which fair value is not disclosed</u></b>	*	6,506	
<b><u>22,222</u></b>		<b>Total Financial Assets</b>		<b><u>11,095</u></b>	
		<u>Recorded on the balance sheet as:</u>			
4,604		Long Term Debtors		4,589	
4,059		Short Term Debtors	*	2,717	
2,002		Short Term Investments	*	-	
11,557		Cash and Cash Equivalents	*	3,789	
<b><u>22,222</u></b>		<b>Total Financial Assets</b>		<b><u>11,095</u></b>	

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

The fair value of financial liabilities held at amortised cost is high than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date.

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

## 18. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The key risks are:

- *Credit Risk*: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.

# NOTES TO THE FINANCIAL STATEMENTS

- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

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

Credit Rating	2021/22 £'000	2022/23 £'000
A	-	25
Unrated Local Authorities	2,000	-
Total	2,000	25
Credit risk not applicable *	11,550	3,761
Total Investments	13,550	3,786
* Credit risk is not applicable to Money Market Funds where the Council has no contractual right to receive any sum of money		

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

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

**Trade Receivables:** The following analysis summarises the council's potential maximum exposure to credit risk based on experience of default and future collectability. (the Council's debtors include Council Tax, Business Rates and Housing Benefits), these are all statutory debts for which the Council is the responsible body and cannot influence who the counterparties are. Statutory debts are not classed as financial instruments).

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Amount at 31 March 2023	Historical experience of default	Adjustment for market conditions at 31 March 2023	Estimated maximum exposure to default
		£'000	%	%	£
General debtors	a	353	-8.8%	19.8%	70
Housing rents	a	2,097	55.1%	55.1%	1,156
Other	a	223	0%	0%	0
In addition to the above Financial Instruments the Council is exposed to risk arising from non payment of statutory Housing Benefit debt and costs associated with Council Tax and Business Rates collection. The risks are shown below					
Overpaid Housing Benefits		2,378	90.0%	90.0%	2,140
Costs associated with Council Tax and Business Rates Collection		620	41.9%	41.9%	260
(a) The council does not generally allow credit for customers and the estimated risks are covered by doubtful debt allowances which derive from aged debt analysis, historical experience and assessment of future collectability.					

## Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

<b><u>Maturity Structure of All Borrowings (excluding accrued interest)</u></b>						
31-Mar-22		Maturing within:-	2022/23 Approved Limits		31-Mar-23	
Amount			Minimum	Maximum	Amount	
£'000	%		%	%	£'000	%
8,100	14.0%	Up to 1 year	0%	25%	11,100	19.0%
3,100	5.0%	Over 1 but not over 2 years	0%	25%	3,100	5.0%
11,300	20.0%	Over 2 but not over 5 years	0%	25%	11,300	20.0%
3,500	6.0%	Over 5 but not over 10 years	0%	20%	500	1.0%
750	1.0%	Over 10 but not over 20 years	0%	20%	650	1.0%
31,000	54.0%	Over 20 but not over 40 years	30%	50%	31,000	54.0%
<b>57,750</b>	<b>100.0%</b>				<b>57,650</b>	<b>100.0%</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Market Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of £23,000 on the 12-month revenue impact of a 1% rise in interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been -£134,000 in 2022/23 (2021/22 -£153,000).

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

## 19. Debtors

### Long Term Debtors

31-Mar-22 £'000	31-Mar-23 £'000
4,570 Finance Lease - Landing Stage	4,526
69 Other entities and individuals	95
<b>4,639</b>	<b>4,621</b>

### Short Term Debtors (net of allowances for doubtful debts)

31-Mar-22 £'000	31-Mar-23 £'000
1,261 Central Government bodies	759
3,253 Other Local Authorities	4,815
4,800 Other entities and individuals	4,162
<b>9,314</b>	<b>9,736</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Cash and Cash Equivalents

31-Mar-22 £'000	31-Mar-23 £'000
11,554 Money Market Funds	3,761
- Call Accounts	25
3 Cash imprests / cash in hand	3
(282) Cash at bank / (Overdraft) [Grouped accounts]	(384)
<b>11,275</b>	<b>3,405</b>

## 21. Creditors

### Short Term Creditors

31-Mar-22 £'000	31-Mar-23 £'000
(12,704) Central Government bodies	(2,741)
(987) Other Local Authorities	(3,175)
(5,074) Other entities and individuals	(4,170)
<b>(18,765)</b>	<b>(10,086)</b>

## 22. Provisions

		Balance 01-Apr-22	< ----- 2022/23 ----- >			Balance 31-Mar-23
	Short Term (S) Long Term (L)	£'000	Additional provisions made £'000	Amounts used £'000	Unused amounts reversed £'000	£'000
Business Rates Appeals	S	(972)	(117)	165	665	(259)
MMI Scheme of Arrangement	L	(45)	-	-	-	(45)
		<b>(1,017)</b>	<b>(117)</b>	<b>165</b>	<b>665</b>	<b>(304)</b>

The provision for Business Rates valuation appeals is required by Business Rates Retention funding system - the Council's share of the total provision of £0.649 million is £0.259 million. Provisions for doubtful debts are included within Note 19.

## 23. Agency Services

A contribution is paid by the County Council towards grass cutting (environmental maintenance). The Council has also acted as agent for central government to make payment of various business rate lockdown grants and households for Energy Rebates. These are summarised below.

# NOTES TO THE FINANCIAL STATEMENTS

31-Mar-22 £'000	31-Mar-23 £'000
179 Grasscutting	219
(101) Hampshire County Council contribution	(103)
4,187 Payment of Various Business Rate Lockdown Grants on Behalf of Central Government	-
- Payment of Energy Rebates on Behalf of Central Government	4,841
<b>4,265</b>	<b>4,957</b>

## 24. Usable Reserves

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

The Council's main reserves are described below:

### Revenue - General Fund

#### **General Fund balance**

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

#### **Revenue Financing Reserve**

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

#### **Stability and Resilience Reserve**

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

#### **Other Usable Reserves**

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

### Revenue - Housing Revenue Account

#### **HRA balance**

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

#### **Major Repairs, New Build and Loan Repayment Reserve**

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

### Capital – General Fund

The Capital Receipts reserve holds proceeds from land and other asset disposals and may only be utilised to fund capital expenditure. The balance of £55,000 is the residual receipt from the sale of

# NOTES TO THE FINANCIAL STATEMENTS

Camden Allotments which must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

## **Capital – Housing Revenue Account**

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

## **Major Repairs Reserve**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

	2021/22			2022/23			
	01-Apr-21	Transfers In	Transfers Out	31-Mar-22	Transfers In	Transfers Out	31-Mar-23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>							
<b>General Fund Balance</b>	<b>(1,000)</b>			<b>(1,000)</b>			<b>(1,000)</b>
<b>Earmarked General Fund Reserves</b>							
Revenue Financing Reserve	(4,904)	(1,097)	261	(5,740)	(356)	601	(5,495)
Stability & Resilience Reserve *	(4,374)	(1,117)	2,444	(3,047)		1,596	(1,451)
EZ Retained Rates Reserve				0	(225)		(225)
Cherque Farm Open Space	(141)	0	19	(122)		19	(103)
Supporting Troubled Families	(105)	(1)	11	(95)		16	(79)
Priddys Play Area Maintenance	(33)	0	4	(29)		4	(25)
Building Control Partnership	(101)	0	0	(101)		10	(91)
Community Safety Partnership	(45)	0	2	(43)		2	(41)
Preventing Repossessions	(14)	0	0	(14)			(14)
Open Spaces Maintenance	(15)		1	(14)		2	(12)
Bus Shelter Maintenance	(30)	0		(30)			(30)
Business Growth Incentive Grant	(22)	0	0	(22)			(22)
Urbaser Contract Reserve	(216)	(31)	0	(247)		2	(245)
Healthy Homes	(20)	0	0	(20)			(20)
Benefits DWP External Funding	(7)	(19)	7	(19)	(46)	20	(45)
Homeless Support Grant Reserve	(595)	0	42	(553)	(60)	125	(488)
Planning DCLG Grants Reserve	(82)	0	13	(69)		21	(48)
COVID-19 Govt Grant Reseve	0	(708)	256	(452)		35	(417)
Income Compensation Reserve	(382)	0	127	(255)		127	(128)
Civic Events Reserve	(15)	0	0	(15)			(15)
Levelling Up Reserve		(125)		(125)		91	(34)
Cyber Security Reserve		(108)		(108)			(108)
UK Shared Prosperity Fund Reserve					(72)		(72)
Afghanistan Resettlement Fund					(35)		(35)
All Other Reserves with balances less than £10,000	(34)	0	2	(32)		4	(28)
	<b>(11,135)</b>	<b>(3,206)</b>	<b>3,189</b>	<b>(11,152)</b>	<b>(794)</b>	<b>2,675</b>	<b>(9,271)</b>
<b>Housing Revenue Account</b>							
Housing Revenue Account	(992)	0	0	(992)			(992)
New Build & Loan Repayment Reserve	(3,744)	0	256	(3,488)		107	(3,381)
	<b>(4,736)</b>	<b>0</b>	<b>256</b>	<b>(4,480)</b>	<b>0</b>	<b>107</b>	<b>(4,373)</b>
<b>Capital</b>							
Capital Receipts Reserve (GF)	(54)	(52)	51	(55)	(52)	52	(55)
Revenue Reserve for Capital (GF)	(632)	0	51	(581)		142	(439)
Capital Receipts Reserve (HRA)	0	(995)	666	(329)	(763)	169	(923)
Capital Receipts New Build (HRA)	(1,115)	(844)	0	(1,959)	(1,272)	97	(3,134)
Major Repairs Reserve (HRA)	(812)	(3,239)	3,073	(978)	(3,290)	3,315	(953)
Capital Grants Unapplied	(2,874)	(960)	889	(2,945)	(950)	1,895	(2,000)
	<b>(5,487)</b>	<b>(6,090)</b>	<b>4,730</b>	<b>(6,847)</b>	<b>(6,327)</b>	<b>5,670</b>	<b>(7,504)</b>
<b>Total Usable Reserves</b>	<b>(22,358)</b>	<b>(9,296)</b>	<b>8,175</b>	<b>(23,479)</b>	<b>(7,121)</b>	<b>8,452</b>	<b>(22,148)</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## 25. Unusable Reserves

31-Mar-22 £'000		31-Mar-23 £'000
(82,452)	Revaluation Reserve	(94,940)
(44,814)	Capital Adjustment Account	(40,945)
(4,612)	Deferred Capital Receipts Reserve	(4,570)
29,440	Net Pension Reserve	7,303
938	Collection Fund Adjustment Account	(625)
157	Accumulated Absences Account	149
<b>(101,343)</b>		<b>(133,628)</b>

### Revaluation Reserve

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

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

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

2021/22 £'000		2022/23 £'000
(67,287)	Balance at 1 April	(82,452)
(15,525)	Upward revaluation of assets	(13,741)
	286 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,270
(15,239)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(12,471)
74	Difference between fair value depreciation and historical cost depreciation	(17)
74	Amount written off to the Capital Adjustment Account	(17)
<b>(82,452)</b>	<b>Balance at 31 March</b>	<b>(94,940)</b>

### Capital Adjustment Account

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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.

2021/22 £'000		2022/23 £'000
<b>(48,588)</b>	Balance at 1 April	<b>(44,814)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,669	Charges for depreciation, impairment of noncurrent assets	4,812
716	Revaluation losses on Property, Plant and Equipment	280
57	Amortisation of intangible assets	91
829	Revenue expenditure funded from capital under statute	1,356
5,161	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	5,361
<b>11,432</b>		<b>11,900</b>
<b>(74)</b>	Adjusting amounts written out of the Revaluation Reserve	17
<b>11,358</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>11,917</b>
	Capital financing applied in the year:	
<b>(411)</b>	Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR	<b>(296)</b>
<b>(3,073)</b>	Use of the Major Repairs Reserve to finance new capital expenditure	<b>(3,315)</b>
<b>(809)</b>	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(902)</b>
<b>(804)</b>	Application of grants to capital financing from the Capital Grants Unapplied Account	<b>(630)</b>
<b>(586)</b>	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	<b>(631)</b>
<b>(318)</b>	Capital expenditure charged against the General Fund and HRA balances	<b>(1,715)</b>
<b>(6,001)</b>		<b>(7,489)</b>
<b>(1,583)</b>	<b>Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>(559)</b>
<b>(44,814)</b>	<b>Balance at 31 March</b>	<b>(40,945)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Deferred Capital Receipts Reserve

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

2021/22 £'000	2022/23 £'000
(4,652) Balance at 1 April	(4,612)
40 Transfer to the Capital Receipts Reserve upon receipt of cash	42
<b>(4,612) Balance at 31 March</b>	<b>(4,570)</b>

## 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.

2021/22 £'000	2022/23 £'000
43,869 Balance at 1 April	29,440
(17,414) Remeasurements of the net defined benefit liability/(asset)	(24,345)
4,323 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	3,887
(1,338) Employer's pensions contributions and direct payments to pensioners payable in the year	(1,679)
<b>29,440 Balance at 31 March</b>	<b>7,303</b>

## Collection Fund Adjustment Account

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

The 2021/22 deficit balance on the Business Rates account includes an exceptional deficit balance of £0.972m arising from reliefs given to businesses during lockdown and was funded by additional S31 grant received in 2021/22 which was held in the balance of the Stability and Resilience reserve at 31<sup>st</sup> March 2022 and released to the revenue account in 2022/23 (see note 24).

# NOTES TO THE FINANCIAL STATEMENTS

2021/22			2022/23	
Council Tax £'000	Business Rates £'000		Council Tax £'000	Business Rates £'000
39	2,544	Balance at 1 April	(67)	1,005
(106)	(1,539)	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	314	(1,877)
<b>(67)</b>	<b>1,005</b>	<b>Balance at 31 March (Surplus) / Deficit</b>	<b>247</b>	<b>(872)</b>

## Accumulated Absences Account

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

## 26. Members' Allowances

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

2021/22 £'000	2022/23 £'000
282 Allowances	263
2 Expenses	2
<b>284</b>	<b>265</b>

## 27. Officers Remuneration

Number of employees 2021/22	Left during 2021/22	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 2022/23	Left during 2022/23
		Remuneration band		
6	-	£50,000 - £54,999	2	-
6	-	£55,000 - £59,999	7	-
1	-	£60,000 - £64,999	3	-
1	-	£65,000 - £69,999	-	-
1	-	£70,000 - £74,999	1	-
1	-	£75,000 - £79,999	-	-
-	-	£80,000 - £84,999	1	-

# NOTES TO THE FINANCIAL STATEMENTS

## Exit Packages

Exit package cost band (including special repayments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £000's	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

The roles of the Chief Executive and Borough Treasurer are, fulfilled (from 1<sup>st</sup> October 2016) by Portsmouth City Council under a shared management arrangement. The remuneration details of the equivalent posts are disclosed in full by Portsmouth City Council at <https://www.portsmouth.gov.uk/ext/the-council/transparency/transparency-agenda.aspx>

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

2021/22 £000's	2022/23 £000's
70 Chief Executive	75
51 Borough Treasurer	54
<b>121</b>	<b>129</b>

2022/23 Senior Officer Emoluments - Salaries more than £50,000 but less than £150,000 per year					
Post Title	Salary (Including Allowances) £	Expense Allowances £	Total Remuneration excluding pension contributions 2022/23 £	Pension Contributions £	Total Remuneration including pension contributions 2022/23 £
Assistant to the Chief Executive and Head of Planning and Regeneration	101,057	-	101,057	19,403	120,460
* Head of Legal Services and Monitoring Officer	50,357	-	50,357	9,669	60,026
	<b>151,414</b>	<b>0</b>	<b>151,414</b>	<b>29,072</b>	<b>180,486</b>

\* Post vacant from 5th December 2022

# NOTES TO THE FINANCIAL STATEMENTS

## 28. External Audit Costs

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

2021/22 £'000		2022/23 £'000
	Fee payable to Ernst & Young with regard to external audit services carried out by appointed auditors	
41	Statutory External Audit Services	84
<u>41</u>		<u>84</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 29. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23

# NOTES TO THE FINANCIAL STATEMENTS

2021/22 £'000	Grant Income	2022/23 £'000
	<b>Included in Taxation and Non Specific Grant Income</b>	
	<u>Non-Ringfenced Government Grants</u>	
	Department for Communities and Local Government:	
(107)	Lower Tier Services Grant	(114)
-	Services Grant	(173)
(95)	Local Council Tax Support Scheme Grant	-
-	Council Tax Energy Rebate Administration Grant	(147)
(154)	New Homes Bonus Grant	(47)
(100)	S31 - Cyber Support Grant	-
(125)	Levelling-Up Funding	-
-	UK Shared Prosperity Fund	(91)
(95)	New Burdens Grants - various	(72)
(1,989)	S31 - Business Rate Relief Grants	(1,849)
(453)	Covid 19 Local Authority Support Grant	-
(297)	Covid 19 - New Burdens Grants	(59)
(165)	Covid 19 - Various Public Health Grants	-
-	Household (Discretionary) Support Grant	(56)
	<u>Department for Work and Pensions</u>	
(308)	HB / CTB Administration	(327)
(56)	Community Infrastructure Levy	(49)
<b>(3,944)</b>		<b>(2,984)</b>
	<u>Capital Grants and Contributions</u>	
(7)	Developers Contributions - Open Spaces	(106)
(96)	Heritage Action Zone	-
(226)	Donated Assets	-
(475)	Coast Protection	(522)
-	Other	(2)
<b>(804)</b>		<b>(630)</b>
	<b>Service Specific Revenue Grants and Contributions (included in cost of services)</b>	
	<u>Department for Work and Pensions</u>	
(17,662)	HB / CTB Subsidy	(16,552)
	<u>Environment Agency</u>	
	<u>Department for Communities and Local Government</u>	
(908)	Disabled Facilities Grant	(902)
(79)	NNDR Cost of Collection	(77)
(894)	Homelessness Prevention Grants	(598)
(145)	Re-opening High Street Grant	(6)
(110)	Historic England Grant	(130)
(145)	Covid 19 - Sales, Fees and Charges Grant	-
(2,445)	Covid 19 - Discretionary Business Rate Grants	-
(59)	Covid 19 - Leisure Centre Support Grant	-
(219)	Covid 19 - Other grants	(46)
	<u>Cabinet Office</u>	
(27)	Elections / Register of Electors Grants	-
<b>(22,693)</b>		<b>(18,311)</b>

Receipts in Advance



# NOTES TO THE FINANCIAL STATEMENTS

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

2021/22 £'000		2022/23 £'000
	<b>Receipts in Advance - Revenue Grants</b>	
(19)	Other grants and contributions	-
<b>(19)</b>		<b>0</b>

2021/22 £'000		2022/23 £'000
	<b>Receipts in Advance - Capital Grants</b>	
(1,074)	Open Spaces and Play Areas	(1,002)
(586)	Transport Contributions	(427)
(2,200)	Brownfield Land Release Fund	(2,200)
(474)	Coast Protection Grants	(206)
	- Local Authority Housing Fund Grant	(112)
	- Changing Places Grant	(80)
(60)	Other grants and contributions	(60)
<b>(4,394)</b>		<b>(4,087)</b>

## 30. Related Parties

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

### Central Government

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

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 26. There were two transactions during 2022/23 with organisations where a member declared an interest as a trustee. One payment was a CIL Neighbourhood grant of £2,850 and the other was a contribution toward the Gosport Youth Hub pilot project £20,936. There were no other material related party transactions during the year. Any member declaration of interests are recorded in the Register of Member's interests which is open to public inspection.

### Officers

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

# NOTES TO THE FINANCIAL STATEMENTS

## Portsmouth City Council – Shared Management arrangements

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

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

During 2022/23, the Council paid PCC £767,856 (£616,097 in 2021/22).

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

## Gosport and Fareham Building Control Partnership

The Partnership provides building control services on behalf of Gosport Borough Council, Fareham Borough Council and Portsmouth City Council; it has been in operation since 2003 and was expanded to include Portsmouth City Council from May 2015. During 2022/23, the Partnership charged Gosport Borough Council £95,316 (£66,223 in 2021/22) for statutory building control services. The Partnership has a policy of dividing generated surpluses between authorities based on fee generating work from each Authority. At the 31 March 2023, the balance of retained surplus for future investment in the service held by Gosport Borough Council was £90,923 (£93,952 in 2021/22), £151,108 (£156,143 in 2021/22) by Fareham Borough Council and £58,088 (£60,023 in 2021/22) by Portsmouth City Council.

## Gosport and Fareham Environmental Services Partnership

The Gosport and Fareham Environmental Health Partnership provides environmental health services to both Fareham and Gosport Borough Council. The Partnership has been in operation since 2014. During 2022/23, the Partnership charged Gosport Borough Council £666,718 for statutory environmental health services (£634,226 in 2021/22). The Partnership has a policy of sharing expenditure (excluding internal recharges) on a 50/50 basis. All income is retained by the relevant authority.

## Portchester Crematorium

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

During 2022/23 the Council received £170,000 (£180,000 in 2021/22) 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 2022/23 are shown below

2021/22 £'000	2022/23 £'000
<b>Portchester Crematorium - Gosport share (25%)</b>	
1,768 Long Term Assets	1,670
856 Current Assets	887
(22) Current Liabilities	(17)
(165) Long Term Liabilities	(40)
(834) Usable Reserves	(870)
(1,603) Unusable Reserves	(1,630)
<b>0</b>	<b>0</b>
(520) Income	(572)
520 Expenditure	572

# NOTES TO THE FINANCIAL STATEMENTS

## Other Public Bodies

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

2021/22 £'000		2022/23 £'000
36,992	Hampshire County Council	39,063
6,049	Hampshire Police & Crime Commissioners	6,469
1,984	Hampshire Fire & Rescue Authority	2,175
1,338	Hampshire Pension Fund	1,679
	Business Rates (excluding Hampshire Police & Crime Commissioners) and Council Tax precepts	
	Pension Fund payments	

## 31. Capital Expenditure and Capital Financing

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

2021/22 £'000	2022/23 £'000
<b>82,273</b>	<b>81,898</b>
<u>Capital Investment</u>	
4,590	5,729
123	-
26	-
58	275
829	1,356
<u>Sources of Finance</u>	
(411)	(296)
(1,613)	(1,532)
(3,391)	(5,030)
<u>Other Adjustments</u>	
(586)	(631)
<b>81,898</b>	<b>81,769</b>
<u>Explanation of Movements in year</u>	
211	502
(586)	(631)
<b>(375)</b>	<b>(129)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Revenue Expenditure Funded From Capital under Statute

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

	2021/22 £'000	2022/23 £'000
Housing Grants	809	1,330
Other Capital Schemes	20	26
<b>Total</b>	<b>829</b>	<b>1,356</b>

## 32. Leases

### Council as Lessee

#### Finance Leases

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

#### Operating Leases

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

The future estimated minimum lease payments are:

	31-Mar-22 £'000	31-Mar-23 £'000
Not later than one year	874	634
Later than one year and not later than five years	3,097	2,320
Later than five years	18	12
	<u>3,989</u>	<u>2,966</u>

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

	31-Mar-22 £'000	31-Mar-23 £'000
Minimum lease payments	875	687
	<u>875</u>	<u>687</u>

# NOTES TO THE FINANCIAL STATEMENTS

## Council as Lessor

### Finance Leases

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

	31-Mar-22 £'000	31-Mar-23 £'000
Finance lease debtor		
current	42	44
non current	4,570	4,526
Unearned finance income	5,593	5,373
Gross investment in the lease	10,205	9,943

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

	Gross Investment in the Lease		Finance Lease payments	
	31-Mar-22 £'000	31-Mar-23 £'000	31-Mar-22 £'000	31-Mar-23 £'000
Not later than one year	260	260	260	260
Later than one year, not later than five years	1,040	1,040	1,040	1,040
Later than five years	8,905	8,645	8,905	8,643
	10,205	9,945	10,205	9,943

### Operating Leases

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

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

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

	31-Mar-22 £'000	31-Mar-23 £'000
Not later than one year	629	599
Later than one year and not later than five years	2,516	2,216
Later than five years	15,503	14,435
	18,648	17,250

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

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

	31-Mar-22 £'000	31-Mar-23 £'000
Not later than one year	1	1
Later than one year and not later than five years	4	4
Later than five years	138	137
	143	142

# NOTES TO THE FINANCIAL STATEMENTS

## 33. Pensions

### 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. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

The council has pre-paid (£3.2million) its LGPS employer contribution for the 3 year period 1<sup>st</sup> April 2020 – 31<sup>st</sup> March 2023 in order to receive a discount from the Hampshire Pension Fund) to benefit from a discounted employer contribution being offered by the Hampshire Pension Fund.

**Unfunded** - the unfunded pension arrangements established by Gosport Borough Council relate to 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

### Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires Gosport Borough Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2022 and the contributions to be paid until 31 March 2026 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

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

### Risks associated with the Fund in relation to accounting

**Asset volatility** - the liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

**Changes in Bond Yield** - a decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

**Inflation Risk** - the majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

**Life expectancy** - the majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

**Exiting employers** - employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further, the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

# NOTES TO THE FINANCIAL STATEMENTS

## Fund Actuaries

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

## Estimated pension expenses for the year ending 31 March 2024

The actuary has provided the following estimates of the pension expense recognised in the Comprehensive Income and Expenditure Statement in 2023/24 based on assumptions at 31<sup>st</sup> March 2023.

**Funded Benefits**      £1.821m

**Unfunded Benefits**   £0.079m

## Assumptions

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

2021/22	Key assumptions (% per annum)	2022/23
	<b><u>Funded</u></b>	
2.7%	Discount rate	4.7%
3.0%	CPI Inflation	2.7%
3.0%	Pension increases	2.7%
3.0%	Pension accounts revaluation rate	2.7%
4.0%	Salary increases	3.7%
	<b><u>Unfunded</u></b>	
2.7%	Discount rate	4.7%
3.0%	CPI Inflation	2.7%
3.0%	Pension increases	2.7%

2021/22	Assumed life expectancy at age 65	2022/23
	<b><u>Males</u></b>	
23.2	Member aged 65 at accounting date	23.3
23.7	Member aged 45 at accounting date	23.8
	<b><u>Females</u></b>	
25.6	Member aged 65 at accounting date	25.7
26.6	Member aged 45 at accounting date	26.7

# NOTES TO THE FINANCIAL STATEMENTS

## Transactions Relating to Post-Employment Benefits

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

2021/22		Transactions relating to Post-employment Benefits	2022/23	
Funded £'000	Unfunded £'000		Funded £'000	Unfunded £'000
		<b><u>Comprehensive Income and Expenditure Statement</u></b>		
		<b>Cost of Services</b>		
3,415		- Current service costs #	3,111	
1		- Past service costs		
		<b>Financing and Investment Income and Expenditure</b>		
861	46	Interest on net defined benefit liability	722	54
<b>4,277</b>	<b>46</b>	<b>Pension expense recognised in the Surplus or Deficit on the Provision of Services</b>	<b>3,833</b>	<b>54</b>
		<b>Remeasurements of the Net Defined Liability, comprising</b>		
(5,594)		- Return on plan assets (in excess of) / below that recognised in net interest	8,624	
(7,766)	(51)	Actuarial (gains) / losses due to change in financial assumptions	(42,839)	(307)
(1,984)	(36)	Actuarial (gains) / losses due to changes in demographic assumptions	0	3
(1,991)	8	Actuarial (gains) / losses due to liability experience	10,072	102
<b>(17,335)</b>	<b>(79)</b>	<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>(24,143)</b>	<b>(202)</b>
<b>(13,058)</b>	<b>(33)</b>	<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>(20,310)</b>	<b>(148)</b>
		<b><u>Movement in Reserves Statement</u></b>		
(4,277)	(46)	Reversal of charges made for retirement benefits	(3,833)	(54)
1,169	169	Inclusion of employers contributions payable	1,509	170
<b>(3,108)</b>	<b>123</b>	<b>Total included in Movement in Reserves Statement</b>	<b>(2,324)</b>	<b>116</b>
21		# Allowance for administration expenses included in current service cost	23	



# NOTES TO THE FINANCIAL STATEMENTS

2021/22 £'000		2022/23 £'000
	<b><u>Employers contributions paid to Pension Fund</u></b>	
1,169	Normal Funded Contributions	1,509
	<b><u>Employers contributions paid to Pensioners</u></b>	
169	Discretionary / Unfunded Added Years	170
<b><u>1,338</u></b>		<b><u>1,679</u></b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31-Mar-22 £m	Reconciliation to Balance Sheet	31-Mar-23 £m
	<b><u>Funded</u></b>	
101.916	Fair value of assets	93.582
(129.278)	Present value of funded defined benefit obligation	(99.125)
(27.362)	Pension liability recognised on the Balance Sheet	(5.543)
	The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:	
30.0%	Active members	26.0%
17.0%	Deferred Pensioners	15.0%
53.0%	Pensioners	59.0%
	<b><u>Unfunded</u></b>	
(2.078)	Present value of defined benefit obligation	(1.760)
(2.078)	Pension liability recognised on the Balance Sheet	(1.760)
<b><u>(29.440)</u></b>	<b><u>Total</u></b>	<b><u>(7.303)</u></b>

## Assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31-Mar-22		Asset allocation	31-Mar-23		
Quoted	Unquoted		Quoted	Unquoted	Total
45.8%	11.1%	56.9%	42.0%	15.6%	57.6%
0.9%	6.0%	6.9%	1.4%	5.4%	6.8%
17.2%	0.0%	17.2%	16.5%	0.0%	16.5%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9.0%	0.0%	9.0%	0.0%	0.0%	0.0%
0.9%	0.0%	0.9%	1.1%	0.0%	1.1%
5.6%	3.5%	9.1%	0.0%	18.0%	18.0%
<b>79.4%</b>	<b>20.6%</b>	<b>100.0%</b>	<b>61.0%</b>	<b>39.0%</b>	<b>100.0%</b>

## Movement in the present value of Pension Fund Obligations

2021/22	Changes to the present value of the defined benefit obligation	2022/23
£m		£m
	<b>Funded</b>	
138.089	Opening defined benefit obligation	129.278
3.415	Current service cost	3.111
2.865	Interest expense on defined benefit obligation	3.438
0.462	Contributions by participants	0.494
(7.766)	Actuarial (gains)/losses due to change in financial assumptions	(42.839)
(1.984)	Actuarial (gains)/losses due to changes in demographic assumptions	0.000
(1.991)	Actuarial (gains)/losses due to liability experience	10.072
(3.813)	Net benefits paid out	(4.429)
0.001	Past service cost	0.000
<b>129.278</b>	<b>Closing defined benefit obligation</b>	<b>99.125</b>
	<b>Unfunded</b>	
2.280	Opening defined benefit obligation	2.078
	- Current service cost	
0.046	Interest expense on defined benefit obligation	0.054
(0.051)	Actuarial (gains)/losses due to change in financial assumptions	(0.307)
(0.036)	Actuarial (gains)/losses due to changes in demographic assumptions	0.003
0.008	Actuarial (gains)/losses due to liability experience	0.102
(0.169)	Net benefits paid out	(0.170)
<b>2.078</b>	<b>Closing defined benefit obligation</b>	<b>1.760</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Movement in the fair value of Pension Fund Assets

2021/22 £m	Changes to the fair value of assets	2022/23 £m
	<b>Funded</b>	
96.500	Opening fair value of assets	101.916
2.004	Interest income on assets	2.716
5.594	Remeasurement gains/(losses) on assets	(8.624)
1.169	Contributions by the employer	1.509
0.462	Contributions by participants	0.494
(3.813)	Net benefits paid out #	(4.429)
<b>101.916</b>	<b>Closing fair value of assets</b>	<b>93.582</b>
# The 'Net benefits paid out' figure includes an allowance for expenses of £0.021m		
	<b>Unfunded</b>	
0.169	Contributions by the employer	0.170
(0.169)	Net benefits paid out	(0.170)
-	<b>Closing fair value of assets</b>	-

## Actual return on Scheme Assets

2021/22 £m	Actual return on assets	2022/23 £m
2.004	Interest income on assets	2.716
5.594	Remeasurement gain/(loss) on assets	(8.624)
<b>7.598</b>	<b>Actual return / (loss) on assets</b>	<b>(5.908)</b>

## Sensitivity Analysis

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

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised on page 75.

Sensitivity of unfunded benefits is not included on materiality grounds.

# NOTES TO THE FINANCIAL STATEMENTS

<b>Sensitivity analysis for funded LGPS benefits</b>			
<b>Discount rate assumption</b>			
<b>Adjustment to discount rate</b>	<b>+0.1% pa</b>	<b>Base figure</b>	<b>-0.1% pa</b>
Present value of total obligation (£m's)	97.638	99.125	100.711
% change in present value of total obligation	-1.5%		1.6%
Projected service cost (£m's)	1.541	1.595	1.651
Approximate % change in projected service cost	-3.4%		3.5%
<b>Rate of general increase in salaries</b>			
<b>Adjustment to salary increase rate</b>	<b>+0.1% pa</b>	<b>Base figure</b>	<b>-0.1% pa</b>
Present value of total obligation (£m's)	99.224	99.125	99.026
% change in present value of total obligation	0.1%		-1.0%
Projected service cost (£m's)	1.595	1.595	1.595
Approximate % change in projected service cost	0.0%		0.0%
<b>Rate of increase to pensions in payment and deferred pensions assumption and rate of revaluation of pension fund accounts</b>			
<b>Adjustment to pension increase rate</b>	<b>+0.1% pa</b>	<b>Base figure</b>	<b>-0.1% pa</b>
Present value of total obligation (£m's)	100.612	99.125	97.737
% change in present value of total obligation	1.5%		-1.4%
Projected service cost (£m's)	1.651	1.595	1.541
Approximate % change in projected service cost	350.0%		-3.4%
<b>Post retirement mortality assumption</b>			
<b>Adjustment to mortality age rate assumption #</b>	<b>-1 year</b>	<b>Base figure</b>	<b>+1 year</b>
Present value of total obligation (£m's)	101.702	99.125	96.548
% change in present value of total obligation	2.6%		-2.6%
Projected service cost (£m's)	1.651	1.595	1.539
Approximate % change in projected service cost	3.5%		-3.5%
# 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			

# NOTES TO THE FINANCIAL STATEMENTS

## 34. Contingent Liabilities

- **Browndown Tip**

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

- **Alver Valley Country Park**

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

## 35. Contingent Assets

- **Priddys Hard Profit Share**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Cash Flow Statement – notes

2021/22 £'000	Adjustments to surplus or deficit on the provision of services for non-cash movements	2022/23 £'000
4,669	Depreciation and Impairments	4,812
716	Impairment and Downward Valuations	280
57	Amortisation	91
(18)	Increase/(Decrease) in Creditors	(10,644)
1,012	(Increase)/Decrease in Debtors	885
2,985	Movement in Pension Liability	2,208
5,161	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,360
(1,583)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,272)
<b>12,999</b>	<b>Net cash flow</b>	<b>1,720</b>

2021/22 £'000	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2022/23 £'000
(1,850)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,046)
(1,764)	Capital Grants credited to the surplus/deficit on the provision of services	(1,579)
<b>(3,614)</b>		<b>(3,625)</b>

2021/22 £'000	Net Cash Flow from Investing Activities	2022/23 £'000
(4,924)	Purchase of property, plant and equipment, investment property and intangible assets	(6,023)
(18,500)	Purchase of short-term and long-term investments	(58,960)
1,890	Proceeds from the sale of property, plant and equipment, investment property, intangible assets (including deferred capital receipts)	2,088
18,500	Proceeds from short-term and long-term investments	60,960
4,162	Other receipts from investing activities	1,337
<b>1,128</b>	<b>Net cash outflow from investing activities</b>	<b>(598)</b>

2021/22 £'000	Net Cash Flow from Financing Activities	2022/23 £'000
8,000	Cash receipts of short and long-term borrowing	11,000
0	Cash payments for the reduction of outstanding liabilities relating to finance leases	
(15,100)	Repayments of short and long-term borrowing	(11,100)
2,640	Billing Authorities - Council Tax and NNDR adjustments	596
<b>(4,460)</b>	<b>Net cash (inflow) / outflow from financing activities</b>	<b>496</b>

# NOTES TO THE FINANCIAL STATEMENTS

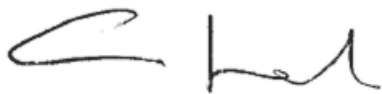
2021/22 £'000	The cash flows for operating activities include the following items:	2022/23 £'000
238	Interest Received	526
(1,787)	Interest Paid	(1,725)
<b>(1,549)</b>	<b>Net cash outflow from Interest and Dividends</b>	<b>(1,199)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 37. Certification and authorisation of the Accounts

Statement of Accounts – unaudited draft authorised for issue

Signed



Date 17<sup>th</sup> July 2023

C. WARD

Borough Treasurer, Section 151 officer

Statement of Accounts – audited statement authorised for issue

Signed

Date

C. WARD

Borough Treasurer, Section 151 officer

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

Signed

Date

COUNCILLOR P. CHEQWYN

Leader of the Council

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

Signed

Date

C. WARD

Borough Treasurer, Section 151 officer



# SUPPLEMENTARY FINANCIAL STATEMENTS

## HRA INCOME AND EXPENDITURE STATEMENT

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

2021/22 £'000	HRA INCOME AND EXPENDITURE STATEMENT	2022/23 £'000	2022/23 £'000
	<b>EXPENDITURE</b>		
5,630	Repairs & maintenance	5,918	
4,769	Supervision & management	5,109	
246	Rents, rates, taxes & other charges	64	
3,245	Depreciation, impairment and revaluation losses of non current assets	3,295	
46	Debt management costs	50	
13	Movement in the allowance for bad or doubtful debts	26	
<b>13,949</b>	<b>TOTAL EXPENDITURE</b>		<b>14,462</b>
	<b>INCOME</b>		
(14,296)	Dwelling rents	(14,940)	
(312)	Non dwelling rents	(331)	
(584)	Charges for services and facilities	(488)	
<b>(15,192)</b>	<b>TOTAL INCOME</b>		<b>(15,759)</b>
<b>(1,243)</b>	<b>NET INCOME OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>		<b>(1,297)</b>
180	HRA Services' share of Corporate and Democratic Core		195
<b>(1,063)</b>	<b>NET INCOME FOR HRA SERVICES</b>		<b>(1,102)</b>
	<b>HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>		
3,197	(Gain)/Loss on the disposal of HRA non-current assets		3,306
278	Payments to the Governments Housing Capital Receipts Pool		-
1,784	Interest payable and similar charges		1,838
(5)	Interest and investment income		(130)
222	Pension interest on net defined benefit liability		236
<b>4,413</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES</b>		<b>4,148</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS

2021/22 £'000	MOVEMENT ON THE HRA STATEMENT	2022/23 £'000	2022/23 £'000
(992)	Balance on the HRA at the end of the previous year		(992)
4,413	Surplus / deficit for the year on the HRA Income and Expenditure Account	4,148	
(4,157)	Adjustments between accounting basis and funding basis under regulations (detailed below)	(4,041)	
256	Net (increase)/decrease before transfers to /(from) reserves		107
(256)	Transfers to / (from) Reserves		(107)
0	Increase in year on HRA		0
(992)	Balance on the HRA at the end of the current year		(992)

ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS			
2021/22 £'000		2022/23 £'000	2022/23 £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
(3,197)	Gain/(Loss) on the disposal of HRA Non-Current Assets	(3,306)	
(278)	Contributions from the Capital Receipts Reserve to finance payments to the Governments Housing Capital Receipts Pool	-	
0	Capital Expenditure funded by the HRA	-	
28	Net charges to Accumulated Absences Account	-	
(1,059)	Net charges made for retirement benefits in accordance with IAS19	(1,182)	
3,239	Depreciation transfer to Major Repairs Reserve	3,290	
(3,245)	Depreciation transfer from Capital Adjustment Account	(3,295)	
(4,512)			(4,493)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
355	Employers contributions payable to the Local Government Pension Scheme and retirement benefits payable directly to pensioners	452	
355			452
(4,157)	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>		(4,041)

# SUPPLEMENTARY FINANCIAL STATEMENTS

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

### 1. Local Government and Housing Act 1989

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

### 2. Value of Housing Revenue Account Property

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

31-Mar-22			31-Mar-23	
Number	Value £'000		Number	Value £'000
<b>Operational Assets</b>				
2,904	153,727	Standard Dwellings	2,883	157,413
182	8,381	Sheltered Housing	182	8,547
504	1,163	Garages and Parking Spaces	504	1,195
5	42	Operational Property	5	43
1	33	Community Asset	1	33
<b>3,596</b>	<b>163,346</b>		<b>3,575</b>	<b>167,231</b>

The HRA asset base is valued annually – the 2022/23 stock valuation has been carried out by Savills (UK) Ltd on behalf of the Council and has been guided by the 'Stock Valuation for Resource Accounting: Guidance for Valuers – 2016' published by the Department for Communities and Local Government in November 2016. The housing stock for 2022/23 has been valued at 1 April 2023.

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

31-Mar-22 £'000		31-Mar-23 £'000
490,076	Dwellings	502,910
1,163	Other Land & Buildings	1,195
<b>491,239</b>		<b>504,105</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 3. Housing Stock

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

31-Mar-22	31-Mar-23
<b><u>Numbers</u></b>	
1,233 Houses	1,218
428 Bungalows	428
1,422 Flats	1,419
<b>3,083</b>	<b>3,065</b>
<b><u>Analysis of bedroom type</u></b>	
1,529 1 bedroom	1,527
538 2 bedroom	538
931 3 bedroom	917
85 4 or more bedrooms	83
<b>3,083</b>	<b>3,065</b>
<b><u>Analysis of stock by age</u></b>	
252 Pre 1945	248
1,259 1945 - 1964	1,248
616 1965 - 1974	614
956 1974 onwards	955
<b>3,083</b>	<b>3,065</b>

## 4. Major Repairs Reserve

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

2021/22 £'000	2022/23 £'000
812 Balance at 1 April	978
3,239 HRA Depreciation	3,290
<span style="color: red;">(3,073)</span> HRA Capital Financed	<span style="color: red;">(3,315)</span>
<b>978</b> Balance at 31 March	<b>953</b>

## 5. Housing Repairs

2021/22 £'000	2022/23 £'000
7,905 Expenditure on Repairs	8,659
4,274 Of which planned	4,548
54.1% % of Planned / Response	52.5%

£3.315 million of the 2022/23 expenditure (£3.073 million in 2021/22) on repairs was capital expenditure. The main categories of expenditure were rewiring, disabled adaptations, kitchens, bathrooms and central heating installations.

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 6. Capital Expenditure

2021/22 £'000	2022/23 £'000
3,073 HRA Properties - capital repairs & maintenance	3,315
97 Purchase of Properties	-
146 Affordable Housing - New Build Programme	244
<b>3,316</b>	<b>3,559</b>

## 7. Capital Financing

2021/22 £'000	2022/23 £'000
3,073 Major Repairs Reserve	3,315
243 Capital Receipts Reserves	244
<b>3,316</b>	<b>3,559</b>

## 8. Capital Receipts

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

2021/22 £'000	2022/23 £'000
1,839 Right to Buy sales	2,005
<b>1,839</b>	<b>2,005</b>

## 9. Depreciation and Impairments of Assets

Depreciation charges for Council Dwellings are shown below.

There was no revaluation loss or impairment charge to the HRA in respect of reductions in the value the Council's housing stock which could not be offset against a Revaluation Reserve balance in either 2022/23 or 2021/22.

2021/22 £'000	2022/23 £'000
3,239 Depreciation of Council Dwellings	3,290
<b>3,239</b>	<b>3,290</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 10. Rent Arrears

2021/22 £'000	2022/23 £'000
242 Current Tenants	262
200 Former Tenants	253
11 Garages	11
<b>453</b> Total Rent Arrears	<b>526</b>
(14,614) Gross Rent Income	(15,427)
3.1% Arrears as a % of Gross Rent Income	3.4%

The bad debt provision for all HRA debts at 31 March 2023 is £502,600 (£477,100 at 31 March 2022)

## 11. Pensions

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

2021/22 £'000	2022/23 £'000
<b>Net Cost of Services</b>	
482 Current service costs and past service costs	494
<b>Surplus or (Deficit) for the year on HRA Services</b>	
222 Pension interest on net defined benefit liability	236
<b>Statement of Movement on the HRA Balance</b>	
(1,059) Reversal of net charges made for retirement benefits in accordance with IAS19	(1,182)
<b>Actual amount charged against Rents</b>	
355 Employers' contributions payable to scheme	452

# SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND			
2021/22	-----2022/23-----		
£'000	£'000	£'000	£'000
	Business Rates	Council Tax	Total
<b>INCOME</b>			
(51,496) Council Tax	-	(53,206)	(53,206)
Council Tax Benefits - Discretionary Hardship			
8 Payments	-	3	3
(14,143) Income collectable from Business Ratepayers	(15,259)	-	(15,259)
<b>(65,631)</b>	<b>(15,259)</b>	<b>(53,203)</b>	<b>(68,462)</b>
<b>EXPENDITURE</b>			
<b>Apportionment of Previous Year Estimated Collection Fund Surplus / (Deficit)</b>			
(3,055) Central Government	(1,892)	-	(1,892)
(2,447) Gosport Borough Council	(1,514)	49	(1,465)
(569) Hampshire County Council	(341)	285	(56)
(3) Hampshire Police and Crime Commissioners	-	48	48
(62) Hampshire Fire and Rescue Authority	(38)	15	(23)
<b>Precepts, Shares and Demands</b>			
8,179 Central Government	7,508	-	7,508
12,843 Gosport Borough Council	6,006	6,537	12,543
37,560 Hampshire County Council	1,352	37,768	39,120
6,052 Hampshire Police and Crime Commissioners	-	6,421	6,421
2,046 Hampshire Fire and Rescue Authority	150	2,048	2,198
<b>60,544</b>	<b>11,231</b>	<b>53,171</b>	<b>64,402</b>
<b>Charges to the Collection Fund</b>			
322 Write off of uncollectable amounts	(1)	(5)	(6)
(39) Increase / (Decrease) in Bad Debt Provisions	726	2,574	3,300
0 Increase / (Decrease) in Provision for Appeals	(1,782)	-	(1,782)
78 Cost of collection	77	-	77
127 Transitional protection payments	54	-	54
72 Disregarded Amounts	188	-	188
<b>560</b>	<b>(738)</b>	<b>2,569</b>	<b>1,831</b>
<b>61,104</b> TOTAL EXPENDITURE	<b>10,493</b>	<b>55,740</b>	<b>66,233</b>
<b>(4,527)</b> (Surplus) / Deficit arising during the year	<b>(4,766)</b>	<b>2,537</b>	<b>(2,229)</b>
<b>MOVEMENTS ON THE COLLECTION FUND</b>			
6,674 (Surplus) / Deficit at 1 April	2,683	(536)	2,147
(4,527) (Surplus) / Deficit for the year	(4,766)	2,537	(2,229)
<b>2,147</b> (Surplus) / Deficit at 31 March	<b>(2,083)</b>	<b>2,001</b>	<b>(82)</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS

## NOTES TO THE COLLECTION FUND

### 1. The Collection Fund

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

### 2. Council Tax

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

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

Band	Estimated Number of Taxable Properties after Discounts	Ratio Equivalent	Band D Dwellings
Disabled	7.70	5/9	4.3
A	3,881.30	6/9	2,587.5
B	10,397.40	7/9	8,086.9
C	7,775.10	8/9	6,911.2
D	4,489.30	9/9	4,489.3
E	1,806.60	11/9	2,208.1
F	1,309.80	13/9	1,892.0
G	292.30	15/9	487.1
H	28.30	18/9	56.5
			26,722.9
			Plus MOD contributions in lieu 765.3
			Less allowance for losses on collection (334.0)
			<b>Tax Base for 2022/23 27,154.2</b>
			Tax base for 2021/22 26,722.8

The Band D Council Tax for a Gosport property in 2022/23 was £240.75 (£235.75 in 2021/22)



# SUPPLEMENTARY FINANCIAL STATEMENTS

## Distribution of the Council Tax surplus or deficit

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

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

Estimated 2021/22 (surplus) / deficit 31- Mar -22 (shared with preceptors 2022/23) £'000	Actual (surplus) / deficit 31- Mar -22 £'000	Council Tax	Estimated 2022/23 (surplus) / deficit 31- Mar -23 (shared with preceptors 2023/24) £'000	Actual (surplus) / deficit 31- Mar -23 £'000
(342)	(386)	Hampshire County Council	1,351	1,432
(18)	(20)	Hampshire Fire & Rescue Authority	73	78
(57)	(65)	Hampshire Police and Crime Commissioners	230	243
(60)	(67)	Gosport Borough Council	234	248
<b>(477)</b>	<b>(538)</b>		<b>1,888</b>	<b>2,001</b>

The difference between the estimated (surplus) / deficit for 2022/23 and the actual (surplus) / deficit will be shared with preceptors in 2024/25.

### 3. Non-Domestic Rates (NDR)

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

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

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

The standard non-domestic rating multiplier for the year was 51.2p pence (51.2p in 2021/22). The total non-domestic rateable value at the year-end was £43,180,607 (£43,376,322 in 2021/22).

# SUPPLEMENTARY FINANCIAL STATEMENTS

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.

Estimated 2021/22 (surplus) / deficit (shared with preceptors 2022/23) £'000	Actual (surplus) / deficit 31- Mar -22 £'000	Business Rates	Estimated 2022/23 (surplus) / deficit (shared with preceptors 2023/24) £'000	Actual (surplus) / deficit 31- Mar -23 £'000
1,892	1,342	Government	(152)	(1,042)
341	242	Hampshire County Council	(27)	(187)
38	27	Hampshire Fire & Rescue Authority	(3)	(21)
1,514	1,074	Gosport Borough Council	(122)	(833)
<b>3,785</b>	<b>2,685</b>		<b>(304)</b>	<b>(2,083)</b>

The deficit at 31<sup>st</sup> March 2022 included an exceptional balance of £2.430 which related to business rates waived and not collected due to government support for businesses during the Covid-19 pandemic by introducing an expanded retail discount and nursery scheme. Local authorities were fully compensated via Covid-19 S31 business rate relief grant for their lost business rate income and this grant funded fund the 2022/23 exceptional deficit.

The difference between the estimated (surplus) / deficit for 2022/23 and the actual (surplus) / deficit will be shared with preceptors and central government in 2024/25

#### 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

# SUPPLEMENTARY FINANCIAL STATEMENTS

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

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

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

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

-----31-Mar-22-----			-----31-Mar-23-----		
£'000	£'000	£'000	£'000	£'000	£'000
Busines s Rates	Council Tax	Total	Busines s Rates	Council Tax	Total
<b><u>Debtors / (Creditors)</u></b>					
-	2,406	2,406	-	3,650	3,650
-	131	131	-	200	200
-	409	409			
				Commissioners	625
124	610	734	144	507	651
36	-	36	(295)	-	(295)
4	-	4	(33)	-	(33)
(66)	(126)	(192)	(361)	(130)	(491)
200	-	200	(1,638)	-	(1,638)
<b><u>Provisions</u></b>					
(972)	-	(972)	(259)	-	(259)
<b><u>Unusable Reserves</u></b>					
1,074	(67)	1,007	(838)	248	(590)
<b>400</b>	<b>3,363</b>	<b>3,763</b>	<b>(3,280)</b>	<b>5,100</b>	<b>1,820</b>

The Council's Unusable Reserves figures above exclude the Enterprise Zone £39,358 credit (£69,077 credit in 2021/22)

# ANNUAL GOVERNANCE STATEMENT

## GOSPORT BOROUGH COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2022/23

#### **Scope of responsibility**

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

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

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

#### **The purpose of the governance framework**

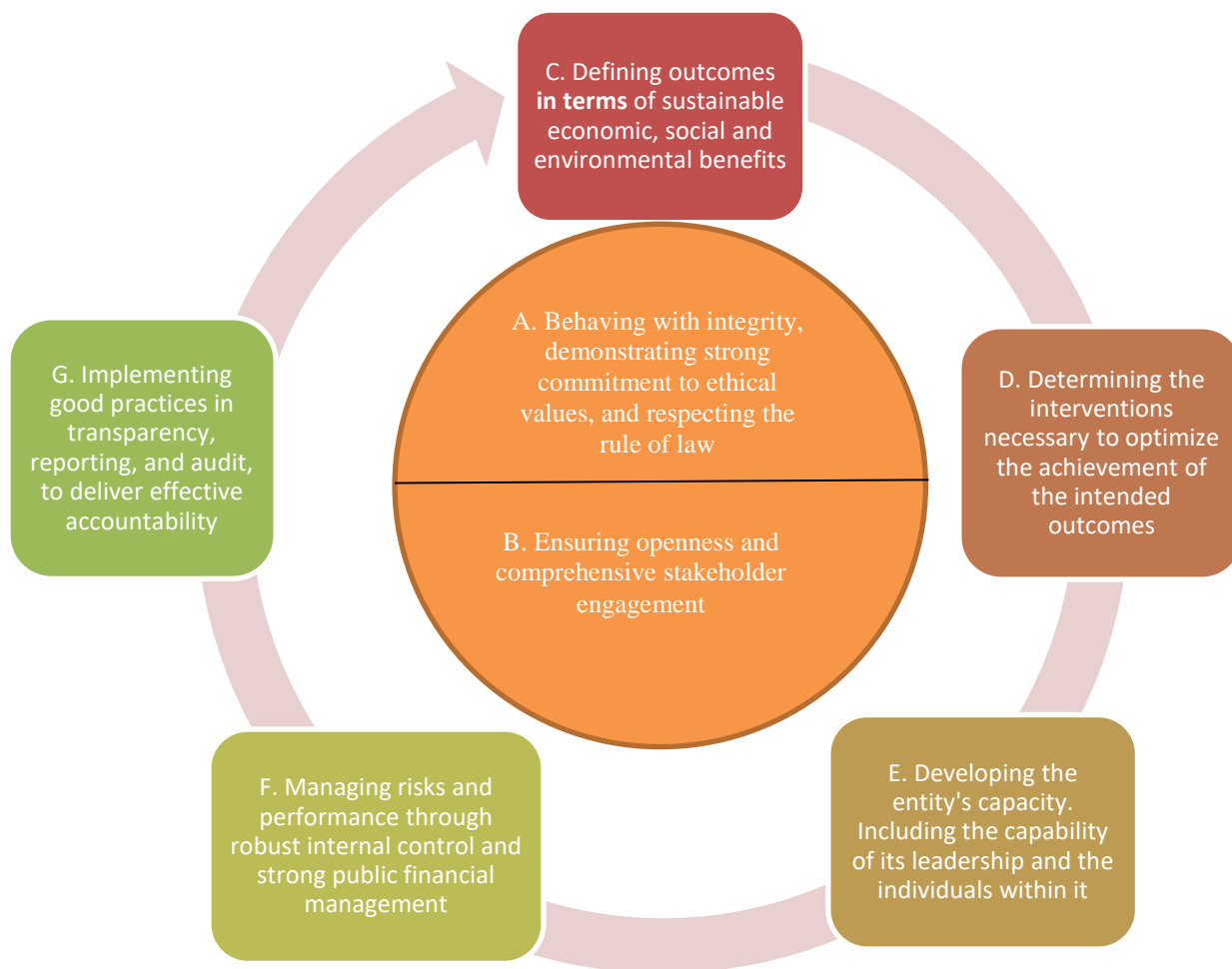
The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives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

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

#### **The governance framework**

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

# ANNUAL GOVERNANCE STATEMENT



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

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

### *Constitution*

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

### *Key Statutory officers and Governance Roles*

<b>Full Council</b>	Approves Council Strategy, constitution and key decisions.
<b>Policy and Organisation Board</b>	To exercise the functions of the Council in relation to Policy and Strategy, Finance and Resources, HR and Economic Development
<b>Standards and Audit Sub Board</b>	Sub board charged with ensuring governance

# ANNUAL GOVERNANCE STATEMENT

	within the council and promotes high standards of member conduct
<b>Chief Executive</b>	Section 4 of the Local Government and Housing Act 1989 requires a Local Authority appoint a Head of Paid Service and provide that officer with such staff, accommodation and other resources as are, in their opinion, sufficient to allow their duties under this section to be performed. For Gosport Borough Council this officer is David Williams, Chief Executive
<b>Corporate Governance Group</b>	Group charged with ensuring and promoting good governance and internal control within the Council. Key group in monitoring risk management.
<b>Corporate Management Team</b>	Implements policy framework and objectives as set by the Council. Championing Council's governance, risk and control framework
<b>Borough Treasurer (s151 Officer)</b>	As required with the Local Government Act 1972, s151, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. For Gosport Borough Council, this responsibility is that of the Borough Treasurer, Chris Ward
<b>Monitoring Officer</b>	An officer, appointed under section 5 of the Local Government and Housing Act 1989, who is required to report to the Council where it appears to them the authority has done, or is about to do, anything which would contravene the law or which would constitute maladministration. For Gosport Borough Council this is the Borough Solicitor, Peter Baulf.
<b>Internal Audit</b>	Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity.
<b>External Audit</b>	Review and Audit of the Council's statement of accounts on an annual basis, which includes the Annual Governance Statement and value for money.
<b>Managers</b>	Maintaining and implementing Council's governance, risk and control framework. Contribute to effective corporate governance of the Council

## *Councillors*

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

# ANNUAL GOVERNANCE STATEMENT

## **Councillor Board Structure**

As the Council chose to adopt 'alternative arrangements' following publication of the Local Government Act 2000, a Board/Committee structure is in place and each party is represented proportionally on 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.

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

A report on Governance was taken to Council in May 2016 to review the arrangements for the discharge of the Council's Functions and proposed changes to the Boards and Committees. The composition of the boards was amended in 2022/23 following the change of administration:

## **Composition of Boards**

The following is the composition of the Boards:-

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

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

**Council**  
**Policy and Organisation Board**  
**Community and Environment Board**  
**Regulatory Board (Licensing Sub-Boards)**

As the Regulatory Board deals with planning applications, and on rare occasions Heritage related documents, and the Licensing Sub-Boards 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 Audit Sub Board in place to promote and maintain the highest standards of conduct by members and officers of the Council. The sub board undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. Additionally, the Monitoring Officer is enabled to convene an Initial Filtering Panel with three Councillors of the Standards and Audit Sub Board and/or the Council's Independent Person to



# ANNUAL GOVERNANCE STATEMENT

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 of the Council*

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A protocol contained in the Constitution governs the relationship between officers and members of the Council. In certain circumstances, senior and other officers of the Council can make decisions under delegated authority, as detailed in the Borough's Constitution.

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

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

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

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

- Code of Conduct for Members of Gosport Borough Council
- Code of Conduct for the Guidance of Employees
- Code of Conduct for Councillors in the Regulatory Process
- Protocol for Councillor/Officer Relationships
- Whistleblowing Policy

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

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

## *Boundary Review*

The Local Government Boundary Commission for England (LGBCE) informed the Council that they would be undertaking a statutory review of the electoral arrangements with regard to the Electoral Ward boundaries at an informal meeting with The Leader of the Council, the Chief Executive and the Electoral Registration Officer in January 2020.



# ANNUAL GOVERNANCE STATEMENT

The LGBCE stated they were 'conducting a review of Gosport Borough Council ('the Council') as the value of each vote in borough elections varies depending on where you live in Gosport. Some councillors currently represent many more or fewer voters than others. This is 'electoral inequality'. Our aim is to create 'electoral equality', where votes are as equal as possible, ideally within 10% of being exactly equal.'

This electoral review was carried out to ensure that:

- The wards in Gosport are in the best possible places to help the Council carry out its responsibilities effectively.
- The number of voters represented by each councillor is approximately the same across the borough.

Following the review the LGBCE, the following recommendations were made

- Gosport should be represented by 28 councillors, six fewer than there are now.
- Gosport should have 14 wards, three fewer than there are now.
- The boundaries of all wards should change except Lee East and Lee West wards.

The recommendations were consulted on until 30<sup>th</sup> August 2021. Following the consultation, the recommendations of the Boundary Review were accepted and were put in place for the 5<sup>th</sup> May 2022 Local Elections.

## **B. Ensuring openness and comprehensive stakeholder engagement**

### *Complaints*

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

### *Partnerships*

Partnerships allow the Council to work with organisations, other local authorities and groups to aid in the delivery of the Council's services and objectives. The Borough links with Hampshire County Council in relation to education within the Borough and highways management. In addition, GBC also has formal partnership agreement with Fareham Borough Council in relation to Environmental Health, Licensing and Building Control Engagement.

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

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

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

### *Consultations*

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

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

# ANNUAL GOVERNANCE STATEMENT

The Council complies with the Freedom of Information Act (2000) and requests can be submitted electronically or in person to be considered by the service unit concerned within 20 working days.

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

### *Financial Planning*

Over the past 10 years (since 2011/12), Central Government funding to Councils has reduced by over 40% in real terms. The Council has a strong track record of being able to live within its means, make savings and secure financial resilience.

The Medium Term Financial Strategy is designed to meet the following criteria "in year" expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services, improving the overall prosperity of residents and businesses and ensuring adequate financial resilience.

Over the next 3 years, the Council has a forecast budget deficit to remedy amounting to £1.7m (+/- £0.5m arising from future uncertainty). This compares to a forecast deficit of £2.1m estimated in February 2021 and reflects the following: (i) An improved position regarding future estimates of Pension obligations (£0.3m) ii) An improved position for Waste Recycling Income (£0.3m) iii) The rolling 3 year forecast moving on a further year to now incorporate 2025/26

However, it is important to note, as last year, there remains significant uncertainty regarding the future forecast which is estimated could vary between +/- £0.5m arising from the following: • The outcome of the Fair Funding Review • The outcome of the Business Rate Retention review • The legacy impact of Covid 19 and, in particular, its effect on Council Tax Income and Business Rates Income.

### *Financial Management Code*

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

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

### *Council Corporate Plan*

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

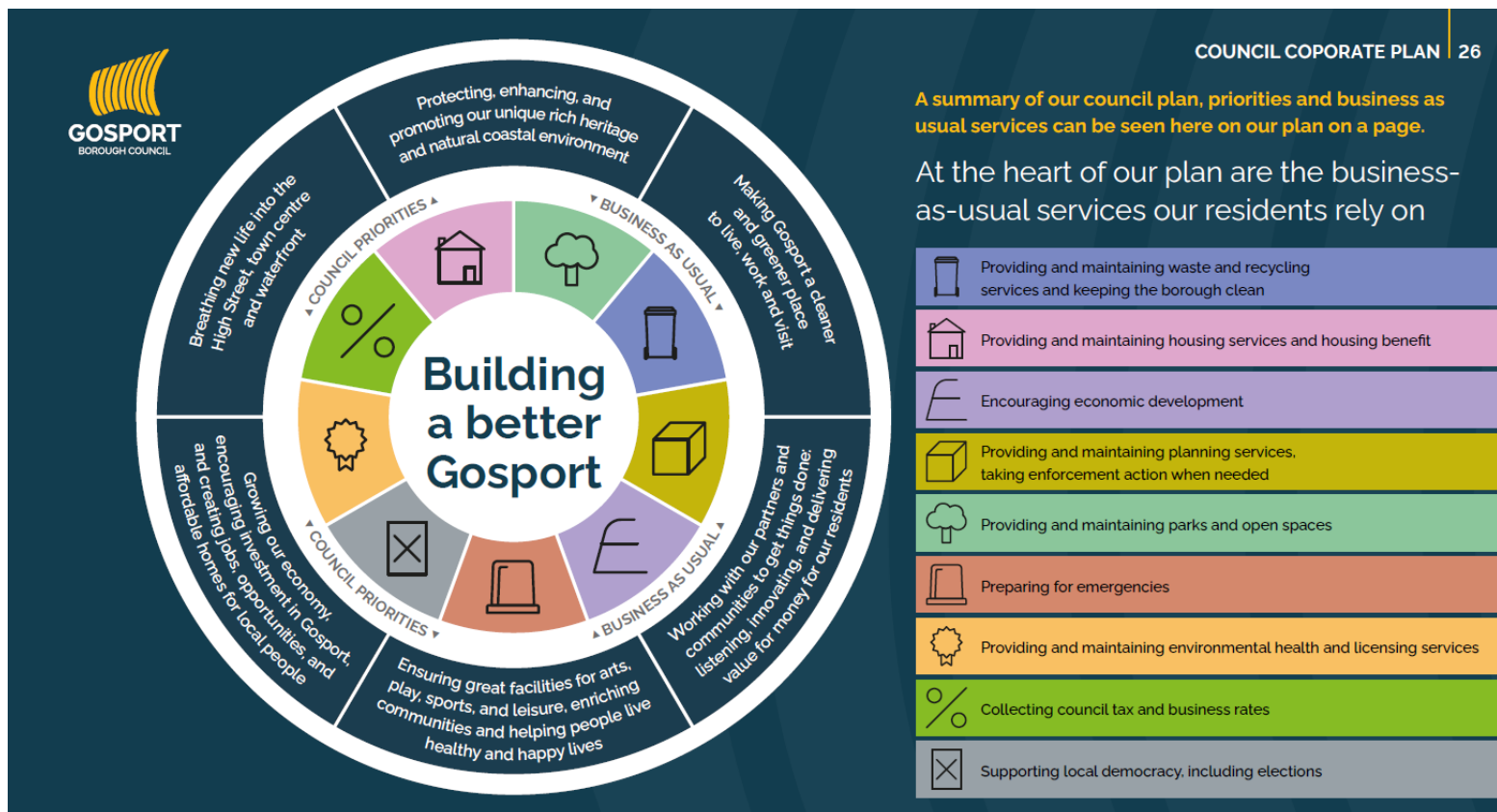
The Council's current priorities as set out in the Corporate Plan are:

### **Building a better Gosport for everyone by:**

#### **7) Breathing new life into Gosport's high street, town centre and waterfront**

# ANNUAL GOVERNANCE STATEMENT

- 8) Protecting, enhancing, and promoting Gosport's unique rich heritage and natural coastal environment
- 9) Making Gosport a cleaner and greener place to live, work and visit
- 10) Growing our economy, encouraging investment in Gosport, and creating jobs, opportunities and affordable homes for local people
- 11) Making sure Gosport has great facilities for arts, play, sports and leisure, enriching communities and helping people live healthy and happy lives
- 12) We will do this by being a council that works together with our partners and communities to get things done, listening, innovating and delivering value for money for the people of Gosport



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

### Recruitment & training

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

Gosport Borough Council also has access to the Portsmouth Learning Gateway (PLG) which has a host of Local Authority specific training courses for all staff to access as and when required.

The Council also utilises its partnership with Portsmouth City Council to recruit and employ employee individuals on the apprenticeship scheme, utilising the Government funded Apprenticeship Levy. Apprenticeships provide an opportunity for us to develop our workforce and provide employment and

# ANNUAL GOVERNANCE STATEMENT

training opportunities for people in our community. As at March 2023 GBC has 2 apprentices and 1 member of staff studying an apprenticeship as part of their existing role.

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

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

New Members are provided with an induction training programme to prepare them for their new role, commencing with an induction evening hosted by the Chief Executive, Assistant Chief Executive, Borough Solicitor and Borough Treasurer that covers topics such as the role of the councillor, finance, standards, code of conduct and major projects. Briefings such as those 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 local government finance) detailed in the 'Training Opportunities for Members' booklet within the Members Information Pack.

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

### *Risk Management*

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

GBC approved a new Risk Management Policy in 2020 (reviewed in 2022) which aimed to embed risk management throughout the Authority with all sections taking ownership of their risks. Periodically, section risk registers are reviewed and analysed by a Corporate Governance Group to determine the risks which will form the Council's Strategic Risk Register. The Corporate Governance Group consists of the Chief Executive, Assistant Chief Executive, s151 Officer, Borough Solicitor and Chief Internal Auditor.

### *Value for money*

The Council has put significant focus on improving procurement processes within the organisation which has included the implementation of a new electronic procurement system. In addition, the Council had its Contract Procedure Rules (CPRs) reviewed by a specialist at CIPFA to ensure they are robust in ensuring compliance with relevant procurement legislation. These were finalised in 2022/23. A November 2022 internal audit has highlighted areas for improvement in relation to the adherence to the Council's CPRs and suitable actions have been agreed to address this issue, however, large improvement was evidenced from the original audit which occurred in 2019.

External Auditors reviewed progress against the action plan and noted that

# ANNUAL GOVERNANCE STATEMENT

*'Based on our review of the Council's progress as reported in September 2022, six months after the end of the financial year:*

- *Seven were rated 'Complete'*
- *Three were rated 'In Progress'*
- *Three had 'Not Yet Started'*

*While there is progress in the action plan, the progress has not been sufficient by 31 March 2022.'*

As noted above, the result of the November 2022 Internal Audit Report, while the agreed actions were still being implemented, the data tested on compliance showed a significant improvement in the areas of significant concern, namely compliance with CPR's and evidencing value for money. The Council recognises the need to complete the implementation of the remaining actions in the action plan and these are scheduled to be complete by March 2023 Further work is planned in 2023/24 to conduct further staff training and continue monitoring compliance at a corporate level.

## *Financial management*

The Council maintains an objective and professional relationship with their appointed external auditors (Ernst & Young LLP) and statutory inspectors, as evidenced by the various reports being presented to the Policy and Organisation Board (available on the Council's website). The Council uses the evidence and recommendations contained in those reviews to support performance improvement and risk management.

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

## *Data Management*

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

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

## **Review of effectiveness**

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

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

1. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.



# ANNUAL GOVERNANCE STATEMENT

2. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager. The report includes 'agreed actions' for any issues/risks that have been identified. These issues/risks are graded as Critical, High, Medium or Low. All critical risk issues/risks are followed up within 3 months of the final report being issued. If a high risk issue is raised, the audit will be followed up in the next financial year.
3. An Internal Audit Annual Report is taken to the Standards and Audit Sub Board (as per the Accounts and Audit Regulations 2015) and this provides the overall opinion on the Council's internal control environment.

The Standards and Audit Sub Board also received Internal Audit monitoring reports throughout 2022/23.

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

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

The Senior Management Team have been charged by the Administration to review the effectiveness of all of the Council's activities on a continuous basis. Service reviews are ongoing across the Council focused on ensuring that customer demands are met with the changing landscape and working practices enforced by the global pandemic. Ensuring processes are effective, and that services have adequate capacity and resilience. These are especially prevalent since the Covid-19 pandemic which has required services to work remotely and flexibly to meet the current demands.

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

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

## Annual Audit Opinion 2022/23 Reasonable Assurance

During 2022/23, 20 full audit reviews, 3 grant sign offs & 10 follow up reviews were undertaken and completed. 2 full audits remain in draft while final actions are agreed, however, their findings have been taken into consideration for the Annual Opinion.

No significant areas of concern arose during the audits completed within 2022/23. The majority of controls weaknesses are isolated to the specific systems tested and the percentage of reasonable and full assurance results supports this with 73% of the audits (full and follow-up) performed being attributed with these rating. Conversely there is an increase in the level of limited assurance reviews (9) and the number of high risk exceptions raised from the previous year, (17 to 30). These are, therefore, newly highlighted areas of risk exposure, however, 9 of these new high risk exceptions related to two audits.

# ANNUAL GOVERNANCE STATEMENT

Alongside this, the implementation of 'Agreed Actions' from previous year's audits has been low for another year. With only 28% of the agreed actions stated by Sections as having been closed as part of the follow up testing undertaken. This is a 1% decrease from 29% in 2021/22. The reasoning presented for inactivity for the majority of the open exceptions is that sections are struggling to manage workloads. Not addressing identified risk exposure leaves the Council vulnerable and therefore implementing agreed actions within the timeframe is essential to ensure good governance. A breakdown of the follow ups statistics is on page 10 of this report. Given the continued low completion rate of previously raised issues, all follow up audits with open exceptions will be reported to the Corporate Governance Group for oversight and action. The Standards and Audit Sub Board have also requested that if follow up audits show limited or no progress, that the relevant Section Head will be asked to attend the meeting to discuss the reasonings.

The governance concerns noted above are compounded by additional factors such as the infancy of the new risk management arrangements, which, while they have been in place for the whole financial year, there is continued training and guidance needed to fully embed them with section's business as usual arrangements. Also, a vacancy in the Head of Finance position presents a governance risk as, while this roles is being covered, this is with current resources levels which in turn creates strains on existing workloads. This staffing risk is also highlighted as a significant risk in both the Strategic Risk Register and Annual Governance Statement (AGS).

Over the past two years the overall assurance level has been rated as 'reasonable', with narrative of a decline towards 'limited', this position is escalating and in the coming years, if some of the issues highlighted above remain unresolved, this will result in a 'limited assurance' rating being provided.

Four audit opinion levels are in place and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. 73% of audits completed obtained Reasonable or Full Assurance which indicates that there is not systemic issues with the existing internal control framework, however, as outlined above, a number of governance concerns do exist which need action over the next financial year to avoid the assurance level moving negatively to 'limited' assurance. Therefore, based on the results of the audits conducted in 2022/23 and internal audit's wider knowledge of the Council, the Annual Audit Opinion for 2022/23 is **Reasonable Assurance** on the effectiveness of the governance and internal control framework within Gosport Borough Council.

No Assurance	Limited Assurance	<b>Reasonable Assurance</b>	Full Assurance
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In addition, Internal Audit will also continue to work with Section Heads, Corporate Management Team and the Chief Executive to improve on specific areas of control, risk management and governance weaknesses

Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2022/23 may affect that year's work for External Audit. It may also inform their work for 2023/24 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

# ANNUAL GOVERNANCE STATEMENT

## Coronavirus Governance - Ongoing Impact

On the 17<sup>th</sup> March 2020, as a result of the global pandemic regarding Covid-19, Gosport Council moved to running business critical services only. This resulted in the majority of staff either working from home or being redeployed to critical services. GBC enacted its emergency procedures and created a Covid-19 Emergency Response Team lead by the Assistant Chief Executive. The composition of the team includes leads in the key areas of the Council deemed critical along with statutory officers such as the Monitoring Officer and Head of Emergency Planning. Decisions made by the Covid-19 Response group have been documented.

As part of the Audit Plan a number of Covid related grants and processes were audited to ensure the Council had managed the fast paced challenging environment created by the pandemic.

As a result of the global Covid 19 pandemic, the Council along with multiple agencies and organisations, have responded and performed their role in safeguarding lives, maintaining critical services and functions and protecting the most vulnerable amongst our communities. The Authority has also administered government grants at pace and on some occasions against a changing framework. Internal Audit has aided the Authority in various activities, one of which has been to provide independent assurance on normal activities but also for those additional areas of service performed.

GBC continues to work in a hybrid way with both remote and office working, utilising virtual meetings where suitable.

## Cost of Living Crisis

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

## Significant governance issues

The following governance issues have been identified as a result of the review of arrangements and by the work of external and internal audit in 2021/22 and 2022/23

NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
1	Procurement Compliance	Chief Internal Auditor	A corporate action plan was put in place to address the concerns raised from the Procurement Audits	Significant progress has been made against the action plan, as at March 2023:	Head of Benefits, Procurement and Insurance
2	Ongoing budget pressures which	Borough	3 year budget	Ongoing	Borough



# ANNUAL GOVERNANCE STATEMENT

NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
	have been further impacted by national economic factors	Treasurer	plan which outlines the required savings has been drafted an agreed		Treasurer
3	Staff capacity and succession planning.	Risk Register	Review of vacant posts has been undertaken with job evaluation and design considered where posts have been hard to fill. Promotion of recruitment and retention tools to increase potential retention of skills and increase use of Apprenticeships where applicable. Progression planning discussed with section heads.	Ongoing. New Chief Executive in and further recruitment planned for vacant senior roles	Chief Executive
4	Compliance with GDPR and protecting the Council's information	Audit Report	Actions have been put in place and are progressing to meet ongoing requirements of GDPR	Progress is ongoing, however, areas still remain outstanding	Senior Information Risk Owner
5	Cost of living impact may cause reliance on Local Authorities to deliver Government schemes with limited resources	Corporate Governance Group	Provide online resources to aid the public and signpost where help can be sought	Completed	Chief Executive

# ANNUAL GOVERNANCE STATEMENT

NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
6	IT resilience and adaptability	Corporate Management Team (CMT)	IT Strategy to be drafted to determine course of action to reduce current resilience risks	Ongoing. PCC Head of IT undertaking get well investigation	Head of IT / CMT

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

Signed .....

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**Leader of the Council**

**Chief Executive**

# AUDIT OPINION

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# GLOSSARY OF TERMS

## GLOSSARY OF TERMS

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

# GLOSSARY OF TERMS

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

# GLOSSARY OF TERMS

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

# GLOSSARY OF TERMS

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. i.e. the pension benefits “earned” by employees in the current year’s employment net of contributions paid
Pension - Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
Pension - Interest on the Net Defined Benefit Liability (Asset),	The change during the period in the net defined benefit liability (asset) that arises from the passage of time - calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Pension - Actuarial gains and losses	Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions
Pension - Past Service Cost	Discretionary benefits awarded on early retirement are treated as past service costs
Pension – Strain on Pension Fund Contribution	Pension strain is a concept for the management of the pension fund finances arising from an employee retiring early, without actuarial reduction of pension. This causes lost contribution income and creates an interest cost arising from the associated earlier, increased cash flow
Pension - Curtailment	Curtailements 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	The method of financing capital expenditure directly from revenue

# GLOSSARY OF TERMS

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