

# Public Document Pack

*Please ask for:*

**Lisa Young**

*Direct dial:*

**(023) 9254 5340**

*Fax:*

**(023) 9254 5587**

*E-mail:*

**[lisa.young@gosport.gov.uk](mailto:lisa.young@gosport.gov.uk)**

**17 November 2020**

## **S U M M O N S**

**MEETING:** Policy and Organisation Board  
**DATE:** 25 November 2020  
**TIME::** 6.00 pm  
**PLACE:** Virtual  
**Democratic Services contact:** Lisa Young

PAUL GRANT  
BOROUGH SOLICITOR AND MONITORING OFFICER

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## **MEMBERS OF THE BOARD**

Councillor Mrs Huggins (Mayor) and Councillor Hook (Chairman)

Councillor Ms Ballard	Councillor Mrs Hook
Councillor Bateman	Councillor Hylands
Councillor Burgess	Councillor Jessop
Councillor Chegwyn	Councillor Murphy
Councillor Mrs Cully	Councillor Philpott
Councillor Foster-Reed	Councillor Mrs Prickett
Councillor Herridge	Councillor Raffaelli

**NOTE:**

- i. Councillors are requested to note that, if any Councillor who is not a Member of the Board wishes to speak at the Board meeting, then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off or switched to silent for the duration of the meeting.
- iii. This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.

## **AGENDA**

RECOMMENDED  
MINUTE FORMAT

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF THE MEETING OF THE BOARD HELD ON 29 SEPTEMBER 2020

4. DEPUTATIONS - STANDING ORDER 3.4

*(Note: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Monday 23<sup>rd</sup> November 2020. The total time for deputations in favour and against a proposal shall not exceed 10 minutes)*

5. PUBLIC QUESTIONS - STANDING ORDER 3.5

*(NOTE: The Board is required to allow a total of 15 minutes for questions from members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Monday 23<sup>rd</sup> November 2020 )*

6. LOCAL GOVERNMENT AND POLICE & CRIME COMMISSIONER ELECTIONS

To advise the Board of the steps being taken in preparation for the 'triple' elections being held on Thursday, 06 May 2021 in the current Covid-19 pandemic.

7. RIPA POLICY - CROSS REFERENCE FROM THE STANDARDS AND GOVERNANCE COMMITTEE

Subject to consideration of the Standards and Governance Committee this report may be subject to Policy and Organisation Board approval.

8. RISK POLICY - CROSS REFERENCE FROM THE STANDARDS AND GOVERNANCE COMMITTEE

It is proposed that this report be presented to the Standards and Governance Committee as a late report, subject to consideration of the Committee it may be subject to Policy and Organisation Board approval.

9. ANNUAL GOVERNANCE STATEMENT 2019/20

To seek approval from Members in regards to the draft Annual Governance Statement (AGS) 2019/20

10. ERNST & YOUNG 2019-2020 AUDIT RESULTS REPORT

This report summarises the findings to date from the 2019-20 external audit, which is substantially complete. This report summarises the findings to date from the 2019-20 external audit, which is substantially complete.

11. APPROVAL OF THE 2019-2020 STATEMENT OF ACCOUNTS

Report to follow

12. ANY OTHER ITEMS

13. EXCLUSION OF THE PUBLIC

RESOLVED: That in relation to the following item the public should be excluded from the meeting, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during this item there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the report.

14. GROUNDS MAINTENANCE MACHINERY TENDER

That the Board consider the recommendation of the Community Board held on the 4 November 2020.

## **A MEETING OF THE POLICY AND ORGANISATION BOARD WAS HELD ON 29 SEPTEMBER 2020**

The Mayor Councillors Mrs Huggins, Ms Ballard, Bateman, Burgess, Chegwyn, Mrs Cully, Foster-Reed, Hook, Mrs Hook, Hylands, Jessop, Murphy, Philpott, Mrs Prickett, Raffaelli and Westerby (Substituting for Herridge)

### **17. APOLOGIES FOR NON-ATTENDANCE**

An apology for non attendance was received from Councillor Herridge.

### **18. DECLARATIONS OF INTEREST**

Councillor Mrs Ballard declared a personal interest in agenda item 9 Covid Update.

### **19. MINUTES OF THE MEETING OF THE BOARD HELD ON 28/07/2020**

RESOLVED: That the minutes of the meeting held on 28 July 2020 be signed as a true and correct record.

### **20. DEPUTATIONS - STANDING ORDER 3.4**

There were none.

### **21. PUBLIC QUESTIONS - STANDING ORDER 3.5**

There were none.

### **22. ELECTORAL REVIEW BY THE LOCAL GOVERNMENT BOUNDARY COMMISSION FOR ENGLAND**

Consideration was given to a report of the Electoral Registration Officer advising the Board of the next steps required by the Borough Council regarding the statutory review currently being undertaken by the Local Government Boundary Commission for England (LGBCE), and to make recommendations to Full Council.

Members were given clarity by the Electoral Registration Officer regarding 28 members being the minimum necessary to enable Gosport Borough Council to deliver its strategic priorities, legislative requirements and governance arrangements. With the current number of boards/committees this would enable each Member to sit on 3.

Members wished to recognise the excellent report and thanked Officers for the hard work that had gone into it.

Members were reminded that the responsibility of the Board was to make recommendations to Council and if approved the Boundary Commission may not choose to accept the recommendations and would also consider submissions from other persons/groups.

Policy and Organisation Board  
29 September 2020

It was proposed and seconded that an amendment be made to the recommendation set out in the report; that recommendation e) reads “in consultation with the three group leaders”

A Member voiced their concern for the amount of money being spent by the LGBCE at a time when the future of Councils in 2022 were uncertain.

A Member proposed an amendment to recommendation b) to establish a Task and Finish Group to increase the amount of consultation by Members on this decision.

Members were pleased to accept that various other options could be explored by the Task and Finish group, without which the LGBCE may not accept the submission.

Members asked for clarification of what, if any information had been shared with LGBCE and were advised that only evidence of the political forecast of the electoral size for 2026 had been submitted. The rest of the report needed be submitted before the 12<sup>th</sup> October 2020.

Members were also advised that at Stage 1 of the process the LGBCE were only looking at the number of Councillors, and not the frequency or make up of elections.

The Board considered whether it was appropriate for the Task and Finish Group to meet prior the Council meeting as the Board was making a recommendation to the Council and the Task and Finish Group could potentially amend this or the supporting documents, but it was felt acceptable, given the short timescale for the return. It was accepted that the Group Leaders would make any amendments to recommendation or the document they considered appropriate.

The amendments to the recommendation were made under Standing Order 6.5.2.

**RESOLVED** The Policy and Organisation Board recommend that Full Council approve

- a) Local Government Boundary Commission for England: Polling District Forecasting Tool for the Borough of Gosport – attached as Appendix 1;
- b) Council Size submission for the Borough of Gosport to the LGBCE – attached as Appendix 4; subject to an all party Task & Finish group consisting of the three group leaders or their deputies being set up to consider and agree the Council’s proposals prior to their submission to LGBCE
- c) Gosport remains with the current electoral cycle and elects by halves;
- d) Gosport remains with the current ‘alternative arrangements’;
- e) authority be delegated to the Electoral Registration Officer, in consultation with the group leaders, to make further editing changes, correction and updates to the Council Size document prior to submission to the LGBCE.

### **23. UPDATED WHISTLEBLOWING POLICY**

Consideration was given to a report of the Chief Internal Auditor seeking approval from Members in regards to the draft updated Whistleblowing Policy 2020.

Members were advised that this report contained a fairly substantial update and outlined the assurances the Council will give to employees making referrals and outlining how the process will be managed to ensure consistency. The methods of communication have been extended.

Members welcomed the report and fully supported the additional anonymity and confidentiality the process afforded employees.

RESOLVED: That the Policy and Organisation Board approve the draft updated whistleblowing Policy

## **24. FEES AND CHARGES**

Consideration was given to a report by the Head of Finance setting out the Fees and Charges for 2021/22.

Members welcomed this report and supported the decision to freeze many of the fees particularly for the market traders taxi licenses and sports facilities. It was felt that the Council should do anything it could to support those worst hit by the current situation, and it justified the relatively small loss of income. It was felt that the new pavement licence had been of great benefit to small traders and had created a much welcomed “Café culture” in the High Street.

Members asked that the bulk waste situation, whereby there was a long waiting list for collections, should be looked into as it could result in not just a loss of revenue but potentially fly-tipping.

RESOLVED

That the Board recommend that Full Council approve the Fees and Charges referred to in the report and appendix for implementation from 1 January 2021 unless stated otherwise.

## **25. COVID UPDATE**

Consideration was given to a report of the Head of Finance providing the Board with an update of the financial impact to the Council as a result of the Covid-19 pandemic.

Members welcomed the report and felt it put into perspective the cost to the Council of Covid 19, and recognised that there was an ongoing commitment for the foreseeable future. They were reassured that there would be no cuts to frontline services as a result of this additional expenditure.

Members also wanted to recognise the additional workload and responsibilities the Covid situation had put upon all officers, in particular those dealing with the homeless and vulnerable. There was also praise for the way in which voluntary organisations, churches and the community as a whole had come together to support those most in need.

Members expressed a wish to be kept updated on these figures and this would be done through the Members Information Bulletins.

The Board noted the report.

## **26. ANY OTHER ITEMS**

Policy and Organisation Board  
29 September 2020

There were none.

**CHAIRMAN**

Concluded at 7.20 pm

# Agenda Item 6

<b>Board/Committee:</b>	POLICY & ORGANISATION BOARD
<b>Date of Meeting:</b>	WEDNESDAY, 25 NOVEMBER 2020
<b>Title:</b>	MAY 2021 LOCAL GOVERNMENT AND POLICE & CRIME COMMISSIONER ELECTIONS
<b>Author:</b>	RETURNING OFFICER & ELECTORAL REGISTRATION OFFICER
<b>Status:</b>	FOR DECISION

## **Purpose**

To advise the Board of the steps being taken in preparation for the 'triple' elections being held on Thursday, 06 May 2021 in the current Covid-19 pandemic.

## **Recommendations**

1. To note the changes necessary to ensure a safe and efficient run Poll during the Covid-19 pandemic;
2. To note that more changes and amendments may be required to the current planning and procedures based on national, regional or local restrictions placed on the Returning Officer, his appointed staff, electors, candidates, agents and observers;
3. Authority be delegated to the Returning Officer to make changes to the Polling Places required for use in these and future Polls whilst the Coronavirus (Covid-19) pandemic response is in effect.

### **1.0 Background**

- 1.1 The Local Government elections for all Electoral Wards within the Borough of Gosport and the Police & Crime Commissioner election for the Hampshire Police Area were due to be held on Thursday, 07 May 2020. However, due to the national lockdown due to the Coronavirus pandemic affecting all parts of the United Kingdom in the run up to the 2020 Polls, the UK Government passed legislation postponing those elections until 06 May 2021.
- 1.2 May 2021 will be the first 'triple' election held in Gosport in memory. All elections take meticulous planning, A triple election will cause additional pressures and complications, and then taking into account the additional planning and restrictions due to the Covid-19 will make the May 2021 Polls unique.

- 1.3 Electoral Services staff normally begin working on May Polls in the January, however due to Covid-19 initial planning and preparation work has already began.
- 1.4 The Electoral Commission has already shared its public facing communication plans with Returning Officers and Electoral Services Managers this month. The Commissions 2021 Public Awareness Campaign first phase will run from mid October until the end of December 2020. This initial phase will cover:
1. Polling stations will be safe places to vote;
  2. there are a range of voting options (in person, by post, proxy appointment);
  3. those who wish to vote by post should apply early.

## **2.0 Report**

### **2.1 Preparations: Staffing**

All staff on the Elections Staffing Database were written to at the end of September outlining the working being undertaken by the Electoral Services Core team, and some of the measures being considered to ensure Covid-19 safe working environments and processes for all aspects of the Poll (covering Polling Stations, Postal Vote issue and opening, verification and count etc). This letter also included an anonymous Covid Staff Questionnaire for return asking whether they would be willing to work on the elections:

1. If the COVID-19 alert level were similar to today (Level 4)?
2. If the COVID-19 alert level was significantly higher than today (Level 5)? For example, the government message were to stay at home except for daily exercise, to undertake a key worker role or to work in/attend a polling station?
3. If the COVID-19 alert level were lower than today (Level 2/3)? For example, the government message were there are no or minimal social distancing measures?

2.2 A copy of the letter template and the Covid Staff Questionnaire is included in Appendix 1 of this report.

2.3 In total 409 letters and questionnaires were sent out to the individuals on the database, and as of Friday, 13 November 2020 242 returns have been received. The analysis of the responses received is as follows:

If the COVID-19 alert level were similar to today (4)?					
Yes	170	No	47	Maybe	25
If the COVID-19 alert level was significantly higher than today (5)? For example, the government message were to stay at home except for daily exercise, to undertake a key worker role or to work in/attend a polling station?					
Yes	103	No	91	Maybe	48

If the COVID-19 alert level were lower than today (2/3)? For example, the government message were there are no or minimal social distancing measures?					
Yes	194	No	26	Maybe	22

2.4 To give Elected Members an understanding on the number of staff and the number of jobs required for elections, the table below shows the election type and date along with the number of jobs required for the election, and the total number of staff allocated/appointed. Some staff complete more than one job e.g. work as Poll Clerk in the Polling Station on Polling Day but also work on the issue and opening of postal votes etc.

<b>Date</b>	<b>Election type</b>	<b>Number of jobs</b>	<b>Number of staff appointed</b>
03 May 2018	Borough of Gosport	696	235
23 May 2019	European Parliamentary	610	209
30 May 2019	Brockhurst By-election	57	30
12 Dec 2019	UK Parliamentary General Election	713	265
07 May 2020	Borough of Gosport & Police and Crime Commissioner	549	207
06 May 2021	Borough of Gosport, Hampshire County Council & Police and Crime Commissioner	754	

#### 2.5 **Preparations: Polling Places/Stations**

Usually Polling Stations are booked in the January before the May elections, however due to the Covid-19 restrictions, all current designated Polling Places were written to on 09 October 2020 to secure the locations for May 2021. This year, in addition to the usual questionnaire on facilities etc, an additional Covid-19 Location questionnaire was also included with the Booking Confirmation Letters. A copy of the template letter and the questionnaire has been included in Appendix 2.

- 2.6 The responses received from the Polling Places to date have not caused any concerns or issues for their use in May 2021. Most locations will already have in place a Covid Secure Assessment, but those that do not will be visited by the Electoral Services team to undertake a Covid Risk Assessment for the May 2021 Polls.
- 2.7 Whilst every endeavour will be made by the Returning Officer for the upcoming elections to use the Polling Places approved by Full Council at its meeting on Wednesday 18 December 2019, the current Covid-19 pandemic might mean that changes will be required to the Polling Places with very little notice.
- 2.8 Section 18B(3) of the Representation of the People Act requires that “a relevant authority must designate the Polling Places for the Polling Districts in its area.” This function is not delegated to officers under the council’s constitution and will be taken to P&O Board to determine.
- 2.9 Guidance has been issued to Returning Officers by the Electoral Commission with regard to making ‘Last-minute changes to polling stations’<sup>1</sup>:  
*“There may be circumstances (e.g., flooding, fire, vandalism) when a change of polling station is required at short notice. As part of your planning, you should compile a list of stand-by or portable polling stations that could be used in such circumstances. Local authorities are responsible for designating polling places and polling districts and you must, except in the case of special circumstances, designate a new polling station within the same polling place.*  
*“Usually, if there is a need to change the polling place, council agreement will be required. If delegation procedures are in place, you should follow these and contact the person or persons who are entitled to make changes to the scheme of polling places. However, flood, fire or vandalism occurring in the immediate lead-up to polling day could constitute a ‘special circumstance’, enabling you to designate a polling station outside the polling place without the need to seek council agreement.”*
- 2.10 With the possibility of Covid-19 outbreaks within areas of Gosport making the use of Polling Places either unavailable at short notice, or making them unsafe to use; further Board decisions could delay notification to those electors affected, and also the messaging to other interested parties such as candidates, election agents, the media etc. Therefore it is proposed that authority be delegated to the Returning Officer to make changes to the Polling Places required for

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use in these and future Polls whilst the Coronavirus (Covid-19) pandemic response is in effect.

2.11 Should any changes be necessary to the currently designated Polling Places, the Returning Officer would ensure that a number of mitigating measures are taken to ensure that electors who are affected by a late change to a polling station are able to vote with minimum disruption:

- use social media to inform electors that there has been a change to a polling station;
- if time allows, send out a letter to all affected electors informing them of the change to their polling station;
- if time allows, use the local media to disseminate information to the affected electors – for example, through issuing press releases;
- put up signs at the old polling station informing electors about the change, including directions to the new one;
- display clear and visible signage at the new polling station.

2.12 **Preparations: Postal Vote issue and opening sessions**

Due to the limitations currently in force with regard to social distancing, and the Covid Secure Risk Assessment for the Civic Wing, alternative locations are currently being sought for the issue and opening sessions for postal vote packs for these elections. Once the locations have been assessed for suitability and the necessary risk assessments produced and approved, information will be shared with candidates and elections agents through the usual briefing paper following the close of nomination process.

2.13 Whichever locations are used for the postal vote opening sessions, there will be changes to the processes due to the fact that the returned postal vote packs could contain three ballot papers, and therefore planning and consideration will be taken by the Returning Officer to ensure that as required under legislation:

A. At the local government elections (Borough of Gosport & Hampshire County Council), in addition to the Returning Officer and my staff, the following people are entitled to attend the opening of local government election postal votes (Regulation 68 of the 2001 Regs):

- candidates
- election agents
- any person appointed by a candidate to attend in the election agent's place
- postal voting agents
- Commission representatives
- accredited observers

At the Police & Crime Commissioner election, in addition to the Local Returning Officer and my staff, the following people are

entitled to attend the opening of postal votes at a PCC election (Rule 32 Sch 2 of the PCCE Order 2012):

- the Police Area Returning Officer and their staff
- candidates
- election agents
- sub-agents
- postal voting agents
- Commission representatives
- accredited observers

2.14 It will therefore be necessary to schedule timeslots, based on the Borough of Gosport Electoral Wards, for the opening of the postal vote packs, to ensure only those allowed under the relevant legislation are present in the room for that part of the opening session, and adherence to social distancing measures, as well as any other measures implemented (e.g. issue of PPE etc) to ensure safe and Covid-19 compliant work spaces for everyone present.

2.15 **Preparations: Verification and Count**

A written direction has been received from the Police Area Returning Officer (PARO), with regard the timetable for the verification and counting of the votes for all elections held on Thursday 06 May 2021: “Given that these polls are combined with HCC elections, as well as other polls, including by elections, the timetable from polling day will proceed as follows:

- **Thursday 06 May 2021:**
  - Polling day (07:00AM-10:00PM)
  - At close of poll all ballot boxes will be stored securely by Local Returning Officers (LROs)
- **Friday 07 May 2021:**
  - LROs will verify ALL ballot boxes.
  - Once verification has been completed, PCC ballot papers will be secured in ballot boxes until the PCC count.
  - LROs will then proceed to count Principal Council ballot papers starting with HCC ballot papers
- **Saturday 08 May / Sunday 09 May 2021:**
  - LROs will continue to count Principal Council ballot papers and any other polls if they wish
- **Monday 10 May 2021:**
  - PCC Count will commence at 9:00 AM with re verification of ballot boxes”

2.16 This means that the count for all Electoral Wards for the Borough of Gosport will take place on Saturday 09 May 2021, and as outlined for the opening of the postal votes in 2.13 above. It will therefore be necessary to schedule timeslots for each Electoral Ward for the counting of the votes. This is to ensure only those allowed under the relevant legislation will be admitted and present in the room for that

part of the count and adherence to social distancing measures, as well as any other measures implemented (e.g. issue of PPE etc) to ensure safe and Covid-19 compliant work spaces for everyone present.

- 2.17 Based on the current situation with regard to the Covid-19 restrictions, the Returning Officer will **not** be allowing members of the public or any additional persons as guests (other than the one guest per candidate as required under legislation) into the Count Venue (venue in the wider term compared to Count Hall). This will mean that Councillors who are not candidates, not appointed as agents, or as the one named guest of the candidate will not be able to attend the Count Venue for the declaration of results and the speeches (SI 2006/3004 Rule 44(5) and SI 2012/1917 Rules 48(5) and 51(5)). This will ensure safe and Covid-19 compliant space for everyone else present.

### **3.0 Changes to processes and procedures outlined and contained in the report**

- 3.1 The Policy and Organisation Board also note the very obvious point that any/all of the processes and procedures outlined and contained in this report are liable to change depending upon circumstances as they unravel and we get closer to the Polling Day of 06 May 2021.

## **4.0 Risk Assessment**

- 4.1 It is the Local Government Returning Officer who is personally responsible for the conduct of the local election including:
- publishing the local government notice of election;
  - administering the nomination process at the local election;
  - printing the local government ballot papers;
  - publishing the local statement of persons nominated and the notice of poll;
  - counting the votes for the local election;
  - declaring the local election results.
- 4.2 For combined local government and Police & Crime Commissioner elections, the local government Returning Officer also takes on responsibility for the combined elements of the poll including:
- the provision of polling stations;
  - the appointment and training of Presiding Officers and Poll Clerks;
  - conducting the poll;
  - the notice of situation of polling stations;
  - the equipment of polling stations;
  - the notification of the secrecy requirements at polling stations;
  - signing certificates of employment for polling station staff allowing them to vote at the polling station they are working at, as opposed to the one allocated to them;
  - authorisation to order the removal of persons from polling stations;
  - verification of all ballot papers;
  - where it has been decided to combine the issue of postal votes:
    - the corresponding number list ;
    - the issue of postal votes including creating a copy of the postal voters list and proxy postal voters list and marking it on issue;
    - the opening of postal votes including the marking the returned postal vote statements on the lists and the verification of the personal identifiers on the returned postal voting statements;
    - managing the postal vote process.
  - counting the PCC votes for your voting area;
  - transmitting the local totals for the voting area to the PARO;
  - printing the PCC election ballot papers.
- 4.3 The duties as the local government Returning Officer and Local Returning Officer are separate from the duties as a local government officer. The Returning Officer and Local Returning Officer are not responsible to the local authority but directly accountable to the courts as an independent statutory office holder.

4.4 Therefore, the risk on these elections lies primarily on the Returning Officer and not on Gosport Borough Council, although the Council does provide the appropriate insurance to enable the role of Returning Officer to be undertaken. In the event of such insurance carrying an 'excess' clause by which an initial portion of risk is not insured, the Council, through its internal insurance fund or otherwise, will indemnify the Returning Officer up to the value of such excess (as agreed by Full Council on Thursday 16 May 2019).

<b>Financial Implications:</b>	
<b>Legal Implications:</b>	Contained within the report.
<b>Crime and Disorder:</b>	N/A
<b>Equality and Diversity:</b>	The Returning Officer (RO) is required to have due regard to the public sector equality duty contained in Section 149 of the Equality Act 2010 when carrying out his duties.
<b>Equality Impact Assessment:</b>	N/A
<b>Service Improvement Plan:</b>	N/A
<b>Corporate Plan:</b>	This process aligns with the Strategic Priorities to 'Deliver effective services' and 'Empower our residents'
<b>Risk Assessment:</b>	
<b>Background papers:</b>	1. LGBCE Full Council Presentation on the Boundary Review for Gosport 2. LGBCE Members Briefing Pack
<b>Appendices:</b>	
Appendix 1	Election Staff Letter and Anonymous Covid Questionnaire
Appendix 2	Letter and Covid Questionnaire for use of premises as a Polling Place
<b>Report author/Lead Officer:</b>	Graeme Jesty

## Appendix 1 Election Staff Letter and Anonymous Covid Questionnaire

### Borough of Gosport



GRAEME JESTY, Returning Officer & Local Returning Officer  
Town Hall, High Street, Gosport, Hampshire, PO12 1EB

<<First name>> <<Surname>>  
<<Address line 1>>  
<<Address line 2>>  
<<Address line 3>>  
<<Address line 4>>  
<<Post code>>

Please ask for: Liz Burgess  
Telephone: 023 9254 5227  
Date: 23 October 2020  
Our Reference: 2021 Staff Covid  
availability

Dear <<First name>>

#### **Borough of Gosport, Hampshire County Council & Police and Crime Commissioner Elections - Thursday 6 May 2021**

I have began preparations for the May 2021 Gosport Borough Council, Hampshire County Council and the Police & Crime Commissioner Elections all being held on Thursday, 06 May 2021.

The impact of COVID-19 is at the forefront of my team's planning and we will be focusing on ensuring that voting is safe for electors and staff. This will include (but is not limited to) exploring:

- PPE at polling stations, the count and postal vote opening sessions (Hand-sanitiser, gloves, masks, visors, perspex screens);
- One way systems in venues;
- Management of queues, venue capacities and social distancing;
- Use of IT in Polling Stations (to replace CNLs, Registers, Ballot Paper accounts etc);
- Promotion of postal voting.

We are aware that, despite the arrangements that we put in place, some usual election staff may not be keen to work on this occasion. We are therefore asking staff to anonymously provide us with an idea of whether they would be willing to work in May 2021.

This will allow my team to start planning now for any shortfall in staffing numbers.

//please turn over...

## COVID Alert Levels



Level	Description	Action
5	As level 4 and there is a material risk of healthcare services being overwhelmed	Social distancing measures increase from today's level
4	A COVID-19 epidemic is in general circulation; transmission is high or rising exponentially	Current social distancing measures and restrictions
3	A COVID-19 epidemic is in general circulation	Gradual relaxing of restrictions and social distancing measures
2	COVID-19 is present in the UK, but the number of cases and transmission is low	No or minimal social distancing measures; enhanced testing, tracing, monitoring and screening
1	COVID-19 is not known to be present in the UK	Routine international monitoring

STAY ALERT › CONTROL THE VIRUS › SAVE LIVES

If you need any further information about the forthcoming election please contact Liz Burgess on 023 9254 5227 or e-mail: [electoral.registration@gosport.gov.uk](mailto:electoral.registration@gosport.gov.uk).

Yours sincerely,

Graeme Jesty  
Returning Officer & Local Returning Officer

**ANONYMOUS STAFFING COVID QUESTIONNAIRE**

**Borough of Gosport, Hampshire County Council & Police and Crime  
Commissioner Elections- Thursday 6 May 2021**

**Would you make yourself available to work at the May 2021 Elections ....**

1. If the COVID-19 alert level were similar to today (4)? *Please tick only one box*

Yes                       No                       Maybe

2. If the COVID-19 alert level was significantly higher than today (5)? For example, the government message were to stay at home except for daily exercise, to undertake a key worker role or to work in/attend a polling station? *Please tick only one box*

Yes                       No                       Maybe

3. If the COVID-19 alert level were lower than today (2/3)? For example, the government message were there are no or minimal social distancing measures? *Please tick only one box*

Yes                       No                       Maybe

Other Concerns?

4. Do you have any other concerns about working at the May 2021 elections that you would like to make us aware of?

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//please turn over...

About You

We are asking for the following information so that the team can analyse which staffing areas may require the most additional staffing and to allow us to undertake estimates across our staffing database based on the sample gathered from this survey.

5. What role(s) do you undertake at elections normally? *Please tick all boxes that apply.*

- Poll Clerk
  - Presiding Officer
  - Polling Station Inspector
  - Count Assistant
  - Senior Count Role
  - Postal Vote Opener
  - Postal Vote Issuer
  - Logistics Team
  - Other (please specify)
- 

6. Age? *Please tick only one box*

- 18-24       25-30       31-40
- 41-50       51-60       61-70
- 71-80

7. Gender *Please tick only one box*

- Female       Male       Prefer not to say

## Appendix 2

### Letter and Covid Questionnaire for use of premises as a Polling Place

# Borough of Gosport



Graeme Jesty, Returning Officer  
Town Hall, High Street, Gosport, Hampshire, PO12 1EB.

<<Name of Booking Agent>>	Ask for	Graeme Jesty
<<Booking Agent Job Title>>		
<<Polling Place Name>>	Telephone	023 9254 5227
<<Polling Place Address 1>>		
<<Polling Place Address 2>>	Date	23 October 2020
<<Polling Place Address 3>>		
<<Polling Place Post Code>>	Our ref	PS Booking Confirmation

Dear Booking Agent

**Borough of Gosport, Hampshire County Council & Police and Crime  
Commissioner Elections – Thursday 6 May 2021  
Use of Premises for Polling Place - <<Polling Place Name>>**

I am writing to make a booking of <<Polling Place Name>> for use in connection with the above election as a Polling Station on 6 May 2021. The premises need to be open from 6.15am until 10.30pm. Staff will require the use of three tables at least 75 cm (H) and 75 cm (W) by 1.5m (L) and 10 'adult' chairs during the day as there is now a requirement to provide seating for voters within the Polling Station.

Equipment for use in the Polling Station will be delivered on the day before polling day (Wednesday 05 May) and collected on the day after Polling Day (Friday 07 May). Please indicate on the attached form your preferred delivery and collection time.

I would be grateful if you would complete and return the attached form to confirm my booking **as soon as possible**. There have been some changes made to the Polling Districts and Polling Places following the statutory review and since the UK Parliamentary General Election in December 2019, and therefore please note that this Polling Place will have 1 Polling Station for these elections.

Payment for the use of the premises as a Polling Place will only be made on receipt of an invoice. It would be helpful if you could forward an invoice to me by Friday 25 June 2021, or at your earliest convenience.

To speed up responses and any questions or queries etc, please feel free to e-mail any queries or questions to [electoral.registration@gosport.gov.uk](mailto:electoral.registration@gosport.gov.uk), and you can scan and return your completed forms to this e-mail address if you wish.

.../please turn over

If you need any further information about this election please call Electoral Services on 023 9254 5227 or e-mail [electoral.registration@gosport.gov.uk](mailto:electoral.registration@gosport.gov.uk).

Yours sincerely



Graeme Jesty  
Head of Electoral Services & Returning Officer

### **Polling Places Legislation**

At the UK Parliamentary General Election held in December 2019, there was some confusion regarding the use of the buildings as Polling Places, and therefore I thought you might find the following information useful as the Booking Agent for the location be used:

- The designation of Polling Places is determined by the Borough Council, and is reviewed every 5 years as required under legislation, and the last review was conducted between February and December 2019. These designations will be used for all elections held within the Borough of Gosport until 2024, and the law does not allow these to be changed until a new review is carried out.
- A '**Polling Place**' is the building or area in which 'Polling Stations' will be selected by the Returning Officer.
- A '**Polling Station**' is the room or building where the poll takes place. It is chosen by the relevant Returning Officer for the election and publicised on the Notice of Poll and communicated to electors on the Poll Card.
- Schools that are publicly funded, including academies and free schools, can be used as Polling Stations free of charge, and the legislation allows me as the Returning Officer to require a room in such schools for use as a polling station (*Local Elections (Principal Areas) (England and Wales) Rules 2006 sch 3 rule 20(1)*). I am also entitled to use, free of charge, any publicly-funded room as a polling station (*Local Elections (Principal Areas) (England and Wales) Rules 2006 sch 3 rule 20(1)(b)*). I do, however, need to pay for any lighting, heating, etc., costs incurred when using such rooms as Polling Stations.
- The legislation surrounding who is allowed to enter a Polling Station is very clear:  
voters, Returning Officer and staff appointed by him/her, candidates and election agents, polling agents, police officers and PCSOs on duty, representatives of the Electoral Commission, accredited observers authorised by the Electoral Commission, under 18s accompanying voters and companions of voters with disabilities.
- I do allow staff working on the site of the Polling Station to enter the Polling Station throughout the day, and the Polling Station staff I employ are briefed on this issue, as long as they do not interrupt or disrupt the voters and the statutory election processes taking place.

**Borough of Gosport, Hampshire County Council & Police and Crime  
Commissioner Elections – Thursday 6 May 2021**

**Use of Premises as a Polling Place - <<Polling Place Name>>**

The name(s) and address(es) of the correspondent/caretaker/keyholder of the premises are as follows: *(please amend where necessary)*

Booking Agent:

Payee:

Telephone

Telephone

KeyHolder1:

KeyHolder2:

Telephone:  
Mobile:

Telephone:  
Mobile:

Charge for the use of the premises: £  
*(please amend if necessary)*

Cheque to be made payable to:  
*(please amend if necessary)*

**Please turn over and answer questions  
regarding the premises and sign the  
confirmation statement. Thank you >>>>>**

**Borough of Gosport, Hampshire County Council & Police and Crime Commissioner  
Elections – Thursday 6 May 2021  
Use of Premises for Polling Station - <<Polling Place Name>>**

*Please answer the following questions relating to the premises:*

- Is there on-site or adjacent car parking? Yes / No
- Are there kitchen facilities available for use e.g. kettle, microwave? Yes / No
- Is there reasonable access for the disabled? Yes / No
- Is there adequate heating and lighting? Yes / No
- If you are a school, will the school be open to the pupils on Polling Day? Yes / No
- Is there a first aid kit on the premises which can be accessed by the polling station staff? Yes / No

**Current message printed on Poll Cards delivered to electors for this location** (please amend if necessary, but note that space is limited for messaging due to statutory requirements and available space):

No dogs allowed at the Polling Station, except guide and assistance dogs.

**Preferred delivery and collection time** (please ✓ appropriate boxes):

<b>Delivery</b> Wed 05 May 2020	10.00 – 12.00	<input type="checkbox"/>	12.00 – 14.00	<input type="checkbox"/>	14.00 – 16.00	<input type="checkbox"/>	No preference	<input type="checkbox"/>
<b>Collection</b> Fri 07 May 2020	10.00 – 12.00	<input type="checkbox"/>	12.00 – 14.00	<input type="checkbox"/>	14.00 – 16.00	<input type="checkbox"/>	No preference	<input type="checkbox"/>

I confirm your booking of <<Polling Place Name>> on Thursday 6 May 2021 and confirm that the required number of tables and chairs to your specification will be available for use by the Polling Station staff on Polling Day.

Signed ..... Date .....

Please print name: .....

Contact telephone no. ....

Email address: .....

**COVID-19 PANDEMIC POLLING PLACE QUESTIONNAIRE**

**Borough of Gosport, Hampshire County Council & Police and Crime  
Commissioner Elections – Thursday 6 May 2021**

**Use of Premises as a Polling Place - <<Polling Place Name>>**

Due to the current Covid-19 pandemic, additional planning and analysis is requested to be undertaken to ensure that any Polling Place locations used for the elections ensure the safety of my staff, electors and your staff.

***Please answer the following additional questions relating to the premises with regard to current guidance relating to Covid Secure Locations and Workplaces:***

Am I required to hire the location for more than one day to allow for a deep clean prior and post-election day? Yes / No

Are your nominated keyholders available (some may fall into vulnerable or shielding categories)? Yes / No

Do stations have two entrances to allow for a way in and way out? Yes / No

Is there adequate room outside the station for queues and tellers? Yes / No

If I need to place floor markers based on government advice at the time is this okay? Yes / No

Is the location currently open/operational for your usual business? Yes / No

If the location currently has restrictions in place, please let me know what these are on the lines below:

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Do you have a Covid-19 Secure Location Risk Assessment currently in place/operation? If YES, please supply a copy either in hard copy or by email Yes / No

It may be necessary for two members of my team to attend the location to complete a Polling Place assessment, to ensure that the location will provide a Covid-19 safe Polling station for my staff and electors. If you have any preference for specific days of the week or a preference on morning or afternoons, then please let me know on the lines provided below. Likewise, if there are any specific dates for me to avoid, again please let me know on the lines below.

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# Agenda Item 7

GOSPORT BOROUGH COUNCIL

CROSS REFERENCE

TO: POLICY AND ORGANISATION BOARD  
25 NOVEMBER 2020

FROM: STANDARDS & GOVERNANCE COMMITTEE  
19TH NOVEMBER 2020

TITLE: RIPA POLICY

AUTHOR: PAUL SOMERSET

**Attached is a copy of the RIPA Policy report that will be considered by the Standards and Governance Committee on the 19<sup>th</sup> November.**

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<b>Board/Committee:</b>	Standards and Governance Committee
<b>Date of Meeting:</b>	19 <sup>th</sup> November 2020
<b>Title:</b>	RIPA Policy
<b>Author:</b>	Chief Internal Auditor
<b>Status:</b>	FOR APPROVAL

## **Purpose**

To seek approval from Members in regards to the Regulation of Investigatory Powers Act (RIPA) Policy 2020, before presenting the Policy to the Policy and Organisation Board.

## **Recommendations**

- a. That the Standards and Governance Committee approve the Regulation of Investigatory Powers Act (RIPA) Policy 2020

### **1. Background & Purpose**

- 1.1 Controls on covert surveillance were introduced as a consequence of the Human Rights Act 1998, which enshrined the European Convention and Human Rights into UK law and came into effect on 2 October 2000
- 1.2 The Regulation of Investigatory Powers Act 2000 (RIPA) and RIPA (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 aim to ensure that public bodies respect the privacy of members of the public when carrying out their investigations and that there is an interference with privacy only where the law permits it and there is a clear public interest justification in the prevention or detection of crime
- 1.3 The Protection of Freedoms Act 2012 requires that Local Authorities seeking RIPA authorisation are subject to judicial approval. This means that approval of the RIPA authorisation or Renewal of an authorisation must be agreed by a judicial authority in the local Magistrates Court.
- 1.4 This Policy outlines the process, procedure and the delegated officers charged with administering the Council's use of RIPA in line with the legislation.

### **2. Report**

- 2.1 Appendix A is the Regulation of Investigatory Powers Act (RIPA) Policy 2020.

### **3. Conclusion**

- 3.1 That the committee approve the Regulation of Investigatory Powers Act (RIPA) Policy 2020.

<b>Financial Services comments:</b>	Nil
<b>Legal Services comments:</b>	Nil
<b>Crime and Disorder:</b>	Nil
<b>Equality and Diversity:</b>	Nil
<b>Service Improvement Plan implications:</b>	
<b>Corporate Plan:</b>	It supports the Council in pursuit of excellence through delivering an effective and high quality governance evaluation and monitoring.
<b>Risk Assessment:</b>	Not to take this action would have potential legal, governance, and risk management implications for the Council
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	Appendix A – Regulation of Investigatory Powers Act (RIPA) Policy 2020
<b>Report author/ Lead Officer:</b>	Paul Somerset - Chief Internal Auditor

# Policy Title: Corporate Policy and Procedure on the Regulation of Investigatory Powers Act 2000 (RIPA)

<b>hoold</b>	<i>RIPA</i>
<b>Last Review Date</b>	<i>October 2020</i>
<b>Next Review Date</b>	<i>When any changes in personnel, legislation or Codes of Practice</i>
<b>Approval</b>	<i>Policy and Organisation Board.</i>
<b>Policy Owner</b>	<i>Paul Somerset, Chief Internal Auditor &amp; Senior Responsible Officer for RIPA</i>
<b>Policy Author</b>	<i>Paul Somerset, Chief Internal Auditor</i>
<b>Advice &amp; Guidance</b>	Paul Somerset, paul.somerset@gosport.gov.uk
<b>Location</b>	<i>Infonet</i>
<b>Related Documents</b>	Covert Surveillance Code of Practice; Regulation of Investigatory Powers Act 2000; Protection of Freedoms Bill
<b>Applicability</b>	<i>All GBC Staff &amp; Contractors (acting on behalf of the Authority, i.e. an agent)</i>

**Summary:**

1. Controls on covert surveillance were introduced as a consequence of the Human Rights Act 1998, which enshrined the European Convention and Human Rights into UK law and came into effect on 2 October 2000.
2. The Regulation of Investigatory Powers Act 2000 (RIPA) and RIPA (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 aim to ensure that public bodies respect the privacy of members of the public when carrying out their investigations and that there is an interference with privacy only where the law permits it and there is a clear public interest justification in the prevention or detection of crime.
3. The Protection of Freedoms Act 2012 requires that Local Authorities seeking RIPA authorisation are subject to judicial approval. This means that approval of the RIPA authorisation or Renewal of an authorisation must be agreed by a judicial authority in the local Magistrates Court.
4. The Regulation of investigative Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012 has stated that RIPA can only be used for criminal offences that could attract a custodial sentence of 6 months or more, or are related to tobacco or alcohol sales to children. Local Authorities can only consider applications in the context of prevention & detection of crime and no other. Applications once authorised have to be approved by a Magistrate.
5. RIPA controls the use of various methods of investigation, in particular the use of covert surveillance, covert human intelligence sources (CHIS) and accessing communication data and defines what constitute these activities.
6. If the activities proposed by investigating officers fall within the definitions (see Section 3) then this Policy, Procedures and the Code of Practice must be followed. If investigating officers have any doubts about the application or meaning of its provisions they must obtain advice from the Authorising Officers before proceeding. (see Appendix A)
7. RIPA is not concerned with overt surveillance. Most of the surveillance carried out by or on behalf of Gosport Borough Council will be overt. That is, there will be nothing secretive, clandestine or hidden about it. In many cases for officers it will be business as usual.
8. All directed surveillance, using a CHIS or accessing communications data must be properly authorised. Failure to secure proper authorisation and to comply with this procedure could lead to evidence being excluded by the court, significant costs being awarded against the Borough Council and complaints against the Borough Council. The Borough Council is subject to audit and inspection by the Investigatory Powers Commissioners Office (IPCO) and it is important that compliance with RIPA and with the Guide can be demonstrated in every case.

## Contents

1. Policy Statement
2. Objectives
3. Terms explained
4. Procedure
5. CHIS (Covert Human Intelligence Sources)
6. CCTV & Aerial Covert Surveillance
7. Communications Data
8. Impact Risk Assessment
9. Further Guidance
10. Oversight
11. Complaints

[Appendix A: List of Authorised Persons](#)

[Flowchart 1: Surveillance, guidance.](#)

[Flowchart 2: CHIS guidance.](#)

[Flowchart 3: Accessing communications data](#)

[Impact Risk Assessment Form](#)

[Surveillance an aid to investigation](#)

[RIPA Application for Directed Surveillance](#)

[RIPA Application review form](#)

[RIPA Cancellation Form](#)

[Application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance.](#)

[Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.](#)

Further information including forms and codes of practice:

<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>

<https://www.gov.uk/government/collections/ripa-codes>

## **1. Policy Statement**

- 1.1 In some circumstances, it may be necessary for Gosport Borough Council employees or contractors, in the course of their duties, to make observations of a person or person(s) in a covert manner, i.e. without that person's knowledge. By their nature, actions of this sort may constitute an interference with that person's right to privacy, and may give rise to legal challenge as a potential breach of Article 8 of the European Convention on Human Rights and the Human Rights Act 1998 ('the right to respect for private and family life').
- 1.2 The Regulation of Investigatory Powers Act (2000) [RIPA] provides a legal framework for covert surveillance activities by public authorities, (including local authorities), and an independent inspection regime to monitor these activities.
- 1.3 Gosport Borough Council employees and contractors (where applicable) will adhere to the authorisation procedure before conducting any covert surveillance and if in doubt will seek advice from an Authorising Officer.
- 1.4 Employees and contractors (where applicable) of Gosport Borough Council will **not** carry out intrusive surveillance within the meaning of the Regulation of Investigatory Powers Act 2000 [refer to Terms Explained Section 3 paragraph 3.7] nor will they interfere with property or wireless telegraphy.
- 1.5 Officers of Gosport Borough Council may only authorise or engage in covert surveillance, CHIS and access to communication data where it meets the statutory tests that it is necessary for the "prevention or detection of crime or disorder" and where it has been demonstrated to be necessary and proportionate in what it seeks to achieve and meets home office requirements.
- 1.6 This Policy makes a number of references to confidential information. The Revised Code of Practice which came into effect in December 2014 requires the highest levels of authorisation where 'confidential information' is likely to be acquired and at GBC this is the Chief Executive. [Refer to Definitions in Section 3]
- 1.7 The Authority will make arrangements to ensure that the Code of Practice is complied with including having Member and Senior Officer Oversight to ensure that The Code is complied with and appropriate training is given to officers.
- 1.8 Statutory Instrument 2010 No 521 restricts authorising officers in local authorities to prescribed offices of no lower a level than assistant chief officer, assistant head of service, service manager or equivalent.

## **2. OBJECTIVES**

- 2.1 The objective of this Policy and Procedures is to ensure that all work involving directed surveillance by Gosport Borough Council employees is carried out effectively, whilst remaining in accordance with the law. It should be read in conjunction with the Regulation of Investigatory Powers Act (2000), RIPA (Directed Surveillance and Covert Human Intelligence Sources) Order 2010, The Protection of Freedoms Act 2012 and the Code of Practice on Covert Surveillance and the Code of Practice on the Use of Covert Human Intelligence Sources.

### 3. TERMS EXPLAINED

- 3.1 **Authorising Officer** is the person(s) in the organisation who is entitled to give an authorisation for directed surveillance in accordance with the Regulation of Investigatory Powers Act 2000 and The Code of Practice prior to its approval by a Magistrate.
- 3.2 **CHIS (Covert Human Intelligence Source)**. A CHIS is someone who establishes or maintains a relationship with a person for the purpose of covertly obtaining or disclosing information. In practice, this is likely to cover the use of an informer, volunteer or Council officer in striking up a relationship with someone as part of an investigation to obtain information “under cover”.
- 3.3 Someone who volunteers information to the Council, either as a complainant or out of civic duty, is not likely to be a covert human intelligence source. i.e. if someone is keeping a record, say, of neighbour nuisance, this will not itself amount to use of a CHIS. However, if the informant providing the information has been tasked by the Council to obtain information by engaging with an individual to ask questions with a view to gathering evidence, this would amount to use of a CHIS. In addition Officers need to consider whether any information passed to the Council has been obtained in the course of a personal or other relationship, such as a relative, friend or work colleague, even if that relationship was not established or maintained for the purpose of obtaining it. In this event advice should be sought immediately from an Authorising Officer.
- 3.4 **Collateral intrusion** means the obtaining of private information about persons who are not the intended subject of the surveillance. This could include their family, colleagues, and associates, anyone who is seen with and interacts with the subject during the surveillance operations. The fact that covert surveillance occurs in a public place or on business premises does not mean that it cannot result in the obtaining of private information about a person.
- 3.5 Every effort should be made to minimise unnecessary intrusion, however, where collateral intrusion is unavoidable, the identified risk must be recorded for consideration on the RIPA application so that a proportionality test can be applied.
- 3.6 For example, prolonged surveillance targeted on a person will undoubtedly result in the obtaining of private information about him/her and others that he/she comes into contact, or associates, with. However, strict rules must be complied with before such surveillance may be authorised.
- 3.7 Similarly, although overt, public space CCTV cameras do not normally require authorisation. If, however, the camera is tasked for a specific purpose, which involves targeted surveillance on a particular person, authorisation must be obtained.
- 3.8 **Confidential Material** Confidential information consists of matters subject to legal privilege, confidential personal information or confidential journalistic material, or where information identifies a journalist's source, where material contains confidential personal information or communications between Members of Parliament and another person on constituency business. So, for example, extra

care should be given where, through the use of surveillance, it would be possible to acquire knowledge of discussions between a minister of religion and an individual relating to the latter's spiritual welfare, or where matters of medical or journalistic confidentiality or legal privilege may be involved.

3.9 **Covert surveillance Covert (or 'hidden') surveillance.** Covert surveillance is carried out in a manner calculated to ensure that the person subject to the surveillance is not aware it is taking place. That is, it is done secretly.

3.10 **Directed surveillance** is surveillance which is:-

- Covert;
- Not intrusive surveillance (see definition below - Gosport Borough Council must not carry out any intrusive surveillance);
- Not carried out as an immediate response to events which would otherwise make seeking authorisation under the Act not reasonably practicable (e.g. spotting something suspicious and continuing to observe it as part of business as usual) and
- Is undertaken for the purpose of a specific investigation or operation in a manner likely to obtain private information about a person (whether or not that person is specifically targeted for purposes of the investigation) and is for the sole purpose of preventing or detecting crime or disorder.
- **All directed surveillance must be RIPA authorised.**  
(*Please note - "private information" in relation to a person includes any information relating to their private or family life, their home and their correspondence.*)

3.11 **Intrusive Surveillance** This is covert surveillance of anything taking place on residential premises or in a private vehicle that involves the presence of an individual on the premises or in the vehicle, or is carried out by means of a surveillance device capable of providing information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the house.

**Only the police and certain other law enforcement agencies may carry out intrusive surveillance. Council officers, or anyone on behalf of the Council, must not carry out intrusive surveillance.**

**An example of intrusive surveillance is planting a listening or other device ('bug') in a person's home or in their private vehicle or using a sophisticated listening device (eg. DAT) outside a person's home or in their private vehicle that will provide results equivalent to being "on-site".**

**N.B. Interference with property or wireless telegraphy is also forbidden to local authorities.**

3.12 **Necessity** means that there is no reasonable and effective alternative way of achieving the desired objective(s) and it's proportionate in what it seeks to achieve. All options must be considered and reasons given for discarding them. The least intrusive option that will yield the desired result is the one that is expected to be used.

3.13 **Overt (or 'open') surveillance.** Surveillance will be overt if the subject has been told that it will happen. N.B. you do have to be careful however about obtaining private information on others that have not been informed.

Overt

- Police Officer, Street Warden, Enforcement Officer or Ranger on routine patrol
- Sign-posted public space CCTV cameras (in normal use)
- Recording noise coming from outside the premises, after the occupier has been warned in writing, that this will occur if the noise persists.
- An Officer may act overtly when test purchasing as there is no forming of a relationship with the retailer (i.e. the officer behaves no differently from a normal member of the public).

Overt but not requiring prior authorisation

- CCTV cameras providing general traffic crime or public safety information

- 3.14 **Private information** includes information about a person relating to his/her private or family life.
- 3.15 **Private vehicle** means any vehicle that is used primarily for the private purpose of the person who owns it or of a person otherwise having the right to use it. This does not include a person whose right to use a vehicle derives only from his having paid, or undertaken to pay, for the use of the vehicle and its driver for a particular journey. A vehicle includes any vessel, aircraft, or hovercraft.
- 3.16 **Proportionality** means that the use of surveillance is not excessive, i.e. that it is in proportion to the significance and level of offence being investigated and collateral intrusion impacts (see necessity).
- 3.17 **Residential premises** means any premises occupied or used, however temporarily, for residential purposes or otherwise as living accommodation.
- 3.18 **Surveillance** is monitoring, observing or listening to persons, their movements, their conversations or other activities or communications; recording anything monitored, observed or listened to in the course of surveillance; and Surveillance by or with the assistance of a surveillance device.

## 4. THE PROCEDURE

### Scope

- 4.1 This procedure applies in all cases where `directed surveillance` is being planned or carried out. Directed surveillance is defined in the code of Practice as surveillance undertaken "for the purposes of a specific investigation or operation" and "in such a manner as is likely to result in the obtaining of private information about a person" for the prevention and detection of crime.
- 4.2 The procedure does not apply to:
- Ad-hoc covert observations that do not involve the systematic surveillance of specific person(s)
  - Observations that are not carried out covertly, or
  - Unplanned observations made as an immediate response to events
- 4.3 In cases of doubt, the authorisation procedures described below should be followed.

## Test Purchases

- 4.4 An impact assessment prior to covert test purchases being made should be carried out and the Local Authority Coordinators of Regulatory Services (LACORS) guidance followed. If the test purchase is simply entering a business premise, making a purchase and leaving then it is unlikely to require a RIPA. Where any service wishes to carry out covert operations that they try to make overt, by writing to vendors in advance of an operation, they should write to vendors no more than two weeks in advance. Any more than this and it may be construed as covert surveillance and an impact assessment/ RIPA authorisation maybe required.

## Juvenile Sources

- 4.4.1 Special safeguards must be put in place when test purchases are being made by juveniles (anyone under 18 years of age). Under no circumstances should a juvenile under 16 be used, unless special provisions, contained within the Regulation of Investigatory Powers (Juveniles) Order 2000 are satisfied. A 'CHIS' of 16 years of age cannot be authorised to give information against their parent or any person who has parental responsibility for them.

## Drive Bys

- 4.5 Where an officer, as part of an investigation, intends to drive by a property to establish the location of a property then a RIPA is unlikely to be required however if the drive by is to assess for signs of occupation and a record is made it is likely a RIPA will be required. An impact risk assessment should be completed initially and if it shows that collateral intrusion is likely to arise a full RIPA application should be made prior to any activity.

## Covert Surveillance of Social Networking Sites (SNS)

- 4.6 The Home Office revised Code of Practice 3.10 to 3.17 states:-
- 4.6.1 *'The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered'.*
- 4.6.2 *'Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed'. In deciding whether online surveillance should be regarded as covert,*

*consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place'.*

- 4.6.3 *'Depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings'.*
- 4.6.4 *'Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information'.*
- 4.6.5 *'Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online'.*
- 4.6.6 *'In order to determine whether a directed surveillance authorisation should be sought for accessing information on a website as part of a covert investigation or operation, it is necessary to look at the intended purpose and scope of the online activity it is proposed to undertake. Factors that should be considered in establishing whether a directed surveillance authorisation is required include:*
- *Whether the investigation or research is directed towards an individual or organisation;*
  - *Whether it is likely to result in obtaining private information about a person or group of people;*
  - *Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile;*
  - *Whether the information obtained will be recorded and retained;*
  - *Whether the information is likely to provide an observer with a pattern of lifestyle;*
  - *Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s);*
  - *Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties.*

4.6.7 *Internet searches carried out by a third party on behalf of a public authority, or with the use of a search tool, may still require a directed surveillance authorisation.*

4.7 The setting up of false identities is not allowed and an application and authorisation for the use and conduct of CHIS is necessary if a relationship is established or maintained.

### **Employee Investigations**

4.8 For employment investigations of non-criminal activity if covert surveillance is proposed, a RIPA is not required. However an assessment should always be made to ensure that it is lawful, collateral intrusion is minimised and the action is proportionate and necessary.

### **Confidential Material**

4.9 Applications where a significant risk of acquiring confidential material has been identified will always require the approval of the Chief Executive. In reality this is likely to be very rare due to the nature of the Council's work, which is unlikely to conduct the sort of investigations whereby confidential material could be obtained but it must be considered at the outset.

4.11 Confidential material consists of:

- Matters subject to legal privilege, (for example between professional legal advisor and client)
- Confidential personal information, (for example relating to a person's physical or mental health), or
- Confidential journalistic material

### **Juvenile or vulnerable Individual CHIS's**

4.12 Applications for CHIS using either Juveniles or vulnerable individuals must be referred to the Chief Executive for Authorisation (See item 6).

### **Authorisation Procedure**

4.13 Applications for directed surveillance will be authorised by either the Head of Streetscene or the Senior Solicitor and Deputy Monitoring Officer. The relevant Authorising Officer must see the process (from authorisation, review & cancellation) through for any applications they have authorised. If they are not able to do so because of sickness then another authorising officer can continue with the process but a record must be made of that fact.

4.14 There should never be a time when neither of the Authorising Officers are available due to unforeseen circumstances but if this should occur and the application for activity cannot wait for a week or so then the Senior Responsible Officer must designate an officer of suitable rank to act as an Authorising Officer and reasons for this and the absence of the Authorising Officers should be recorded. Under no circumstances can the Senior Responsible Officer act as Authorising Officer.

- 4.15 The Authorising officer should avoid authorising their own activities (i.e. where they are responsible for the activity or involved in the operation) wherever possible and only do so in exceptional circumstances. Where it becomes necessary to do so, a record to that effect must be made on the central record.
- 4.16 All applications for directed surveillance authorisations will be made on the official form. The applicant in all cases should complete this. They must demonstrate the who, what, why, where, when and how of an operation giving details of any and all technical equipment to be used and all options considered with reasons why this is the most reasonable and effective approach. Copying information from a previous authorised application is discouraged as it could be seen that insufficient thought has been applied and there is a danger of copying over incorrect information.
- 4.17 The investigating officer must consider what may happen and cover for this in the application and it be authorised before any activity takes place in accordance with the principles established by *Kinloch v Her Majesty's Advocate* [2012] UKSC 62.
- 4.18 The proposed seizure of any items as part of the RIPA application must comply with PACE, relevant RIPA sections & the Police Act 1997, although these will usually be in conjunction with the Police.
- 4.19 Once the RIPA application has been authorised the authorising officer will go through what has been authorised with the applicant in accordance with the ruling of *R v Sutherland* 2000. There must be no doubt about what has been specifically authorised. The investigating officer can only carry out the actions that have been authorised in the RIPA application for that RIPA once approved by a Magistrate. It will be the Investigating Officer's responsibility to submit the application to the Magistrate following authorisation. The Authorising Officer will be present to represent the Council, as required under Section 223 of the Local Government Act. The investigating Officer must ensure that all staff involved with the investigation understands what has been authorised and approved and they must all sign the forms to that effect.
- 4.20 All requests to Magistrates will be on the forms as provided in the Code of Practice issued by the IPCO and the date authorised by the Magistrate recorded on the central record as well as the date authorised by the Authorising Officer.
- 4.21 All applications for directed surveillance renewals will be made on the official form. The applicant in all cases should complete this where the surveillance requires continuation beyond the previously authorised period, (including previous renewals). Renewals must also be authorised by the authorising officer and approved by a Magistrate.
- 4.22 The Commissioners consider that the best officer to apply to magistrates for approval of an authorisation of directed surveillance or CHIS is the Authorising Officer, as only they can answer questions about their reasoning on necessity, proportionality, collateral intrusion and risk. However where it is not practicable the investigating officer will seek magistrate's approval (see paragraph 4.16) and the Investigating Officers must report back promptly to the Authorising Officer any

comments made by the magistrate. Comments must be recorded by the Authorising Officer and action taken to incorporate or address them.

4.23 Where authorisation ceases to be either necessary or appropriate the authorising officer will cancel an authorisation using the official form.

4.24 Any person giving an authorisation for the use of directed surveillance must set out in their own words why they believe the activity is necessary and proportionate stating that:

- Account has been taken of the likely degree of intrusion into the privacy of persons other than those directly implicated in the operation or investigation, (collateral intrusion). Measures or mitigation action have been taken, wherever practicable, to avoid unnecessary intrusion into the lives of those affected by collateral intrusion
- The authorisation is necessary
- The authorised surveillance is proportionate
- It is for a specific targeted criminal offence that carries a maximum sentence of 6 months or more, imprisonment, or is one of the exemptions

### **Urgent Cases**

4.25 There is no longer a power to make urgent oral authorisations. All authorisations, even if urgent, (where life or an operation is in jeopardy) must be in writing and approved by a magistrate. However it is not envisaged that there will be urgent cases as activities at GBC are unlikely to involve such scenarios.

### **Necessity**

4.26 Surveillance operations shall only be undertaken where there is no reasonable and effective alternative way of achieving the desired objective(s).

### **Effectiveness**

4.27 Surveillance operations shall be undertaken only by suitably trained or experienced employees, or under their direct supervision.

### **Proportionality**

4.28 The use of surveillance shall not be excessive, i.e., it shall be in proportion to the significance of the matter being investigated and balance the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. Proportionate must also include whether it is a potential criminal offence that could attract a custodial sentence of a minimum of six months or more, or involves the sales of tobacco or alcohol to minors.

### **Authorisation**

4.29 All directed surveillance shall be authorised in accordance with this procedure.

### **Time Periods - Authorisations**

- 4.30 Written authorisations expire 3 months beginning on the day from which they took effect.

### **Review**

- 4.31 The Authorising Officer should determine how often a review should take place of an authorisation and this should be as frequently as is considered necessary and practicable. The review of an authorisation should be undertaken regularly to assess the need for the surveillance to continue. The results of the review are to be recorded on the central record.

### **Time Periods - Renewals**

- 4.32 If at any time before an authorisation would expire, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, it may be renewed in writing for a further period of 3 months beginning with the day on which the previous authorisation ceases to have effect. Applications for renewal should only be made shortly before the authorisation is due to expire and must be submitted to a Magistrate by the Investigating Officer for judicial approval before they can be effective.
- 4.33 Any person entitled to authorise may renew authorisations. They may be renewed more than once, provided they continue to meet the criteria for authorisation and must be approved by a Magistrate to become effective.
- 4.34 All applications for the renewal of an authorisation for directed surveillance must record:
- Whether this is the first renewal or every occasion on which the authorisation has been renewed previously
  - Any significant changes to the information
  - The reasons why it is necessary to continue with the directed surveillance
  - The content and value to the investigation or operation of the information so far obtained by the surveillance
  - The results of regular reviews of the investigation or operation

### **Cancellation**

- 4.35 The Authorising Officer who granted or last renewed the authorisation must cancel if they are satisfied that the directed surveillance no longer meets the criteria upon which it was authorised.
- 4.36 The cancellation should include how the surveillance assisted the investigation and details regarding direction of the product.

### **Monitoring**

- 4.37 Each Service or discrete location within Services must maintain a record of all applications for authorisation, (including refusals), renewals, reviews, and cancellations.

### **Security and Retention of Documents**

- 4.38 Documents created under this procedure are highly confidential and shall be treated as such. Services shall make proper arrangements for their retention, security and destruction, in accordance with the requirements of the Data Protection Act 1998 and the Code of Practice. All data pathways will be recorded for any information obtained as part any authorized surveillance
- 4.39 The Chief Internal Auditor will be responsible for the creation and maintenance of an up to date Central Register of Authorisations containing the following information:
- The type of authorisation
  - The date the authorisation was given
  - Name and title of the authorising officer
  - The unique reference number of the investigation or operation
  - The title of the investigation or operation including a brief description and whether the urgency provisions were used and if so why
  - If the authorisation is renewed when it was renewed and who authorised including the name and title of the authorising officer
  - Whether the investigation or operation is likely to result in obtaining confidential information
  - The date the authorisation was cancelled and outcome
  - Whether or not it was self authorised i.e. authorised by an authorising officer involved in, or responsible for, the investigation or operation being authorised.
  - The date of Magistrates approval
- 4.40 The Chief Internal Auditor shall also be responsible for retaining the original:
- Authorisation application forms along with any supplementary documentation and notification of the approval given by the authorising officer including a record of the periods over which surveillance took place
  - The magistrates approval form
  - The frequency of reviews prescribed by the authorising officer and a record of the result of each review of the authorisation
  - Of any renewal forms authorised together with any supporting documentation submitted when the renewal was requested
  - Cancellation forms.
- 4.41 Where the product of surveillance could be relevant to pending or future criminal or civil proceedings it should be retained in accordance with established disclosure requirements. All data pathways will be identified.
- 4.42 Generally all original forms will be retained for at least six years from the date of cancellation. In all cases records will not be destroyed without the authority of the Senior Responsible Officer. Records must be destroyed in accordance with the principles of the Data Protection Act, GDPR and The Code of Practice.

## 5. COVERT HUMAN INTELLIGENCE SOURCE (CHIS)

### Definition

- 5.1 The Definition of a Covert Human Intelligence Source (CHIS) under the 2000 Act states that a person is a 'CHIS' if:
- (a) They establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c)
  - (b) They covertly use such a relationship to obtain information or to provide access to any information to another person or
  - (c) They covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship
- 5.2 A relationship is established or maintained for a covert purpose if and only if it is conducted in a manner calculated to ensure that one of the parties to the relationship is unaware of the purpose.
- 5.3 A relationship is used covertly and information obtained is disclosed covertly if and only if the relationship is used or the information is disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

### Risk Assessment - Duty of Care

- 5.4 The Securing and Welfare of a 'CHIS'
- 5.5 When the decision has been taken that the use of 'CHIS' is necessary the Authority has a duty of care to ensure the safety and welfare of the 'CHIS' whilst they carry out the designated actions or tasks.
- 5.6 Before any action is taken, a full Risk analysis should be undertaken by the Authority to consider all of the foreseeable consequences to the CHIS, both during the task, and after the cancellation of the authorisation. Consideration should be given to all appropriate eventualities, including, if the role of the CHIS becomes known. The risk assessment should be updated throughout the tasking to reflect any developments. The ongoing security and welfare of the CHIS should remain a priority.

### Authorisation for CHIS

- 5.7 The conduct or use of a CHIS requires authorisation.
- **Use** of a CHIS is: inducing, asking or assisting a person to act as a CHIS or to obtain information by means of the conduct of a CHIS
  - **Conduct** of a CHIS is: establishing or maintaining a personal or other relationship with a person for the covert purpose of (or incidental to) obtaining, accessing or disclosing information.

- 5.8 The Council can use CHIS's if, and only if, RIPA procedures are properly followed (see flow chart 2).
- 5.9 Care must always be taken to ensure that the CHIS is clear on what is/is not authorised at any given time and that all the CHIS's activities are properly risk assessed.

**Urgent advice should be sought from an authorising officer should the use and conduct of a CHIS be considered.**

- 5.10 Where a CHIS is used the following records must be kept for each source:

- The identity of the source
- The identity where known used by the source
- Any relevant investigating authority other than the authority maintaining the records
- The means by which the source is referred to
- Any other significant information connected with the security and welfare of the source
- Any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information regarding identity reference has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source
- The date when and the circumstances in which the source was recruited
- The identities of the persons who in relation to the source are discharging or have discharged the functions mentioned in s29(5)(a) to (c) of the 2000 Act (Handler and Controller)
- The periods during which those persons have discharged their responsibilities
- The tasks given to the source and the demands made of them in relations to their activities as a source
- All contacts or communications between the source and a person acting on behalf of GBC
- The information obtained by GBC by the conduct or use of the source
- Any dissemination by GBC of information obtained by the conduct or use of the source
- In the case of a source who is not an undercover operative every payment, benefit or reward and offer of payment, benefit or reward that is made or provided by GBC in respect of the source's activities for the benefit of GBC.

- 5.11 Every source must have a designated Handler and Controller in accordance with s29 (5) (a) to (e) of the RIPA 2000 Act. This states that:

*29 (5) For the purposes of this Part there are arrangements for the source's case that satisfy the requirements of this subsection if such arrangements are in force as are necessary for ensuring—*

*(a) that there will at all times be a person holding an office, rank or position with the relevant investigating authority who will have day-to-day*

*responsibility for dealing with the source on behalf of that authority, and for the source's security and welfare;*

*(b)that there will at all times be another person holding an office, rank or position with the relevant investigating authority who will have general oversight of the use made of the source;*

*(c)that there will at all times be a person holding an office, rank or position with the relevant investigating authority who will have responsibility for maintaining a record of the use made of the source;*

*(d)that the records relating to the source that are maintained by the relevant investigating authority will always contain particulars of all such matters (if any) as may be specified for the purposes of this paragraph in regulations made by the Secretary of State; and*

*(e)that records maintained by the relevant investigating authority that disclose the identity of the source will not be available to persons except to the extent that there is a need for access to them to be made available to those persons.*

### **Juvenile Sources/Vulnerable Individuals**

- 5.12 Special safeguards apply to the use or conduct of a juvenile CHIS (i.e. under 18 year olds). On no occasion can a child under 16 years of age be authorised to give information against his or her parents or any person who has parental responsibility for them. The duration of any authorisation is four months from the time of grant or renewal (instead of twelve months), and the authorisation should be subject to at least monthly reviews.
- 5.13 A vulnerable individual is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself or herself, or unable to protect himself or herself against significant harm or exploitation.
- 5.14 A vulnerable individual will only be authorised to act as a source in the most exceptional of circumstances and a juvenile source or vulnerable individual source will only be authorised by the Chief Executive Officer (David Williams) or the person acting as the Head of Paid Service in his absence.

***Please Note: Any use of a CHIS in any capaBorough requires the completion of a risk assessment and authority from your Section Managers or Director. In the case of Juveniles or Vulnerable individuals this is particularly so and these applications may only be authorised by the Chief Executive.***

## Test Purchases and CHIS's

- 5.15 Carrying out test purchases will not generally require the purchaser to establish a relationship with the supplier with the covert purpose of obtaining information and, therefore, the purchaser will not normally be a CHIS. For example, authorisation would not normally be required for test purchases carried out in the ordinary course of business e.g. walking into a shop and purchasing a product over the counter.
- 5.16 Developing a relationship with a person in the shop, to obtain information about the sellers suppliers of an illegal product e.g. illegally imported products will require authorisation as a CHIS. Similarly, using mobile, hidden recording devices or cameras to record what is going on in the shop will require authorisation as directed surveillance. Note that a CHIS may be authorised to wear a hidden camera without the need for an additional directed surveillance authorisation.

## 6. CCTV & Aerial Covert Surveillance

### CCTV

- 6.1 The use of CCTV must be accompanied by clear signage in order for monitoring to be overt. If it is intended to use CCTV for covert monitoring e.g. by using either hidden cameras or without any signs CCTV is in operation then RIPA authorisation is likely to be required. In any case CCTV must be used in accordance with the Codes of Practice and Protection of Freedoms Act.

### Aerial Covert Surveillance

- 6.2 Where surveillance using airborne crafts or devices, for example helicopters or unmanned aircraft (colloquially known as 'drones'), considerations should be made to determine whether a surveillance authorisation is appropriate. In considering whether the surveillance should be regarded as covert, account should be taken of the reduced visibility of a craft or device at altitude. If in doubt please contact an Authorising Officer to seek additional clarity.

## 7. COMMUNICATIONS DATA

### Definition

- 7.1 The Regulation of Investigatory Powers (Communications Data) Order 2003 extends to local authorities the powers set out within RIPA to access communications data. Communications data includes information relating to the use of a communications service but does not include the contents of the communications itself (see section 21(4) RIPA for the detailed definition of "communications data").
- 7.2 Local authorities are allowed to access communications data only for the purposes of the prevention or detection of crime or the prevention of disorder.

7.3 Gosport Borough Council is only entitled to access:

- (i) **Subscriber (“Customer”) data** being any information, which does not include any of the contents of a communication, about the use made by any person of a postal or telecommunications service. In respect of a telecommunications service provider this is normally referred to as the “billing information”). This will include:
- Name of subscriber
  - Address for billing, delivery or installation
  - Contact telephone numbers
  - Abstract personal data provided by the subscriber e.g. demographic information
  - Subscriber account information e.g. billing arrangements including bank, credit/debit card details Other services provided to the customer
- (ii) **Service data** being any other information held by the service provider relating to the persons to whom the service is provided. (This is normally referred to as “subscriber information”). This will include:
- The period during which the customer used the service Information about forwarding services provided by telecommunication service providers and re-direction services provided by postal service providers.
  - Itemised billing information. Information on connection, disconnection and redirection Information on conference calls, call messaging, call waiting and call barring services
  - Top-up details for pre-pay mobile phones including credit/debit cards used
  - For postal items, records of registered, recorded or special delivery of postal items and the delivery or collection of parcels.

### Accessing Communications Data

7.4 Access to communications data may be authorised in two ways; either (a) through an authorisation by a designated person which would allow the authority to collect or retrieve data itself, or (b) by a notice given to a postal or telecommunications operator requiring that operator to collect or retrieve the data and provide it to the local authority.

7.5 There is a Code of Conduct, which refers to a “Designated Person” granting authorisation or giving notices in relation to accessing Communication Data. Gosport Borough Council use the National Anti-Fraud Network (NAFN) as the SPOC (Single Point of Contact) and applications once approved by the designated person (Deputy Chief Internal Auditor or Corporate Strategy Manager) are sent to them for Magisterial approval which is also sought under the same process as surveillance.

## 8 IMPACT RISK ASSESSMENT

8.1 When considering whether to carry out surveillance it is recommended that an ‘impact risk assessment’ is carried out and recorded to establish if the proposed course of action is a proportionate response to the problem it seeks to address. An impact risk assessment should be carried out on all activities including those

that will not require RIPA authorisation.

8.2 The impact risk assessment involves;

- Identifying clearly the **purpose(s)** behind the monitoring arrangements and the benefits it is likely to deliver.
- Identifying any likely **adverse impact** of the monitoring arrangement
- Considering **alternatives** to monitoring or different ways in which it might be carried out
- Taking into account the **obligations** that arise from monitoring (especially on collateral intrusion)
- Judging whether the monitoring is **justified**

8.3 Adverse Impact- consideration should be given to:

- What intrusion, if any will there be into the private lives of workers and others, or interference with their private activities, emails, telephone calls or other correspondence.
- Whether those who do not have a business need to know will see information that is confidential, private or otherwise sensitive.
- In the case of surveillance on an employee, what impact, if any, will there be on the relationship of mutual trust and confidence that should exist between workers and their employer?

8.4 Alternatives – questions that should be asked:

- Are there other methods of obtaining the required evidence/information without carrying out covert surveillance, e.g. intelligence gathered from elsewhere.
- Has consideration been given to writing to the individual(s) informing them of the issue and advising that monitoring will be carried out over a specified period? (remember collateral intrusion could still apply to their colleagues or family etc)
- Has consideration been given to carrying out overt surveillance as part of officers' normal duties?
- Can established or new methods of supervision, effective training and or clear communication from managers, rather than electronic or other systemic monitoring, deliver acceptable results?
- Can monitoring be limited to those individuals and workers about whom complaints have been received, or about whom there are other grounds to suspect of wrongdoing?
- Can monitoring be automated? If so, will it be less intrusive, e.g. does it mean that private information will be 'seen' only by a machine rather than by other workers?
- Can spot-checks be undertaken instead of using continuous monitoring?

8.5 Obligations – means considering the following:

- Whether and how individuals or employees will be notified about the monitoring arrangements.
- How information about the individual or employee collected through monitoring will be kept securely and handled in accordance with the Act and DPA

requirements.

- The implications of the rights that individuals have to obtain a copy of information about them that has been collected through monitoring.

8.6 Justified – involves considering:

- The benefit of the method of monitoring/surveillance
- Any alternative method of monitoring/surveillance
- Weighing these benefits against any adverse impact
- Placing particular emphasis on the need to be fair to the individual worker or person
- Ensuring, particularly where monitoring electronic communications of employees' is involved, that any intrusion is no more than absolutely necessary

## 9. FURTHER GUIDANCE

9.1 Guidance is provided as a reminder of the authorisation process (the Magisterial approval process is in addition to these) and can be located as appendices to this document

[Flowchart 1: Surveillance, guidance.](#)

[Flowchart 2: CHIS guidance.](#)

[Flowchart 3: Accessing communications data](#)

[Surveillance an aid to investigation Guidance](#)

9.2 Appendix A of this document provides the relevant contact details of the officers who may authorise surveillance, the use of a CHIS and give advice on accessing communications data.

## 10. OVERSIGHT AND IPCO GUIDANCE

### Senior Responsible Officer

10.1 The Senior Responsible Officer (at Gosport Borough Council this is Paul Somerset - Chief Internal Auditor) must review each authorised RIPA to ensure that they are being authorised in accordance with the Code and to identify any training requirements.

10.2 Requests for guidance from The Investigatory Powers Commissioner's Office (IPCO) must only originate from the Senior Responsible Officer. The IPCO has made it clear that it does not give legal advice and any opinion given in a reply to a request for guidance does not constitute legal advice and should not be cited as the definitive advice of the IPCO.

### Members

10.3 The RIPA Policy must be reviewed when there are any changes in personnel, legislation or codes of practice and any amendments must be approved by the Policy and Organisation Committee.

- 10.4 Regular reports of Authorised applications must be submitted to the Policy and Organisation Committee by the Senior Responsible Officer along with an opinion on any training requirements or where the Code has not been followed.

### **Investigatory Powers Commissioners Office**

- 10.5 The Investigatory Powers Commissioner's Office provides independent oversight of the use of the powers contained within the Regulation of Investigatory Powers 2000. This oversight includes inspection visits by Inspectors appointed by the IPCO.

## **11. COMPLAINTS**

The Regulation of Investigatory Powers Act 2000, (the UK Act), establishes an independent Tribunal. This has full powers to investigate and decide any cases within its jurisdiction. Details of the relevant complaints procedure can be obtained from:

Investigatory Powers Tribunal  
PO Box 33220  
London  
SW1H 9ZQ - Tel: 020703537111

## **Appendix A**

### **CONTACTS**

#### **Authorising Officers:**

##### ***RIPA & Designated Authorising Officer Communications:***

Azmi Quraishe, Senior Solicitor and Deputy Monitoring Officer

Email: [azmi.quraishe@gosport.gov.uk](mailto:azmi.quraishe@gosport.gov.uk)

Tel: 023 9254 5484

##### ***RIPA & Designated Authorising Officer Communications:***

Stevyn Ricketts, Head of Streetscene

Email: [stevyn.ricketts@gosport.gov.uk](mailto:stevyn.ricketts@gosport.gov.uk)

Tel: 023 9283 4020

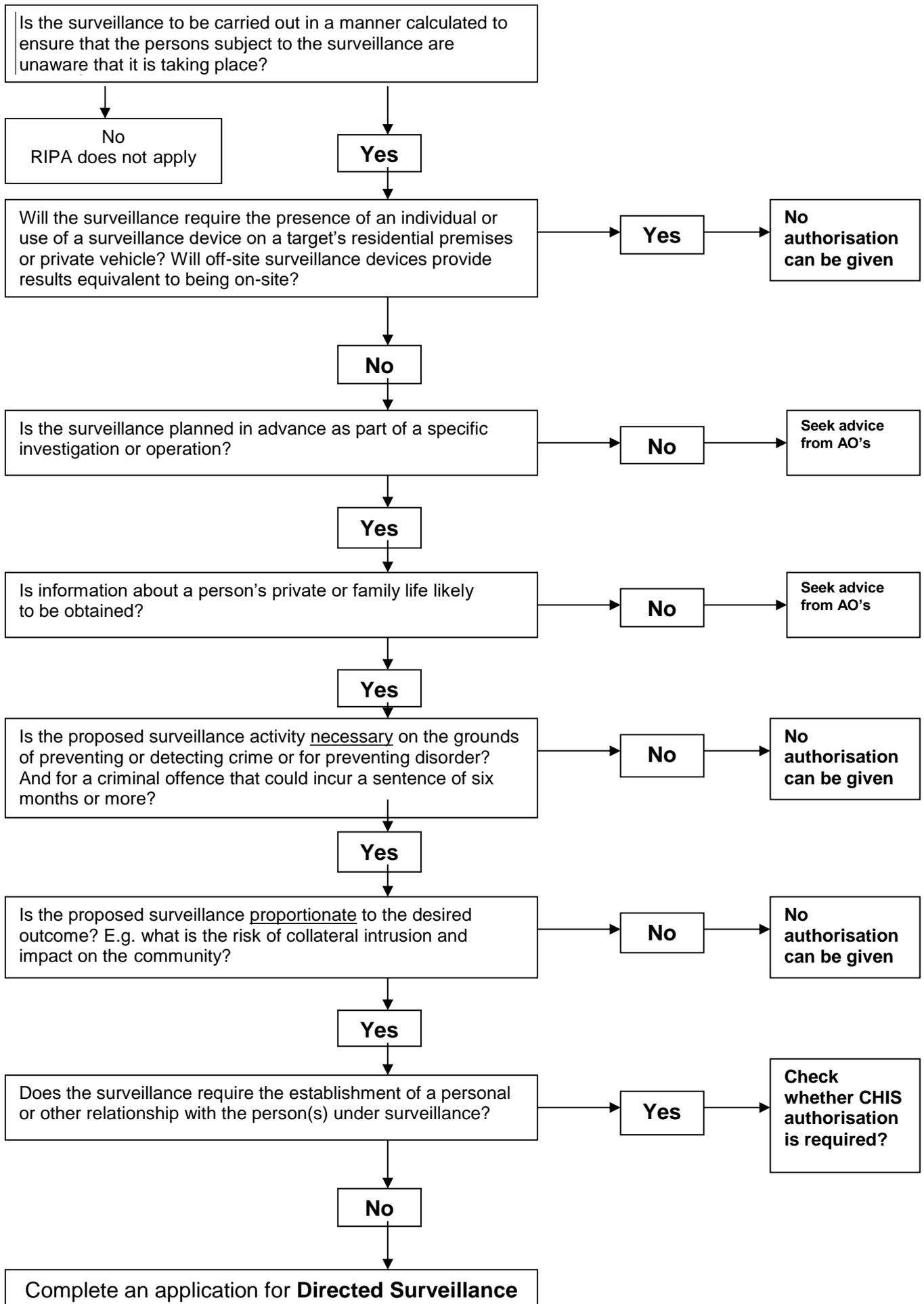
##### ***Senior Responsible Officer:***

Paul Somerset, Chief Internal Auditor

Email: [Paul.somerset@gosport.gov.uk](mailto:Paul.somerset@gosport.gov.uk)

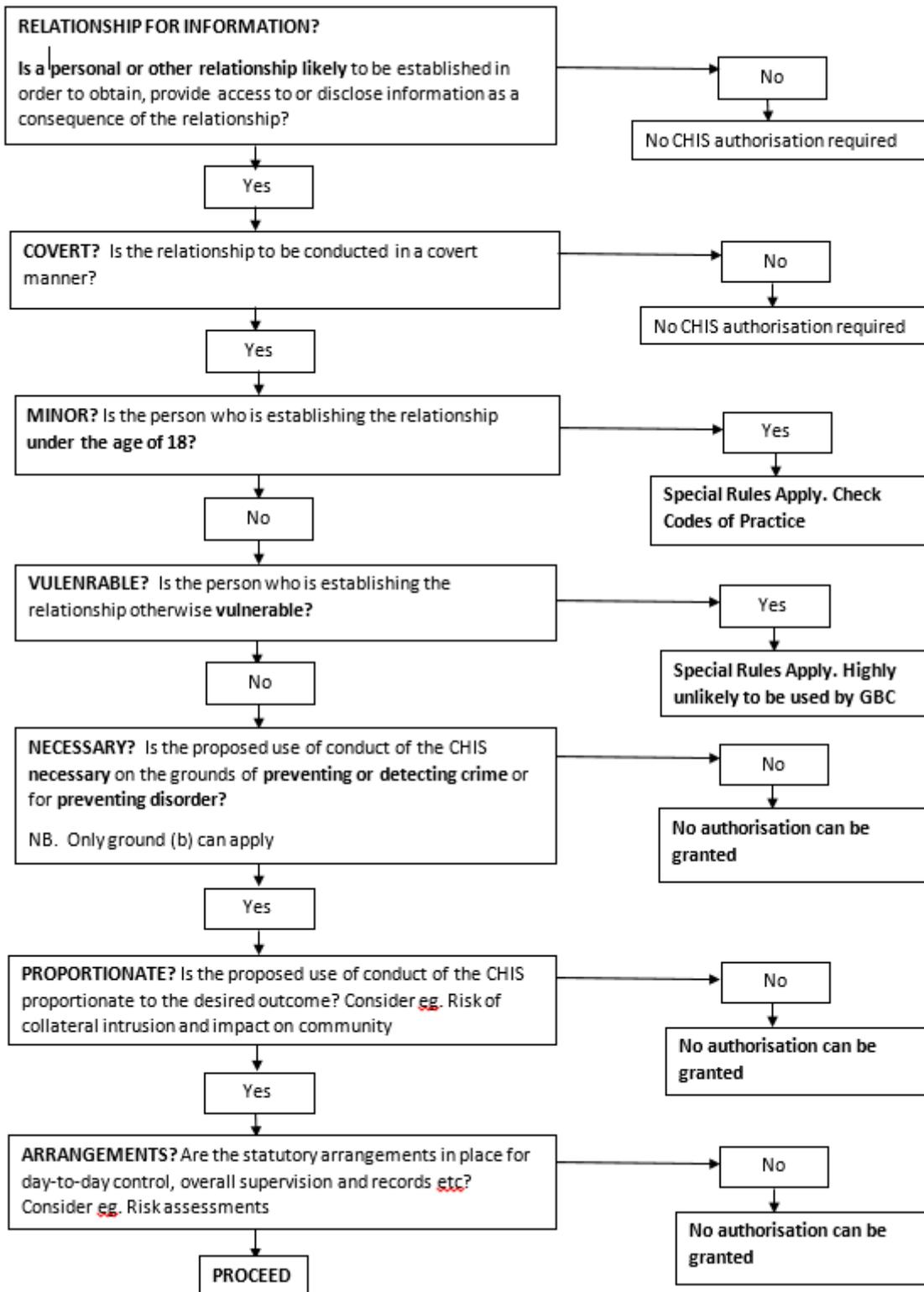
Tel: 07341888927

### Flowchart 1 RIPA Authorisation guidance

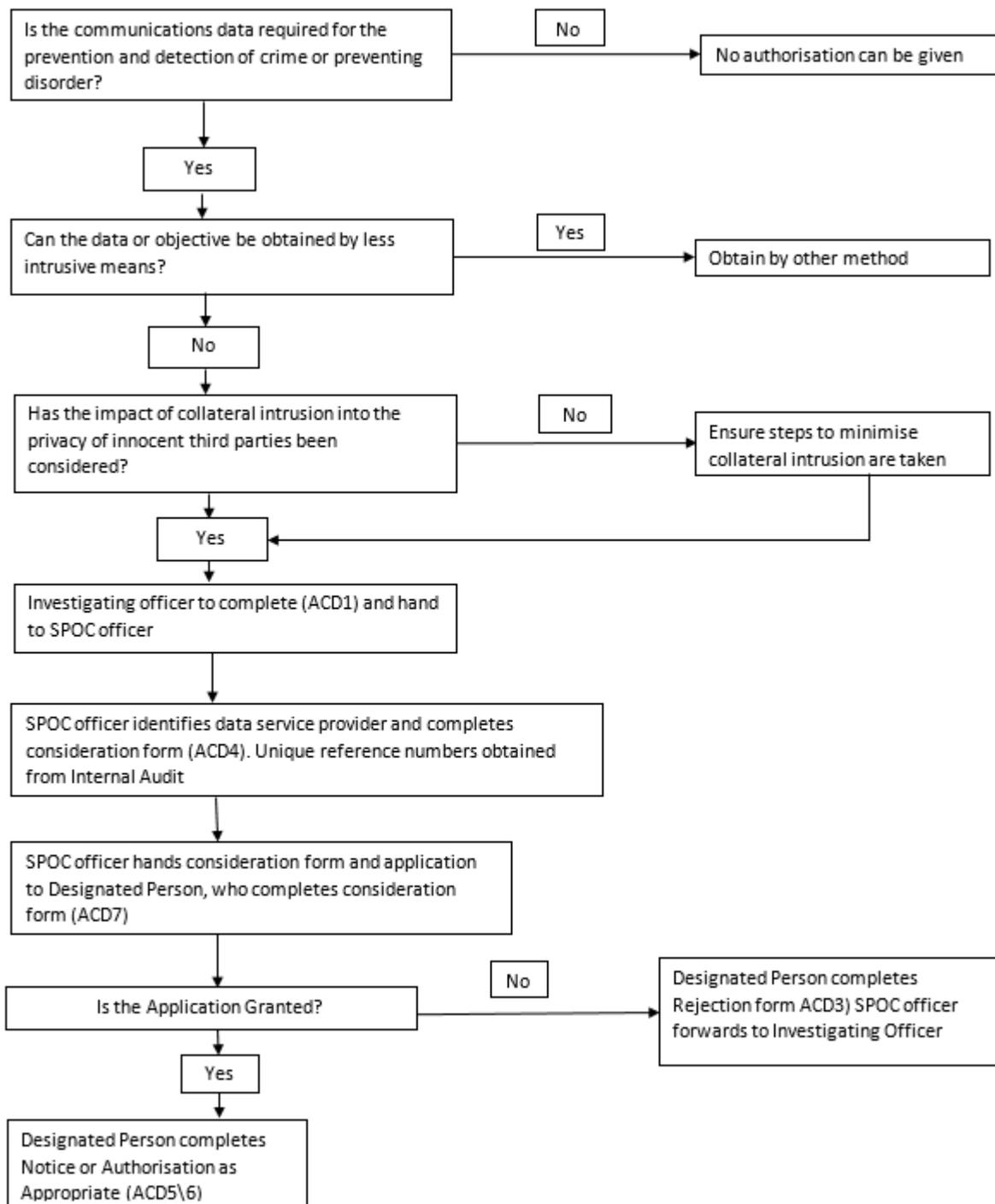


### Use or Conduct of a cover Human Intelligence Source (CHIS)

#### Flowchart 2 – CHIS Guidance



### Flowchart 3 – Accessing Communications Data



Note: If at any time during the process, the data is no longer required for any reason. The SPOC officer should be informed and the Designated Person will complete the relevant cancellation notice (ACD8\9) which is forwarded to the Data service Provider

## Impact Risk Assessment Form

**Date and Time:**

**Name and Title:**

**Details of the operation / investigation**

**Details of the offence(s) / Breach(s)**

**Proposed actions**

**Purpose of the proposed actions and benefits it is likely to deliver**

**Identify any likely adverse impact of these actions**

**Are there any alternatives i.e. different ways in which the desired outcome could be achieved?**

**Are there any obligations that arise from the proposed actions?**

**How are these actions justified?**

**Does RIPA need to be considered?**

**Signature**

**Date and Time**

## **SURVEILLANCE - AN AID TO INVESTIGATION**

### **DEFINITION**

1. Surveillance is the continuous watching (overt or covert) of persons, vehicles, places or objects to obtain information concerning the activities and identities of individuals.

### **OBJECTIVES OF SURVEILLANCE**

2. Surveillance operations can have some of the following objectives:
  - a To obtain evidence of a crime.
  - . .
  - b To locate persons by watching their haunts and associates.
  - . .
  - c To obtain detailed information about a subject's activities.
  - . .
  - d To check on the reliability of informants.
  - . .
  - e To obtain information for search warrants\*.
  - . .
  - f To prevent an offence or to \*arrest a subject in commission of an offence.
  - . .
  - g To obtain information for later use in an interview.
  - . .
  - h To develop leads and information received from other sources.
  - . .
  - i To know at all times the whereabouts of an individual.
  - . .
  - j To obtain evidence for use in court.
  - . .

### **TYPES OF SURVEILLANCE**

3. The following types of surveillance can be carried out:
  - a Covert Surveillance
    - . A secretive watch where the subject is not aware of our presence.
  - b Overt Surveillance
    - . An open observation where we deliberately expose the operatives to a subject. (Used as a deterrent).
  - c Static Surveillance
    - . The use of a vehicle, building or street furniture (for a short time only) as an observation post (OP) from which to observe a subject or premises or to act as the "trigger" for foot or mobile surveillance.
  - d Mobile Surveillance
    - . The use of cars to follow a subject who is travelling by vehicle. Motorcycles can be used as part of a mobile surveillance operation.

e Technical Surveillance\*

- . The use of technical equipment such as "bugs" to monitor the activities of a subject(s). This is a very specialised skill. **\*not applicable n.b. LA's do not have the legal powers to do this**

The mnemonic ADVOKATE is a useful aid to ensure that any information gained by carrying out surveillance will stand up to cross-examination in court.

**A** Amount of time

How long was the subject actually in view?

**D** Distance

How far away from you was the subject?

Did you have to use binoculars?

Did you have to avoid the subject's gaze?

**V** Visibility

What is your vision like?

Do you have to wear glasses - and were you wearing them at the time?

Were you looking through a windscreen or into a vehicle mirror?

Were the mirrors misted up?

What was the weather like - foggy; where was the sun?

**O** Obstacles

Were there any obstacles to your vision - bushes, cars, people?

**K** Known

Is the subject known to you?

If so, how?

If not - how did you recognise the subject?

**A** Any reason to remember the subject?

Brightly coloured or unusual clothes.

Looked like a famous person.

**T** Time

How long after seeing the subject did you make notes?

Could you have forgotten or confused anything since you last saw the subject?

**E** Errors

Could you have made a mistake in identifying the subject?

If not, why not?

## DESCRIPTION OF PEOPLE

- A** Age  
Approximate within 4 years, ie 20-24
  
- B** Build  
Qualify by example if possible
  
- C** Clothing  
Uniforms, brands, logos, etc
  
- D** Distinguishing Marks  
Tattoos, scars, complexion
  
- E** Elevation/Height  
Approximate within 4", ie, 5`2 - 5`6
  
- F** Face  
Complexion, facial hair, glasses, jewellery
  
- G** Gait  
How they walk
  
- H** Hair  
Style, colour, length, etc

## DESCRIPTION OF VEHICLE

- S** Shape  
Saloon, estate, mpv, etc
  
- C** Colour  
Basic/metallic
  
- R** Registration  
Full/part
  
- I** Identifying Marks  
Dents, alloy wheels, lights, etc
  
- M** Make and Model

## **PRE-SURVEILLANCE CHECKLIST**

Before carrying out a surveillance operation the following factors need to be checked by a ground reconnaissance or, if this is not possible, a map study.

**DO YOU REALLY NEED TO CARRY OUT SURVEILLANCE - CAN YOU OBTAIN THE NECESSARY INFORMATION BY OTHER MEANS?**

**IF NOT, SOME OF THE THINGS TO CONSIDER FIRST BEFORE DEPLOYING....**

**ROUTES IN AND OUT**

**LIKELY DROP OF POINTS (DOPs)**

**BEST APPROACHES**

**FROM WHERE CAN YOU SEE THE TARGET CLEARLY?**

**CAN ALL APPROACHES/EXITS BE SEEN?**

**CAN YOU BE OBSERVED OR OVERLOOKED?**

**WILL YOU BE OBVIOUS?**

**WHERE CAN ANY BACK-UP BE LOCATED?**

**ARE COMMUNICATIONS REQUIRED?**

**DO ALL COMMUNICATIONS WORK?**

**IS AN EMERGENCY RV REQUIRED - IF SO, WHERE WILL IT BE LOCATED?**

**ARE ANY SPECIAL PREPARATIONS REQUIRED?**

**IS THERE ANY SPECIAL EQUIPMENT REQUIRED?**

**WHERE ARE THE MOST APPROPRIATE REST AREAS, FOOD SOURCES, TOILETS ETC?**

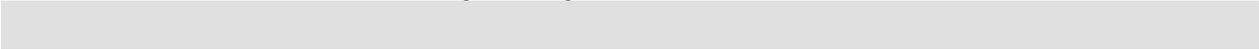
## A GUIDE TO PREPARATION AND USE OF SURVEILLANCE LOGS

1. Surveillance logs constitute original notes of evidence and as far as practicable it is essential that they are prepared and preserved strictly in accordance with rules of evidence, ie, where items have been deleted they must be initialed by the person making the entry. Each entry must follow consecutively with no spaces left.
2. Where a dedicated loggist is appointed, it is his/her responsibility to accurately record events as they are transmitted or reported to him/her.
3. The loggist will be responsible for completing daily, at the commencement of the surveillance, details of the persons employed. These details will be recorded on the opening page.
4. The loggist will record the date, time, his/her name and the fact he/she is performing the duty of loggist. On being relieved, regardless of the length of absence, he/she will "sign off" adopting the same procedure as that when signing on. When it is not practical to conform strictly to these procedures, eg, where the loggist has to leave his/her vehicle in order to participate in the surveillance, such facts should be recorded as soon as practicable.
5. The person who witnesses a particular event will, if it is not his/her own entry, initial alongside the entry where his/her name appears at the first available opportunity. He/she must also sign and date the log at the conclusion of the notes. In the cases where a dedicated loggist is not appointed or where it is not possible to communicate with the loggist, the person witnessing must record details of the event at the time or as soon as practicable.
6. Where notes are not made at the time of the occurrence they must be made as soon as practicable. Notes will be followed by the date, time and place the notes are made.
7. Where two or more persons are present at an occurrence, there is no objection to them collaborating when preparing their notes so that the notes may be as full and comprehensive as possible. Where notes have been made by only one person, there is no objection to these notes being used by another person when giving evidence, provided the person who has not written the notes, reads them as soon as possible after they are made, accepts that they are accurate, and signs and dates them. A note whether made in collaboration with a colleague or otherwise, or if made by a colleague, must only reflect the person's genuine personal observation and recollection.
8. The taking of original notes is of the utmost importance because the notes may later have to be produced in court or referred to by the person long after they were made.
9. The general preference is that the 24 hour clock is used in the log book.
10. No erasure or obliteration of notes is permissible at any time and once an entry in a book has been signed, it cannot be altered in way, either by adding, deleting or changing any particulars. Any corrections made before presentation are to be initialed. If additional or corrected information is obtained subsequently, a further and separate entry is to be made.
11. The pages of the log book are to be numbered. A page-numbered book should be used for this purpose. No pages may be removed. At the conclusion of the operation, the log book should be stored with the remainder of the papers for future production as required.

12. Unnecessary spaces will be avoided between words or at the end of lines. Unused spaces should be struck out and, if a space is left after recording, a line drawn to the end and initialed.
13. Overwriting is forbidden. If a mistake is made, eg, if a wrong word is used or if a word is mis-spelt, it must be struck out and initialed and the letter "A" inserted. At the foot of the page, before it is signed, the letter "A" is again to be inserted followed by the correction. If a second or third mistake is found, the letter "B" and "C" are to be used as necessary. If there is no room at the foot of the page, the corrections may be added at the end of the log for the day.
14. The log book should be available for production if required by the court, or Counsel who desire to examine them. Copies of notes must not be taken to Court; the original must be used in every case. If it should be necessary to make an original note on a loose piece of paper and subsequently copy it into the log book, the original note must be carefully preserved for production if required.

### ***REMEMBER!***

***In the event of criminal proceedings taking place against a subject, a poorly maintained or inaccurate surveillance log can result in a case being dismissed with many, many hours of wasted effort.***



**PART II OF THE REGULATION OF INVESTIGATORY  
POWERS ACT (RIPA) 2000  
APPLICATION FOR AUTHORISATION TO CARRY OUT  
DIRECTED SURVEILLANCE**

<https://www.gov.uk/government/publications/application-for-use-of-directed-surveillance>

**PART II OF THE REGULATION OF INVESTIGATORY  
POWERS ACT (RIPA) 2000  
REVIEW OF A DIRECTED SURVEILLANCE AUTHORISATION**

<https://www.gov.uk/government/publications/review-of-use-of-directed-surveillance>

**PART II OF THE REGULATION OF INVESTIGATORY  
POWERS ACT (RIPA) 2000  
CANCELLATION OF A DIRECTED  
SURVEILLANCE AUTHORISATION**

<https://www.gov.uk/government/publications/cancellation-of-use-of-directed-surveillance-form>

**Application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.**

Local authority:.....

Local authority department:.....

Offence under investigation:.....

Address of premises or identity of subject:.....

.....

.....

Covert technique requested: (tick one and specify details)

**Communications Data**

**Covert Human Intelligence Source**

**Directed Surveillance**

Summary of details

.....

.....

.....

.....

.....

.....

**Note:** this application should be read in conjunction with the attached RIPA authorisation/RIPA application or notice.

Investigating Officer:.....

Authorising Officer/Designated Person:.....

Officer(s) appearing before JP:.....

Address of applicant department:.....

.....

Contact telephone number:.....

Contact email address (optional):.....

Local authority reference:.....

Number of pages:.....

**Order made on an application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.**

Magistrates' court:.....

Having considered the application, I (tick one):

- am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal and quash the authorisation/notice.

Notes

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.....

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Reasons

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.....

.....

.....

.....

Signed:

Date:

Time:

Full name:

Address of magistrates' court:

# Agenda Item 8

GOSPORT BOROUGH COUNCIL

CROSS REFERENCE

TO: POLICY AND ORGANISATION BOARD  
25 NOVEMBER 2020

FROM: STANDARDS & GOVERNANCE COMMITTEE  
19TH NOVEMBER 2020

TITLE: RISK POLICY

AUTHOR: PAUL SOMERSET

**Attached is a copy of the RISK Policy report that will be considered by the Standards and Governance Committee on the 19<sup>th</sup> November.**

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<b>Board/Committee:</b>	Standards and Governance Committee
<b>Date of Meeting:</b>	19 <sup>th</sup> November 2020
<b>Title:</b>	Risk Policy
<b>Author:</b>	Chief Internal Auditor
<b>Status:</b>	FOR RECOMMENDATION TO POLICY AND ORGANISATION BOARD

**Purpose**

To seek approval from Members in regards to the Risk Policy 2020.

**Recommendations**

- a. That the Standards and Governance Committee recommend that the Policy and Organisation Board approve the Risk Policy

**1. Background & Purpose**

- 1.1 Risk is a fact of life in an ever changing landscape. By attempting to foresee and avert problems in the delivery of services and maximise opportunities, it helps ensure that resources are used in the best way possible. Risk management is a fundamental part of how we operate and forms part of our Corporate Governance Framework.
- 1.2 This Policy and supporting Procedures are designed to support a risk culture, which is embedded in the way we work rather than having a process which itself is used to drive risk management

**2. Report**

- 2.1 Appendix A is the Risk Policy 2020.

**3. Conclusion**

- 3.1 That the board approve the Risk Policy 2020.

<b>Financial Services comments:</b>	Nil
<b>Legal Services comments:</b>	Nil
<b>Crime and Disorder:</b>	Nil
<b>Equality and Diversity:</b>	Nil
<b>Service Improvement Plan implications:</b>	

<b>Corporate Plan:</b>	It supports the Council in pursuit of excellence through delivering an effective and high quality governance evaluation and monitoring.
<b>Risk Assessment:</b>	Not to take this action would have potential legal, governance, and risk management implications for the Council
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	Appendix A – Risk Policy 2020
<b>Report author/ Lead Officer:</b>	Paul Somerset - Chief Internal Auditor

# Policy Title: *Risk Management Policy*

## **Summary:**

*Risk is a fact of life in an ever changing landscape. By attempting to foresee and avert problems in the delivery of services and maximise opportunities, it helps ensure that resources are used in the best way possible. Risk management is a fundamental part of how we operate and forms part of our Corporate Governance Framework.*

*This Policy and supporting Procedures are designed to support a risk culture, which is embedded in the way we work rather than having a process which itself is used to drive risk management.*

<b>Last Review Date</b>	<i>October 2020</i>
<b>Next Review Date</b>	<i>October 2021</i>
<b>Approval</b>	<i>Policy &amp; Organisation Board</i>
<b>Policy Owner</b>	<i>Chief Executive</i>
<b>Policy Author</b>	<i>Chief Internal Auditor</i>
<b>Advice &amp; Guidance</b>	<i>Paul Somerset <a href="mailto:paul.somerset@gosport.gov.uk">paul.somerset@gosport.gov.uk</a></i>
<b>Location</b>	<i>Infonet</i>
<b>Related Documents</b>	
<b>Applicability</b>	<i>All GBC staff</i>

## Section One: Risk Management Statement of Policy

### 1. Statement of policy

- 1.1 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.
- 1.2 It is accepted that not all risks can be eliminated or mitigated and a balance must always be struck between the costs of risk reduction against the likelihood and impact of the risk (risk exposure).
- 1.3 Where the organisation is required to behave in a specific way, for example to meet legal and financial governance requirements, statutory officers have pre-determined corporate directive controls, such as the Council Constitution which have been approved by Members. Compliance with these controls should prevent governance, legal and financial threats arising in the first place. Where service controls are required these fall under the auspices of the relevant head of service, which includes their implementation and monitoring.
- 1.4 Risk impacts can be financial loss, non-achievement of objectives, environmental damage, personal injury or ill-health, legal action and reputational damage or a mix of these. Most serious risk impacts will include financial loss, legal action **and** reputational damage but the very worst are likely to include an element of either service failure, injury or environmental damage as well.
- 1.5 Evaluation of the potential financial impact of a risk will include not only the direct costs such as fines, infrastructure repairs and liability claims but indirect costs such as loss of officer time, including support staff such as Finance and Legal, lost opportunities, increased insurance premiums and reduced funds which could impact on future service delivery.
- 1.6 The Council as a public body has to protect and preserve its ability to provide services and ensure that assets are protected against significant loss and damage and interruption to service delivery is minimised.
- 1.7 Whilst it is accepted that risk cannot be entirely eradicated, the following are areas on which the council will not compromise its position by taking a greater level of risk than is absolutely necessary and will take all reasonable steps to eliminate or mitigate the risks where identified:
  - Where there is risk of physical harm
  - Where non-compliance with legislation could lead to imprisonment or significant fines

## SECTION TWO: Procedures

### 2. Roles and responsibilities

- 2.1 It is the responsibility of all members and employees to be aware of risks when carrying out their duties and to alert the relevant service manager to any perceived threat. Managers must ensure that threats are properly evaluated and mitigated.
- 2.2 The following table details the roles and responsibilities of Members and Officers of the Council. These are not directly extracted the terms of reference of the boards but they are reflective of the purpose and nature of the boards.

Policy & Organisation Board / Standards and Governance Committee	<ol style="list-style-type: none"> <li>1. Monitor the effectiveness of the Council's overall risk management arrangements as part of the Governance Framework</li> <li>2. Review and approve the Council's Risk Management Policy</li> <li>3. Seek assurance that risks are being managed effectively</li> <li>4. Review the adequacy of the system of internal control as highlighted by Internal Audit</li> <li>5. Promote member compliance with the RM Policy</li> <li>6. Set the Council's risk culture and appetite</li> <li>7. Challenge the adequacy of controls or actions taken to mitigate identified risks</li> </ol>
All boards and all members	<ol style="list-style-type: none"> <li>1. Seek assurance that risks are being managed effectively</li> <li>2. Consider risk implications when making or evaluating decisions</li> </ol>
Chief Executive/ Assistant Chief Executive	<ol style="list-style-type: none"> <li>1. Determine the RM Policy and procedures and create the environment for them to work effectively including promoting and supporting a risk awareness culture,</li> <li>2. Maintain awareness and oversight of the most significant risks facing the organisation</li> <li>3. Obtain assurance from Section Heads that risks have been considered, in the delivery of their services and mitigated</li> <li>4. Challenge Section Heads on the adequacy of controls or actions taken to mitigate risks</li> <li>5. Ensure regular reporting to Standards and Governance Committee / Policy and Organisation Board</li> </ol>
Risk Management Group reporting into the	<ol style="list-style-type: none"> <li>1. To seek evidence and assurance on the content of Section Risk Registers</li> </ol>

Corporate Governance Group	<ol style="list-style-type: none"> <li>2. To keep under review the Risk Management &amp; Assurance Framework to ensure its adequacy &amp; effectiveness</li> <li>3. To identify any themes that arise and propose corporate actions to mitigate or escalate as appropriate</li> <li>4. To review the risk register prior to submission to Standards and Governance Committee / Policy and Organisation Board</li> <li>5. To ensure that assurance for key areas are mapped and any gaps in assurance addressed</li> </ol>
Section Heads	<ol style="list-style-type: none"> <li>1. Promote risk awareness and responsibilities to employees</li> <li>2. Consider risks to service delivery, via a Risk Register, and evaluate appropriate responses including the introduction and monitoring of effective control</li> <li>3. Obtain assurance that risks have been considered, in the delivery of their services and mitigated</li> <li>4. Risk assess any decisions and option analyses</li> <li>5. Report promptly to the Chief Executive/ Assistant Chief Executive any perceived new risks or significant failures in controls</li> <li>6. Maintain channels of communication to encourage bottom up reporting of risks and control failures</li> <li>7. Ensure compliance with corporate directives controls as a first response to governance financial and legal threats.</li> </ol>
Monitoring Officer/Deputy Monitoring Officer	<ol style="list-style-type: none"> <li>1. Report on significant risks to Policy and Organisation Board</li> <li>2. Maintain a Risk and Assurance Directory of most significant risks affecting the Authority</li> <li>3. Report to Corporate Governance Group and S&amp;G/P&amp;O within the relevant timing of the risks on mitigation with either assurance or alerting to weaknesses in actions</li> </ol>
Internal Audit and Assurance	<ol style="list-style-type: none"> <li>1. Maintain the RM Policy and oversight of communications and training</li> <li>2. Carry out periodic audits on assurance and effectiveness of RM procedures</li> <li>3. Assist in providing assurance on the management of risk and effectiveness of controls</li> </ol>
Managers, supervisors, team leaders	<ol style="list-style-type: none"> <li>1. Promote risk awareness and communicate responsibilities to employees</li> <li>2. Maintain awareness of the risks within their area of responsibility</li> <li>3. Actively encourage staff to report risk concerns</li> <li>4. Evaluate risks and appropriate responses</li> <li>5. Escalate risks that have significant impact to relevant Section Heads</li> </ol>

All employees (including contractors and partners)	<ol style="list-style-type: none"> <li>1. Be aware of threats, opportunities weaknesses or failures in control in their day to day activities</li> <li>2. Comply with controls that have been set up to mitigate risks and identify where they can be strengthened</li> <li>3. Report promptly to their manager any perceived new risks, failures in controls, lost opportunities or where controls can be strengthened</li> </ol>
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### 3. Training and Embedding

3.1 Embedding the risk culture will be achieved by a combination of the following:

- (1) Risk training provided to relevant Section Heads bi-annually
- (2) Risks to be considered at Section Meetings, one to ones and any other meetings held to discuss service performance, objectives, progress, new decisions, options, changes in working practices or legislation,
- (3) Risks identified by outside parties such as partners, contractors insurance providers etc. will be brought to the attention of the relevant manager and dealt with accordingly
- (4) Significant risks from Audit reports will be included in the Risk & Assurance Directory
- (5) Significant risks highlighted from Managers responses to the governance framework will also be included in the Risk & Assurance Directory
- (6) The Risk & Assurance Directory will be reported to Corporate Governance Group based on the timing of the risk.

### 4. Risk and Assurance Directory

4.1 The Risk & Assurance Directory will be a formal register of all significant risks that could impact the Authority and will be maintained by the Monitoring Officer.

4.2 They will be recorded with the mitigating actions and person responsible.

4.3 Risks will be profiled as High (red) Medium (Amber) or Low (Green).

4.4 Each risk will contain a comment from the relevant Section Head re the risk appetite applied to the risk and any costs of mitigation.

### 5. Risk Assessments

5.1 Significant risks will be escalated to the Risk & Assurance Directory by the relevant person as detailed in the following paragraphs.

5.2 Significant risks are where the threat, likelihood and impact could cause:

- The failure or unacceptable interruption of the delivery of a service that is provided to ensure support to the public

- Personal Injury or harm
- Loss of trust or integrity in the Council's dealings with others
- Ineffective use of council resources resulting in objectives not being met or reducing resources such that it impacts on the delivery of other objectives or services.
- A missed opportunity to contribute long term to objectives that would make a positive difference to how a service is delivered

5.3 Activities that will identify significant risks to be escalated to the Risk & Assurance Directory include:

- Project managers/Contract leads will provide regular feedback to relevant management. Any significant risks will be escalated to the Risk & Assurance Directory by the Project manager/contract leads.
- Legal risks will be considered by the Borough Solicitor and Monitoring Officer and will be contained within their own register.
- IT risks will be considered by the Head of IT and any significant risks escalated to the Risk & Assurance Directory by that officer.
- Significant risks highlighted from the review of the Governance Framework will be escalated to the Risk & Assurance Directory by the Section Head concerned.
- Significant risks identified by staff, DMT's, Section Heads, Partners, Contractors, Audit or inspection reports and Members must be escalated to the Risk & Assurance Directory by the relevant Section Head or reported to the Monitoring Officer for inclusion.

5.4 All risks will be profiled in terms of High Medium or Low as stated in 4.3

5.5 Risk assessments will include direct and indirect costs of control, mitigation and exposure:

- Staff costs, including HR, Legal and Finance (support staff costs)
- Fines
- Legal Claims
- Increase in Insurance premiums
- Infrastructure repairs
- Hidden costs such as impact on staff performance and morale
- Reputational harm

5.6 Risk assessments should also include the timing of the threat e.g. is the threat likely to be in the next few months? Coming year? Winter? Summer? Etc. If a time cannot be attributed to it the threat maybe incorrectly defined.

5.7 Examples of areas of risk include:

- Business Continuity
- Fraud
- Security of data

- People: Delegations, Competency of staff, compliance with Policies, Recruitment and performance, health and safety
- Procurement and contract letting and monitoring
- Finance; budgetary control, cash management
- Organisation: governance, policies, priorities, consultation, communication, structures, security,
- Service delivery; resources, partners, joint or shared working
- Environment; buildings comply with legislation, legionella, asbestos, severe weather

5.8 Examples of questions to consider when assessing risks include:

- What are the threats (re fraud, business continuity etc) in particular which ones are key to your service delivery or could impact on another's service delivery?
- What are the threats that could cause a service to fail? What would the impact of that failure be?
- Are there any compensating controls and if they are robust?
- How do you gain assurance that they are?
- What is the timing of the threat? Could it happen at any time?
- What is the risk appetite? Is it ok for the threat to materialise because for example there is a backup plan that can be immediately (or quickly) implemented?
- What is the cost of the control?
- What would the cost of the threat (s) materialising be?

## 6. Assurance

6.1 All Sections will have a mechanism to identify and assess risk on a continuous basis and determine mitigation. Controls introduced to mitigate threats must be monitored at regular intervals to ensure that they are effective. If they are not effective action to remedy the situation must be taken e.g. to review the control itself or enforcement. The testing of controls and any other mitigation will form the assurance that a threat is being managed.

6.2 Assurance must be available in the form of evidence that can be verified (e.g. business continuity business plan and testing of its robustness) where significant risks are identified. This will be tested by the Risk Management Group which consists of the Chief Internal Auditor, Borough Solicitor and the Assistant Chief Executive.

## 7. Monitoring and Review

7.1 The Risk & Assurance Directory and assurance map will be considered by the Corporate Governance Group and Standards & Governance / Policy & Organisation in accordance with timings of risks.

- 7.2 Managers are responsible for monitoring their own risks in accordance with this policy and procedures and escalating where relevant.

# Agenda Item 9

<b>Board/Committee:</b>	Policy and Organisation Board
<b>Date of Meeting:</b>	25 <sup>th</sup> November 2020
<b>Title:</b>	Annual Governance Statement 2019/20
<b>Author:</b>	Chief Internal Auditor
<b>Status:</b>	FOR APPROVAL

## **Purpose**

To seek approval from Members in regards to the draft Annual Governance Statement (AGS) 2019/20

## **Recommendations**

- a. That the Policy and Organisation Board approve the Annual Governance Statement 2019/20, following the approval from the Standards and Governance Committee on July 9<sup>th</sup> 2020.

## **1. Background & Purpose**

- 1.1 The purpose of this report is to provide the Policy and Organisation Board with an overview of the governance arrangements in place at the Council.
- 1.2 The annual governance statement forms part of the Council's Statement of Accounts.
- 1.3 The authority has a duty to produce and publish an Annual Governance Statement (AGS). This sets out how Gosport Borough Council has complied with the Local Code of Governance, and how the authority meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011
- 1.4 The Annual Governance Statement also includes the annual opinion on the effectiveness of the internal system of control from the Chief Internal Auditor
- 1.5 Due to the timing of COVID-19 Pandemic, the AGS makes reference to the potential governance issues which may have arisen in the financial year 2019/20, however as the pandemic is still ongoing, it has not yet been possible to evaluate the impact dealing with the pandemic has had on governance
- 1.6 Therefore, the AGS for 2019/20 will be revisited later in the year once further post COVID-19 assurance and governance evaluations have been completed.

## **2. Report**

- 2.1 Appendix A is the Annual Governance Statement (AGS) 2019/20.

## **3. Conclusion**

3.1 That the Board approve the draft Annual Governance Statement 2019/20.

<b>Financial Services comments:</b>	Nil
<b>Legal Services comments:</b>	Nil
<b>Crime and Disorder:</b>	Nil
<b>Equality and Diversity:</b>	Nil
<b>Service Improvement Plan implications:</b>	The delivery of the Annual Governance Statement is a key function of the service.
<b>Corporate Plan:</b>	It supports the Council in pursuit of excellence through delivering an effective and high quality governance evaluation and monitoring.
<b>Risk Assessment:</b>	Not to take this action would have legal, governance, and risk management implications for the Council
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	Appendix A – Annual Governance Statement 2019/20
<b>Report author/ Lead Officer:</b>	Paul Somerset - Chief Internal Auditor



**GOSPORT**  
Borough Council

**GOSPORT BOROUGH COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2019/20**

**Scope of responsibility**

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

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

This statement explains how Gosport Borough Council has complied with the Code and also meets the requirements of Regulation 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.



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**

The Constitution sets out how the Borough Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

**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 remains unchanged for 2019/20:

**Composition of Boards**

The following is the composition of the Boards;-

Board/Sub Board	Number of Members
Policy and Organisation Board	13
Community Board	15



**GOSPORT**  
Borough Council

Economic Development Board	15
Regulatory Board	13
Standards and Governance Committee	12
Licensing Sub Board	3
Licensing (General Applications) 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 Board***  
***Economic Development Board***  
***Regulatory Board (Licensing Sub-Boards)***

As the Regulatory Board deals only with planning applications 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 Governance Committee in place to promote and maintain the highest standards of conduct by members and officers of the Council. Additionally, the Monitoring Officer is enabled to convene an Initial Filtering Panel with three Councillors of the Standards and Governance Committee to determine allegations of failure to comply with the Council's Code of Conduct, in accordance with the Council's arrangements for dealing with such allegations.

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A 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 and Monitoring Officer, Head of Finance, Head of Benefits, Head of Streetscene, Head of Housing and Head of IT, meets periodically 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 Officer Assistant Chief Executive and Monitoring Officer to review progress in achieving the Council's strategic priorities for action, performance management and forward planning for major issues and projects.

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 (updated)
- Protocol for Councillor/Officer Relationships (updated)
- Whistle Blowing Policy

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

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

Local government is accountable and transparent in a number of ways. Elected local authority members are democratically accountable to their local area and this gives them a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

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

The Council 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 has a corporate complaints process should members of the public be unhappy with the service they have received from the Council. The process has three stages including consideration by section heads and an independent manager before final consideration by the Chief Executive. Complaints to the Local Government Ombudsman will not be considered until any complaint has been through this complaints process.

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.

### **Review of effectiveness**

Gosport Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have

responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

1. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. The reporting process for Internal Audit requires a report of each audit to be 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 & Governance Committee (as per the Accounts and Audit Regulations 2015) and this provides the overall opinion on the Council's internal control environment.

The Standards & Governance Committee also received Internal Audit monitoring reports throughout 2019/20.

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, 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.



**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**

The Council's plan on a page sets out Gosport Borough Council's mission and core values (ambitious, supportive, collaborative, adaptable and efficient). The Plan also identifies the Council's strategic priorities (raise aspirations, enhance the environment, develop the economy, empower our residents and deliver effective services which are based on a combination of factors including what matters most to local people, national priorities set by the Government and the challenges from Gosport's changing social, economic and environmental context. The Council continues to keep its plan relevant and up to date the plan has been developed through engagement with both the Corporate Management Team and officers of the Authority.

The Council also have a Local Plan 2011-2029. The Local Plan sets out the Council's proposals for the development and use of land from 2011 – 2029, and forms the basis for dealing with planning applications. The Local Plan has gone through several stages to adoption and was supported by an evidence base and a Sustainability Appraisal. In accordance with Government guidance the Council is required to keep its Local Plan up to date. The Council has now started to prepare a revised Local Plan to cover the period to 2036.

The Council's Mission statement:

**“Build on our strengths to empower and support our communications and ensure the potential of the borough and all of our residents is achieved”**

The Council has continued to evolve its approach to performance management by promoting a transparent and open performance culture amongst Section Heads, who are responsible for managing performance on a day-to-day basis. Whilst in transition, key outcome based performance management measurements have been retained whilst new and relevant measures are being further developed. Section Heads are accountable for performance to the Corporate Management Team and to elected members.



**GOSPORT**  
Borough Council

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 Standards and Governance Committee (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.

Risk management is monitored by the Corporate Governance Group that was formed this year. It is intended the group meet on a monthly basis (impacted by COVID-19) to discuss governance issues across the Authority. The Corporate Governance Group consists of the Chief Executive, Assistant Chief Executive, Monitoring Officer and Chief Internal Auditor. Risk management is still in the process of change and the use of Pentana has ceased. Section Heads will be required to create their own risk registers which will then be strategically analysed by the Risk Management Group, to determine the corporate strategic risks. The Corporate Governance Group, at each meeting, will then review at least one risk on the corporate risk register to challenge the risk level, mitigation and any subsequent actions.

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

A designated Members' Portal covers a wide range of useful materials and guidance. This is available for Members and staff to view on the intranet system. This resource enables the Council to better provide for Members the opportunity to locate important stored information and data. Within the Portal is the Members' Information Pack which provides Members with detailed corporate, strategic and financial information as well as relevant policies and other useful information such as floor plans and complaints guidance. Note – access to this is impacted by COVID-19 as members need access to the Town Hall or via a GBC laptop.

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.

All Officers receive annual personal development reviews where matters such as corporate issues, performance, both individual and team, individual action plans developed and training needs are discussed and agreed. There are also mandatory in-house on-line training packages provided by PCC and monitored by Human Resources (HR), continued professional development schemes for some individual officers and ad-hoc professional training course and webinars. All newly appointed officers are provided with an induction (monitored by HR) when they begin employment with the Council.

**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**

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

**Internal Audit Annual Opinion 2019/20 - Reasonable Assurance**

During 2019/20, 21 audit reviews & 1 full follow up were undertaken and completed along with follow up on 15 issues raised in the previous financial year. The number of audits completed was affected by the Coronavirus pandemic with the originally planned 4 remaining audits being deferred into 2020/21 for completion. Some testing had been completed within these audits but there was not sufficient staff resources to continue the audit testing and finalise the audit.

53% of the audits undertaken achieved a level of 'Full Assurance' or 'Reasonable Assurance' and 43% of the audits completed resulted in a 'Limited Assurance' level with 4% (1) obtaining 'No Assurance'. As the audit function has substantially changed from the previous year in both approach and reporting, it is not possible to make a direct comparison on the 2019/20 results to those of 2018/19. However it should be noted



that with the new risk based approach to auditing, I did expect a spike in issues as the audits are now more focused on key risks and, in my opinion, greater scrutiny of process and data is occurring.

The review conducted on the management follow up of the previous 'recommendations' highlighted that 86% had been actioned as stated. This shows a positive reaction by management to issues highlighted by audit and this was further emphasised by the swift action undertaken by the Housing Section following the 'No Assurance' audit on CCTV. Further detail on this follow up is contained in the body of the report.

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. 53% of audits completed obtained Reasonable or Full Assurance, therefore the Annual Audit Opinion for 2019/20 is Reasonable Assurance on the internal control governance and framework for risk management and control within Gosport Borough Council.

No Assurance	Limited Assurance	Reasonable Assurance	Full Assurance
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The Coronavirus pandemic, while occurring towards the end of the year in which this opinion is based, will have impacted on some governance and internal control. This is due to the Authority having to implement remote working within weeks, significant staff redeployment into areas where they will have received minimal training and the administration of multiple Grants in a short timescale. The Council has taken action to address these potential issues, specifically on the business grant administration. The impact of these changes on the governance and internal controls within the council will be reviewed as part of the 2020/21 audit plan however the uncertainty and significant changes in process and ways of working were factored into the 2019/20 annual audit opinion.

2019/20 was the first full year in which the Authority conducted the audit process using a full risk based approach and some consideration is needed to be given that the 2019/20 audits represent around 20% of the full audit universe, so while the early results have a positive element, future years' results will allow for a more comprehensive and rounded view of the Authority's Governance, risk management and internal control framework.

Internal Audit will continue to work with Section Heads, the Monitoring Officer, the Assistant Chief Executive 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 2019/20 may affect that year's work for External Audit. It may also inform their work for 2020/21 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.

### **Public Sector Internal Audit Standards (PSIAS) External Assessment Actions and Result**

During March 2019, Gosport Borough Council commissioned an external assessment on its compliance with the PSIAS. The results, as noted in the 2018/19 Annual Governance Statement, showed a high level of non-conformity. A subsequent action plan was developed and implemented throughout the financial year.

Progress against the action plan was routinely reported to the Standards and Governance Committee throughout the year and as at March 2020, all stated actions were completed. Based on the completed actions and the continuation of established processes, GBC is conforming to the required standards of the PSIAS.

A self-assessment of the standards will be conducted in 2020/21 and the results reported to the Standards and Governance Committee.

### **Coronavirus Governance**

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.

The Council has acted swiftly to ensure its critical services have been delivered which has resulted in the need for flexibility in working practices, which in turn will have impacted on some of the agreed Governance arrangements such as financial regulations, i.e with a need to pay in advance. Many staff have also voluntarily been redeployed into critical services departments to meet the demand, specifically in relation to small business grants, and also the welfare workstream. This will have also created a strain on governance as staff will have received minimal training due to the short timescales needed to process these services.

The Council is aware that the pandemic and its response will have presented an opportunity for fraud to occur, and while processes have altered to minimise this risk (including several manual checks as part of the Business Grants process), the council plans a comprehensive post Covid-



19 Assurance programme undertaken by its Internal Audit department, with focus on the Business Grants, Covid-19 related spend and process changes.

With a requirement to work remotely, Sections are required to adapt new ways of working which has resulted in process changes. These changes are being captured by a Business Continuity workstream, led by Internal Audit. This will allow internal audit to advise on risk and control prior to changes being recommended to the appropriate decision maker and implemented. Any proposed significant corporate changes in work practices will be reviewed by internal audit prior to being submitted to the Recovery Co-ordinating Group, headed by the Assistant Chief Executive before being referred to Members.

As the pandemic materially affected the Council in March 2020, the analysis of corporate governance for 2019/20 has not been significantly impacted and therefore the details within this current report are based on work undertaken before the pandemic. In addition, while the audit plan was slightly reduced, sufficient work was completed to enable the Chief Internal Auditor to present an annual audit opinion.

The Council plans to revisit the Annual Governance Statement once the post assurance work is undertaken and changes recommended by the Business Continuity workstream have been made, where appropriate.

### **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 2019/20.

NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
1	2018/19	Create and embed a new corporate risk management process	Chief Executive	Devise a new corporate risk management process which allows the council to identify and	Risk Management process has been drafted and is due to	Chief Internal Auditor



NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
				manage its departmental and corporate risks.	be presented to Policy and Organisation Board on 25 November 2020	
2	2018/19	Internal Audit Service not compliant with Public Sector Internal Audit Standards (PSIAS)	Chief Internal Auditor	Implement the proposed actions to rectify the non-conformance highlighted as part of the PSIAS assessment	Completed	Chief Internal Auditor
3	2018/19	Lack of Counter Fraud framework and resource	Chief Internal Auditor	Key Fraud areas to be evaluated and determination made on the required provision	In progress. Counter fraud strategy has been devised and will be presented to Chief Officers to determine budget and resource. Delayed due to COVID-19	Chief Internal Auditor



NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
4	2018/19	Departure of officer resulting in Statutory roles being vacant.	Chief Executive	Personnel arrangements to fill vacant statutory roles to be put forward to Full Council	Completed	Chief Executive
5	2018/19	Complaints against Councillors Procedure requires revision	Chief Executive	Revise the complaints against Councillors procedure. Revisions to be considered by Full Council.	Completed	Chief Executive
6	2019/20	Post COVID-19 Assurance	Chief Internal Auditor	Undertake post assurance checks on COVID-19 related directions.	In progress as part of 2020/21 Audit Plan	Chief Internal Auditor

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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**Councillor Mark Hook, Leader of the Council**

**David Williams, Chief Executive**

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<b>Board/Committee:</b>	<b>Policy and Organisation Board</b>
<b>Date of Meeting:</b>	25 November 2020
<b>Title:</b>	External Audit (EY) – Audit Results Report 2019-20
<b>Author:</b>	Kevin Suter
<b>Status:</b>	Policy and Organisation Board to receive and consider the 2019-20 Audit Results Report

## **Purpose**

This report summarises the findings to date from the 2019-20 external audit, which is substantially complete. It includes the messages arising from our audit of your financial statements and your arrangements to secure value for money in your use of resources.

Our report includes only matters of governance interest that have come to our attention in performing the audit under the requirements of the National Audit Office's Code of Audit Practice and International Standards of Auditing (ISAs).

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

## **Recommendation**

Review and note the conclusions to date set out in the Audit Results Report

### **1 Background**

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

### **2 2019/20 Audit Results Report**

#### **2.1 Financial statements**

As of 16 November 2020, we expect to issue an unqualified audit opinion by the accounts publication date of 30 November 2020.

## 2.2 Value for money conclusion

As of 16 November 2020, we expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources by the accounts publication date of 30 November 2020.

## 2.3 Audit certificate

As of 16 November 2020, we expect to issue the audit certificate alongside the audit opinion and value for money conclusion.

2.4 A verbal update on the progress of the audit since the drafting of the Audit Results Report will be provided at the meeting on 25 November 2020.

## Audit fees

3 The scale fee for the audit for 2019/20 is £40,844. Any fee variations will be agreed with the Borough Treasurer and PSAA in due course.

## 4 Risk Assessment

There are no risks associated with the Audit Results Report.

## Conclusion

The 2019/20 Audit Results Report is attached for consideration.

<b>Financial Services comments:</b>	None raised
<b>Legal Services comments:</b>	N/A
<b>Crime and Disorder:</b>	N/A
<b>Equality and Diversity:</b>	N/A
<b>Service Improvement Plan implications:</b>	N/A
<b>Corporate Plan:</b>	N/A
<b>Risk Assessment:</b>	N/A
<b>Background papers:</b>	N/A
<b>Enclosures:</b>	Audit Results Report 2019/20
<b>Report author/ Lead Officer:</b>	Kevin Suter, Associate Partner, Ernst & Young



# Gosport Borough Council Audit results report

Year ended 31 March 2020

November 2020

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better  
working world



11 November 2020

Dear Policy and Organisation Board Members

We are pleased to attach our audit results report for the forthcoming meeting of the Policy and Organisation Board. This report summarises our preliminary audit conclusion in relation to the audit of Gosport Borough Council for 2019/20. We will issue our final report following the Policy and Organisation Board meeting scheduled for 25 November 2020.

We have substantially completed our audit of Gosport Borough Council for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Policy and Organisation Board, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Policy and Organisation Board meeting on 25 November 2020.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



# 01 Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented at the 12 February Standards and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

### Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

### Changes to our risk assessment as a result of Covid-19

We provided an update to our audit planning report at the 28 July 2020 meeting of the Policy and Organisation Board. This highlighted the following changes to our risk assessment:

- Valuation of Property Plant and Equipment and Investment Property - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end. Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents or seek to negotiate rent reductions as they can no longer trade effectively.
  - These issues could have a significant impact on investment properties and we therefore raised a significant risk in relation to investment property valuations due to the materiality of this balance.
  - Whilst we have not changed our overall risk assessment for the valuation of property, plant and equipment, we have also undertaken additional procedures on assets within this balance valued on the basis of market information (fair value / existing use value).
- Disclosures on Going Concern - Financial plans for 2020/21 and the medium term will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- Adoption of IFRS16 - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of local authority financial statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

### Changes to the scope of our audit as a result of Covid-19

- There have been no changes to the overall scope of our audit as a result of Covid-19.
- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.23m (audit planning report – £1.29m). This results in updated performance materiality, at 75% of overall materiality, of £0.92m, and an updated threshold for reporting misstatements of £0.062m.



## Executive Summary

### Scope update (continued)

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19: The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform.

The fee impact of the changes to our audit will be discussed with management and reported to the Policy and Organisation Board as soon as possible.

# Executive Summary

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## Status of the audit

We expect to have substantially completed our audit of Gosport Borough Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our audit planning report and audit planning report update by the time of the Policy and Organisation Board meeting. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Testing of property, plant and equipment and investment property valuations

The following are also outstanding or are to be completed as part of the conclusion of the audit:

- completion of our audit conclusion procedures
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

The issuing of our audit certificate will be subject to resolution of the above matters.

# Executive Summary

## Audit differences

We identified one audit difference in the draft financial statements which management has chosen not to adjust. This is in relation to the assumptions used by the actuary of Hampshire Pension Fund to determine their estimate of the Council's defined benefit pension liability. We ask that a rationale as to why it is not corrected be approved by the Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £0.7m. We agree with management's assessment that the impact is not material.

We have agreed with management that a prior period adjustment included in the draft financial statements in respect of the disclosure note for leases will be reversed. The value of this adjustment is £2.59m. This adjustment has no impact on the main financial statements.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Policy and Organisation Board at the meeting on 25 November 2020 if we identify any issues from the work that remains outstanding at the time of writing this report.

## Areas of audit focus

Our audit planning report and subsequent update identified key areas of focus for our audit of Gosport Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report. The areas of focus were as shown below. Where work is ongoing at the time of writing this report, a verbal update will be provided at the Policy and Organisation Board meeting on 25 November.

- Risk of fraud in revenue and expenditure recognition: inappropriate capitalisation of revenue expenditure - no indications of fraud or other issues have been identified from our work to address this risk.
- Misstatements due to fraud or error - no indications of fraud or other issues have been identified from our work to address this risk.
- Valuation of Land and Buildings and Investment Property - as noted above, this is one of the areas remaining to be fully completed. As such, audit differences may arise in this area.
- Going concern - we have concluded our work on going concern, including the internal consultation process. We have concluded that there are no matters which need to be emphasised in our audit report.
- Pension Liability Valuation - our work identified one audit difference, with a value of £0.7m, which is judgmental in nature and has not been adjusted by management.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues.
- You agree with the resolution of the issue.
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Policy and Organisation Board.

# Executive Summary

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## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

There are no matters we wish to report.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We did not identify any significant risks to these arrangements in our Audit Planning Report, and none have been identified since.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

## Other reporting issues

We review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. We do not anticipate having any issues to report as the Authority is expected to be below the threshold set by the NAO for full procedures.

We have no other matters to report.

## Independence

Please refer to Section 9 for our update on Independence. We have no independence issues to report.



## 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure

##### What is the risk?

Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

The value of Property, Plant & Equipment (PPE) additions in 2019/20 was £7.4m.

##### What judgements are we focused on?

Our work has focussed on any judgements exercised in determining whether expenditure is capital in nature, and therefore appropriate to be capitalised rather than charged to the Comprehensive Income and Expenditure Statement.

##### What did we do?

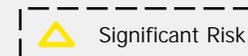
Our approach focused on:

- We selected a sample of additions, using lowered testing thresholds, to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.
- When performing journals testing, we challenged entries that could be indicative of inappropriate capitalisation, such any significant journals transferring expenditure from non-capital codes to PPE/IP additions or from revenue to capital codes on the general ledger at the end of the year.

##### What are our conclusions?

Our testing of journal entries is complete, and our work to test additions is complete subject to final review.

We have not identified any indications of inappropriate capitalisation of revenue expenditure through the work performed,



## Significant risk

### Misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

#### What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of expenditure as a potential area of manipulation, which is recorded as a separately identified significant risk on the previous page of this report.

Our work on estimates focussed on Investment Property valuation (identified as a significant risk estimate), and PPE valuation and IAS19 pension estimates (identified as high risk estimates). Our findings on these areas are set out on the subsequent pages in this section of our report.

#### What did we do?

Our approach focused on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

Further to this, we have:

- Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

#### What are our conclusions?

We have completed our work in relation to this risk.

- We have not identified any evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- We have not identified any other transactions which appeared unusual or outside the Authority's normal course of business





## Areas of Audit Focus

# Significant risk

## Valuation of Investment Properties

### What did we do?

We:

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuer.
- Tested accounting entries have been correctly processed in the financial statements.
- Ensured that appropriate disclosure has been made in the financial statements concerning the material uncertainty.
- Obtained input from EY Real Estates, our internal specialists on asset valuations for Investment Properties, including inputs on market sentiment and how it has been reflected in the estimated rental values/yields.

### What is the risk?

The fair value of Investment Property (IP) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balance recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end.

Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents or seek to negotiate rent reductions as they can no longer trade effectively. This could have a significant impact on investment properties and we have therefore raised a significant risk in relation to investment property valuations.

The value of IP in the draft accounts at 31/03/2020 was £6.4m.

### What are our conclusions?

Our work on investment property valuations is well progressed. Queries are remaining to be resolved in relation to one property with a value at 31/03/20 of £0.9m, which will then allow our internal specialists and the audit team to conclude their work. Our specialists are reviewing a sample of five investment properties in total, including the one for which the query is outstanding above.

Our total sample for investment property valuations was sixteen items, with a total value of £6m. We have substantially completed our work on eleven of these items.

We will provide an update at the Policy and Organisation Board meeting on 25 November.





## Areas of Audit Focus

### Other areas of audit focus

#### Valuation of Land and Buildings

##### What is the risk?

The value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

In our audit plan update in July, we noted that the Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end. This impact is expected to affect PPE valued at Existing Use Value (EUV) and Fair Value (FV) as the valuation basis for these properties is linked to recent market transactions. We have not amended our overall risk assessment for these types of assets, but have undertaken additional procedures as noted below.

The net book value of PPE in the draft accounts at 31/03/2020 was £188m.

##### What did we do?

We:

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Tested on a sample basis the accuracy of information used by the valuer in performing their valuations and challenged the valuer's key assumptions.
- Considered the annual cycle of valuations to ensure that assets have been valued within a suitable rolling programme as required by the Code for PPE.
- Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated.
- Confirmed that accounting entries have been correctly processed in the financial statements.

Additional procedures on Existing Use Value assets:

- Considered the Authority's asset base by type of asset and valuation methodology. From this, we decided to obtain input from our internal specialists (EY Real Estates) in reviewing one asset valued at fair value, from our total land and buildings sample of five assets
- Ensured that appropriate disclosure has been made in the financial statements concerning the material uncertainty.

##### What are our conclusions?

Our work on PPE valuations is well progressed. Queries are remaining to be resolved in relation to three properties, which will then allow our internal specialists and the audit team to conclude their work.

Subject to the outstanding queries, we do not expect to have any findings to report in relation to the other aspects of our work on land and buildings valuations.

We will provide an update at the Policy and Organisation Board meeting on 25 November.



## Areas of Audit Focus

### Other areas of audit focus

#### Going Concern Disclosure

##### What did we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the use of the going concern basis of preparation. Our audit procedures to review this included consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

Due to the impact of Covid-19, we also consulted internally with our risk department over the level of disclosure.

##### What is the risk?

Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Authority has incurred additional expenditure in a number of areas of its operations and has experienced income losses in parking, commercial and leisure services. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in chief financial officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

##### What are our conclusions?

We have completed our programme of work on going concern, including the related internal consultation process.

Our conclusion is that the council has sufficient reserves to cope with the impact of Covid-19, and sufficient liquidity. We have not identified indications of material uncertainty, and are satisfied with the Council's disclosure that has been added to the accounts. There are no matters to be emphasised in our audit report.



## Areas of Audit Focus

### Other areas of audit focus

#### Pension Liability Valuation

##### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The net pension liability in the draft accounts at 31 March 2020 was £40.5m

##### What did we do?

We:

- Liaised with the auditors of Hampshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Southampton City Council.
- Assessed the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

##### What are our conclusions?

We have completed our programme of work on the pension liability valuation.

As a result of this work, we identified one audit difference in the draft financial statements which management has chosen not to adjust. This is in relation to the rate of return assumptions used by the actuary of Hampshire Pension Fund to determine their estimate of the Council's defined benefit pension liability. The final rate of return from the pension fund audit differed from that assumed by the actuary.

The impact of the unadjusted audit difference is a £0.7m understatement of the net pension liability. We agree with management's assessment that the impact is not material.

We have no other findings to report from our work.



# 03 Audit Report



# Audit Report

## Draft audit report

### Our draft audit report

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

##### Opinion

We have audited the financial statements of Gosport Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 37 and Expenditure and Funding Analysis, the Housing Revenue Account and Movement on the HRA Statement and related notes 1 to 11, and the Collection Fund and the related notes 1 to 4,

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Gosport Borough Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit Report

## Draft audit report

### Our draft audit report, continued

#### Other information

The other information comprises the information included in the 2019/20 Financial Statements, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Gosport Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



# Audit Report

## Draft audit report

### Our draft audit report, continued

#### Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 16, the Chief Finance Officer is responsible for the preparation of the Financial Statements, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether Gosport Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Gosport Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.



# Audit Report

## Draft audit report

### Our draft audit report, continued

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the accounts of Gosport Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Gosport Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kevin Suter (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton*



# 04 Audit Differences





## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of adjusted and unadjusted differences

We identified one audit difference in the draft financial statements which management has chosen not to adjust. This is in relation to the assumptions used by the actuary of Hampshire Pension Fund to determine their estimate of the Council’s defined benefit pension liability. We ask that a rationale as to why it is not corrected be approved by the Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £0.7m. We agree with management’s assessment that the impact is not material.

We have agreed with management that a prior period adjustment initially included in the draft financial statements in respect of the disclosure note for leases will be reversed. The value of this adjustment is £2.59m. This adjustment has no impact on the primary financial statements.

We also identified a number of other differences relating to disclosures, which have been adjusted by management.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Policy and Organisation Board at the meeting on 25 November 2020 if we identify any issues from the work that remains outstanding at the time of writing this report.



05

## Value for Money Risks



# Value for Money

## Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

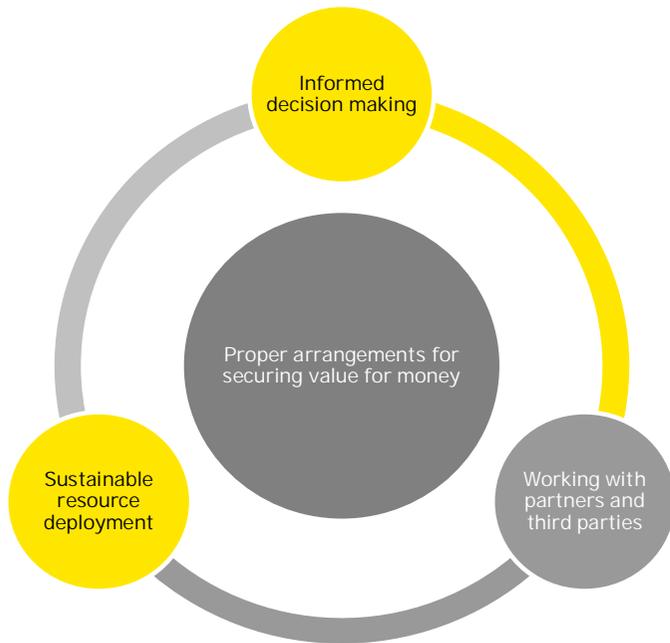
For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



## Impact of Covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 value for money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 value for money assessment auditors should consider local authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

## Overall conclusion

We did not identify any significant risks around these criteria. This includes through consideration of the impact of Covid-19 as noted above.

We therefore have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



## 06 Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2019/20 Financial Statements with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the 2019/20 Financial Statements and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

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

The Authority is below the threshold set by the NAO for full Whole of Government Accounts procedures. We therefore have no matters to report.

## Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). Our conclusion in this regard is subject to completion of our work on the two objections to the financial statements received from members of the public.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations; and
- Consideration of laws and regulations.

We have no other matters to report at the time of writing this report. IF any matters arise in the completion of our remaining audit procedures we will provide a further update at the meeting of the Policy and Organisation Board on 25 November 2020.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



# 08 Data Analytics



# Use of Data Analytics in the Audit

## Data analytics – Income & expenditure testing, payroll testing and journals

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included selecting samples for general income and expenditure testing, testing payroll costs, and identifying and focusing our journals testing on those entries we deemed to have the highest inherent risk to the audit.

We captured the data through our formal data requests and the data transfer took place on a secured EY website. The transfer methodology is in line with our EY data protection policies, which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtained downloads of all of the Authority's financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then reviewed and sorted transactions, allowing us to more effectively identify and test journals that we considered to be higher risk, as identified in our audit planning report.

#### Payroll Analysis

We also used our analysers in our payroll testing. We obtained all payroll transactions posted in the year from the General Ledger and performed completeness analysis over the data and procedures to understand the data and identify unusual items. We also reconciled the GL amount to the payroll subledger. We then analysed the data against a number of specifically designed procedures.



09

# Independence

## Confirmation and analysis of Audit fees

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 3 March 2020.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Policy and Organisation Board on 25 November 2020.

Our fees do not include the scale fee review which is currently underway with PSAA to agree whether the scale fees need to be rebased to properly account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing.

As part of our reporting on our independence, we set out below a summary of fees for the year ended 31 March 2020.

We confirm that we have not undertaken any non-audit work.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee – Code work	TBC*	40,844	44,356

\*Our 2019/20 final fee remains subject to confirmation. We will assess the level of additional fees which we will propose and discuss these with management as soon as possible. This will be with regard to:

- Additional work performed on property plant and equipment and investment property
- Going concern procedures

These proposed additional fees will be subject to agreement with the Section 151 Officer and will be reported to the Policy and Organisation Board once agreed.

# Independence



## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The previous page includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services provided to the Authority has been on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Policy and Organisation Board where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Policy and Organisation Board details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report from November 2020:

[https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf)



# 10 Appendices

## Appendix A

# Required communications with the Policy and Organisation Board

There are certain communications that we must provide to the Policy and Organisation Boards of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Policy and Organisation Board of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - February 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - February 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report - November 2020

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report – November 2020
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit Results Report – November 2020
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the Policy and Organisation Board where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report – November 2020
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Policy and Organisation Board to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Policy and Organisation Board responsibility.</li> </ul>	Audit Results Report – November 2020

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report – November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report – February 2020</p> <p>Audit Results Report – November 2020</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the Policy and Organisation Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Policy and Organisation Board may be aware of.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report – November 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the Policy and Organisation Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Policy and Organisation Board may be aware of.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report – November 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report – November 2020
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report – November 2020
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report – February 2020  Audit Results Report – November 2020

# Management representation letter

## Provisional Management Representation Letter

Ernst & Young LLP

Grosvenor House  
Grovesnor Square  
Southampton  
Hampshire  
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Gosport Borough Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Gosport Borough Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

## Management representation letter

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:
    - involving financial statements;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
- C. Information Provided and Completeness of Information and Transactions
1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
  3. We have made available to you all minutes of the meetings of the Council and the Cabinet held through the year to the most recent meeting on the following date: 25 November 2020.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
  7. From the date of our last management representation letter (30 July 2019) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

# Management representation letter

## D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

## E. Subsequent Events

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

## F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Preface, Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

## G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and the IAS19 pension liability, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the valuation of property, plant and equipment and investment property, and IAS19 pension liability estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

## I. Retirement benefits

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

## J. Going Concern

1. Note xx to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

## Appendix B

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# Management representation letter

I confirm that this letter has been discussed and agreed by the Authority on 25 November 2020

Name: Chris Ward

Position: Borough Treasurer and Chief Finance Officer

Name: Councillor Mark Hook

Position: Chairman of the Policy and Organisation Board

## Appendix C

# Accounting and regulatory update

## Future accounting developments

The following table provides a high level summary of the future accounting developments that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact 
IFRS 16	<ul style="list-style-type: none"> <li>The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority should keep its implementation arrangements under review, including the timetable for gathering related information for the year of adoption and prior period comparators.</li> </ul>

## Regulatory update

Since the date of our last report to the Policy and Organisation Board, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact 
Code of Audit Practice 2020	<ul style="list-style-type: none"> <li>The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.</li> </ul>	<ul style="list-style-type: none"> <li>The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed.</li> <li>Further updates will be provided when possible.</li> </ul>
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> <li>The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020.</li> <li>This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</li> </ul>	<ul style="list-style-type: none"> <li>Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage.</li> <li>Further updates will be provided when possible.</li> </ul>

EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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## GOSPORT BOROUGH COUNCIL

<b>BOARD:</b>	<b>POLICY &amp; ORGANISATION</b>
<b>DATE OF MEETING:</b>	<b>25<sup>th</sup> NOVEMBER 2020</b>
<b>TITLE:</b>	<b>FINAL ACCOUNTS 2019/20</b>
<b>AUTHOR:</b>	<b>BOROUGH TREASURER</b>
<b>STATUS:</b>	<b>FOR APPROVAL</b>

### **Purpose**

This report summarises the outturn position for the 2019/20 financial year and recommends the approval of the Statement of Accounts for 2019/20.

### **Recommendation**

It is recommended that:

- i) The Board note the outturn position summarised in the report and the Narrative Report contained in the Statement of Accounts (Appendix A)
- ii) The Board approves the Statement of Accounts for 2019/20 at Appendix A
- iii) The Board approve the Letter of Representation at Appendix B
- iv) The Board delegate to the Borough Treasurer in consultation with the Chairman of the Policy & Organisation Board the decision to agree any final changes to the financial statement arising from the completion of the audit.

### **1.0 Background**

- 1.1 The Accounts and Audit Regulations 2015 require the annual Statement of Accounts to be formally approved by members after the external audit has taken place with the subsequent publication of the Statement taking place by the end of July however as a consequence of the Covid 19 pandemic government have issued a new regulation "The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020" which has extended the deadline for member approval of the accounts to 30<sup>th</sup> November 2020. Members therefore receive and consider a final Statement that has been amended for any items arising out of the audit.

## **2.0 Report**

- 2.1 The audit of the accounts was undertaken by Ernst and Young and commenced July 2020 and has continued through to November 2020 formally concluding when the audit opinion is issued prior to publication of the statement. Ernst and Young's opinion is set out in the "Audit Results" report to members and is a separate item on this agenda. It describes, in their opinion, whether the Accounts provide a true and fair view of the financial position of the Council and whether they have been prepared in accordance with proper practice. Their report also sets out their Value for Money Conclusion which considers whether the Council has put in place the proper arrangements to secure economy, efficiency and effectiveness on its use of resources.
- 2.2 The accounts have been available for public inspection and the Council's auditor has been available to receive questions from any Gosport local elector.
- 2.3 The Statement of Accounts for 2019/20 which includes any amendments arising from the external audit to date is included at Appendix A. The key points within the statement are summarised below. The Statement also outlines in the Narrative section where there has been financial impact to the Council as a consequence of the Covid-19 pandemic. This impact will largely be felt in the 2020/21 financial year but the Statement outlines the financial issues that the Council has faced since the pandemic started.

## **3.0 OUTTURN 2019/20**

- 3.1 A summary of the key outturn figures is set out below. More detail can be found in the narrative report included within the statement of accounts.

- **General Fund Budget**

A net underspending of £346,000 was transferred to the revenue financing reserve. This reflects slippage in budgeted spending for 2019/20 of £350,550 which has been requested to be carried forward and spent in 2020/21. The net underspending includes expenditure of £100,000 to fund the purchase of laptop to enable remote working as a response to the Covid 19 pandemic.

- **Capital Programme**

The revised 2019/20 capital programme was budgeted at £8,293,000. The actual spend amounted to £7,978,734 with scheme slippage of £382,809 being carried forward into 2020/21. The outturn position has no significant impact on the overall resources available for the future capital programme.

- Housing Revenue Account

A surplus of £747,000 was transferred to the major repairs new build & loan repayment reserve compared with a revised estimated surplus of £261,000. This mainly reflects reduced repairs and maintenance costs, reduction in depreciation charges and reduced supervision and management costs compared with the revised budget.

The HRA subsequently funded Capital expenditure of £806,000 which when taken into account gave the HRA an overall deficit of £114,000.

#### **4.0 LETTER OF REPRESENTATION**

4.1 The Letter of Representation (Appendix B) is the formal letter from the Council to the Council's external auditors that provides assurances on key matters that are contained in the audited Statement of Accounts for 2019/20.

4.2 It is a requirement of the external audit to provide an opinion on whether the financial statements give a true and fair view of the financial position of the Council at 31 March 2020 and once approved it is signed by the Borough Treasurer and the Chairman of Policy and Organisation Board.

#### **5.0 Risk Assessment**

5.1 Council budgets operate in what can be a changing and demand led environment and some service areas may be deemed to have a higher risk of significant budgetary variation against actuals than others.

5.2 While informed and realistic budgets are set and monitored, in practice there will always be variations between budgets and outturn figures as managers seek to deliver services with limited resources.

#### **6.0 Conclusion**

6.1 This report summarises the outturn position for 2019/20 and requests members to approve the formal Statement of Accounts for 2019/20.

Financial Implications	As set out in the report
Legal Implications	The Council is required to approve and publish the Statement of Accounts for 2019/20 by 30 <sup>th</sup> November 2020
Crime and Disorder	N/A
Equality and Diversity	Nil
Service Improvement Plan	N/A
Corporate Plan:	N/A

Risk Assessment:	Section 3 of the report
Background papers:	Final accounts working papers
Climate Change	No direct impact
Appendix	A Statement of Accounts 2019/20 B Letter of Representation
Lead Officer	Keith Price



**GOSPORT**  
Borough Council

# **STATEMENT OF ACCOUNTS**

**2019/20**



## **STATEMENT OF ACCOUNTS 2019/20**

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# 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 2019/20.

The completion of the 2019/20 financial year was dominated, of course, by the Covid-19 emergency and the impact it had (and continues to have) both on the Council and the Borough more generally.

### Our response to Covid

The Council took a number of key decisions and actions to respond to the pandemic:

- In line with Government guidance, at the end of March 2020, we closed the Town Hall to residents and to the vast majority of our staff. Our IT Function was able to rapidly procure and deploy hardware to enable 86% of our workforce to be able to work from home and, crucially, continue to deliver our essential services. Indeed, despite the incredibly testing times we have had no serious disruptions or issues with any individual services despite, in some cases, there being a vastly increased demand for services. For instance, our Housing Benefits team saw a 60% increase in cases as the pandemic unfolded and more residents required financial support;
- We recognised early on the key challenges the pandemic would present to our local economy and businesses:
  - o The Council moved very quickly to set-up a sign-posting service within our Economic Development area that would be able to answer any queries local businesses had about the range of support mechanisms that the Government had made available regarding Covid. We responded to 630 email enquiries and 160 telephone enquiries from Local businesses;
  - o We reinforced our Tax team with additional staff so we could rapidly process hundreds of claims for business rate grants. This included a broad communications campaign to make businesses and other local organisations aware of the grants; new processes and systems to enable rapid bulk payments and also the Council underwriting the cost of 'same day' payments. In the Government data-sets, the Council was consistently in the top 30 positions nationally for proportion of payments made and at the end of May had made 987 payments totalling £11.7m to local businesses;
  - o We also worked with a number of businesses which the Council has a specific financial relationship with to ensure that they could continue to be a going concern where they had no recourse for other support.
- A further key element of our response was to help, with other partners, ensuring Community resilience within the Borough:
  - o We straightaway strengthened our pre-existing partnership with Gosport Voluntary Action (GVA) by providing them with emergency funding of £5,000 (and also other cashflow support) to gear-up to this particular crises;

# NARRATIVE REPORT

- o We also provided specific officer resource to help GVA in optimising their IT and financial systems for the additional workloads they were experiencing as well as a further two officers to help the GVA with issues such as volunteer coordination;
- o Well over 100 Council officers supported the GVA early on in the pandemic by undertaking a mass leaflet drop to every Borough household (where this was feasible). The leaflet was designed, printed and paid for by the Council and provided residents with a summary of resources available to them if they needed help during the lockdown, particularly for those residents who could be deemed vulnerable;
- o The Council then provided a strong partnership link between the GVA and others (such as Hampshire County Council) regarding fielding calls from vulnerable residents and coordinating the delivery of food parcels and prescriptions. In particular, our pre-existing relationship with the Gosport And Fareham Inshore Rescue Service (GAFIRS) was very helpful and they kindly supported the delivery of many prescriptions to our vulnerable residents. In total, by the end of May, we fielded 948 community helpline calls, delivered 59 emergency food parcels and referred 368 prescriptions to GAFIRS as well as managing 309 referrals for help from Hampshire County Council.
- Our final key response work strand involved dealing with an exponential increase in rough sleepers presenting themselves to our Housing Service. Routinely, the Council deals with around 5 or 6 rough sleepers but during the pandemic emergency; this increased to over 40. This took place at the same time as some of our supply-chain of hotels and Bed & Breakfasts closed following Government advice. To fulfil these statutory duties the Council leased 30 specific temporary cabins to help mitigate this surge in demand and lack of supply. We have therefore been able to house those most in need and continue to provide them with key services required.
- The pandemic has had a significant financial impact on the Council. This is discussed further within the narrative report but many of our key income streams (such as car-park income and fees for planning developments) have almost dried up from the end of March 2020 to early June 2020. At the same time, to enable the robust response detailed above, the Council has incurred significant additional expenditure that was not budgeted. This includes our temporary rough sleeper's solution, new IT infrastructure and a range of Public Health measures. The Government initially supported the Council with the provision of a grant of £885k to cover such costs and pressures, which is very welcome. However, both the immediate and medium term outlook suggested that the actual pressure would be much higher.

## **Delivery of Council priorities in 2019/20**

The Council has a number of key priorities and functions which it undertakes on behalf of the residents of the Borough of Gosport. These include:

- Raising aspirations in the Borough;
- Enhancing the environment in the Borough;
- Developing the local economy;
- Empowering our residents; and
- Delivering effective services.

A summary of our progress against each of these areas is detailed below:

### Raising aspirations

# NARRATIVE REPORT

- The Council has long supported the Summer Passport scheme for young people in the Borough. Our most recent scheme in 2019 saw almost 1,000 young people register, a 28% increase;
- Our Tourism campaigns have been successful with over 1.4 million visitor trips to Gosport per annum, an increase of 1.6%. Gosport is now featured on Visit England's £1million 'England's Coast' tourism campaign;
- Considerable work has been undertaken to enhance and promulgate Gosport's 'identity'; developing a new narrative, visual language and identity for the Borough to help support marketing of the Borough; and
- The Council, with support from a wide range of partners such as Hampshire County Council, helped to coordinate a wide range of D-Day 75 year anniversary events across the Borough to commemorate and remember this critical moment in our Borough's history.

## Enhancing the environment

- This financial year has seen the Council adopt a Climate Change strategy which sets the strategic framework for how the Council can help to tackle this critical issue both from its own actions but also from influencing the residents and businesses in the Borough;
- This strategy is now being delivered; the Council is currently in the process of installing solar panel and battery technology to Gosport Leisure Centre; investing in technology for electric vehicles; rewilding parts of the Borough to attract flora and fauna; commissioning a recycling campaign to help support our residents to recycle more; as well as our tree planting programme which is currently on track to plant 2,000 trees across the Borough; and
- The Council has also made the decision to bring in-house its Grounds Maintenance services; and to invest in this service via better training, new equipment and more weed-spraying which will further enhance the environment of our Borough.

## Developing the local economy

- The Council has made a series of grant applications that, if successful, will enable significant economic regeneration and investment within the Borough. We have agreement in principle for the 'High Street Heritage Action Zone' which will see £1.8million of investment activity in the High Street and Stoke Road;
- The Council has also submitted a combined Transforming Cities bid which could see considerable further investment in our local infrastructure. For Gosport, this will be focussed around improved facilities at our main public interchange in the town centre;
- We continue to invest, with support from our partnership groups, in our Flood Defences across the Borough. This is a key priority for the Council as the winter storms have caused considerable damage, particularly in Stokes Bay. We have repair schemes underway in Stokes Bay, Forton, Alverstoke and Seafield; and
- Supporting local businesses remains a key priority; the Council enables this via leading every year Global Entrepreneurship Week, helping to facilitate the Gosport Informal Networking as well as staging the Gosport Employment and Skills Fair.

## Empowering our residents

- This financial year has seen the agreement of a new social housing build programme; with over £7million added to our Capital Programme to provide more social and affordable houses in the Borough with particular focus on properties that have specific adaptations for disabled residents;

# NARRATIVE REPORT

- Delivery of our existing Housing services is a major priority for the Council. We will renew our maintenance contract with Kier, who have provided us strong support and services for value-for-money and we will shortly be coming forward with a new strategy to tackle the issue of Homelessness in the Borough;
- The Council also recognises the vital contribution that volunteering groups make in Gosport. We have routinely increased our financial contributions to them each year; and next year will increase the resources provided by 5%.

## Delivering effective services

- As outlined in this report; the Council has delivered effective and secure stewardship of its financial affairs and has set a balanced budget with appropriate level of reserves for the next financial year;
- In doing so, the Council has secured several material efficiency savings during the year, including renegotiation of its banking and insurance contracts that will provide savings in excess of £100,000;
- Our partnership services in Building Control and Environmental Health continue to deliver effective and efficient services with strong income growth that has also helped support the Council's fiscal position; and
- The Council utilised for the first time in 2019, Gov Notify (which is free to use) within our Electoral Service, to illicit a quicker response from residents; as a quicker response means less printing of reminder forms and less payments to canvassers to deliver.

## Council Structure

The Council has 34 local councillors. The current political structure of the council is:

- 18 Conservatives
- 14 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 Board which covers issues associated with the Housing Revenue Account (HRA) as well as Council services regarding Waste, Leisure, Open Spaces and environmental issues;
- The Economic Development Board which reviews particular opportunities for development and job creation across the Borough;
- The Regulatory Board which reviews proposed planning applications and issues within the Borough; and
- The Standards and Governance Board which reviews the corporate governance arrangements of the Council, the annual Audit Plan and other items of key governance.
- 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.

# 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 2019/20, the Council has had a strong financial performance; ensuring investment in key services are maintained, capital schemes to develop the Borough are funded in the context of significant financial uncertainty in Local Government as a sector.

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 a financial buffer in the event of an unexpected financial issue);
- 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

### 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 transferred and underspend to the Revenue Financing Reserve; totalling £346,000.

The underspend is in part due to the need to carry forward activity to 2020/21, that was unable to be completed in 2019/20, amounting to £350,550. This is largely work associated with the completion of the Gosport Local Development Plan and also a range of Economic Development initiatives.

The Council funded by way of a £100,000 revenue contribution to capital the purchase of laptops to aid remote working as a response to the Covid 19 pandemic; the general fund reserve will be replenished from the Covid 19 government grants received in 2020/21.

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

- Community Infrastructure Levy receipts received during the year;
- The balance of the Homelessness Support Grant received in-year;
- The Council's share of income from the business rates retention scheme was greater than estimated during 2019/20 and this will become available to the Council in 2021/22. The transfer from the Stability and Resilience Reserve represents the government share of the additional income which has to be included within the 2019/20 accounts.
- Carry forwards to the Revenue Financing Reserve; and
- An increase to the General Fund Working Balance to reflect the increasing uncertainties regarding the future financial context for the Council.

# NARRATIVE REPORT

GENERAL FUND - OUTTURN	REVISED 2019/2020 £'000	ACTUAL 2019/2020 £'000	VARIANCE £'000
<b>GENERAL FUND BUDGET</b>			
Community Board	5,905	5,762	(143)
Economic Development Board	1,015	681	(334)
Policy and Organisation Board	3,683	3,505	(178)
<b>TOTAL NET EXPENDITURE</b>	<b>10,603</b>	<b>9,948</b>	<b>(655)</b>
<b>REVENUE CONTRIBUTION TO CAPITAL</b>	74	308	234
<b>TRANSFER TO/(FROM) RESERVES</b>			
General Fund Balance	110	110	-
Revenue Financing Reserve	(358)	(12)	346
Stability and Resilience Reserve	-	(200)	(200)
Capital Grants Unapplied (CIL)	-	144	144
Revenue Reserve for Capital	-	(159)	(159)
Homelessness Support Grant	-	96	96
Other Earmarked Reserves	-	13	13
<b>BUDGET TOTAL</b>	<b>10,429</b>	<b>10,248</b>	<b>(181)</b>
<b>FINANCED BY</b>			
<b>Council Tax</b>	(6,135)	(6,135)	-
<b>Government Grants</b>	(654)	(692)	(38)
<b>Business Rates Retention</b>	(3,640)	(3,421)	219
	<b>(10,429)</b>	<b>(10,248)</b>	<b>181</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-19 £'000	ACTUAL 31-Mar-20 £'000	VARIANCE £'000
General Fund Working Balance	(890)	(1,000)	(110)
Revenue Financing Reserve	(4,104)	(4,092)	12
Stability and Resilience Reserve	(2,028)	(1,828)	200
Homelessness Support Grant Reserve	(499)	(595)	(96)
Revenue Reserve for Capital	(656)	(497)	159

# NARRATIVE REPORT

## Housing Revenue Account

A surplus of £747,000 was transferred to the major repairs new build & loan repayment reserve compared with a revised estimated surplus of £261,000. This mainly reflects reduced repairs and maintenance costs, reduction in depreciation charges and reduced supervision and management costs compared with the revised budget.

The HRA subsequently funded Capital expenditure of £806,000 which when taken into account gave the HRA an overall deficit of £114,000.

<b>HOUSING REVENUE ACCOUNT - OUTTURN</b>	<b>REVISED 2019/20 £'000</b>	<b>ACTUAL 2019/20 £'000</b>	<b>VARIANCE £'000</b>
Net (Surplus) / loss to Major Repairs, New Build & Loan Repayment Reserve	(261)	114	375
Capital Programme funding from Major Repairs, New Build & Loan Repayment Reserve	1,303	0	(1,303)
	<b>1,042</b>	<b>114</b>	<b>(928)</b>
<i># (Red) figures are income &amp; in the variance column indicate an underspending or additional income</i>			
<b>HRA - REVENUE RESERVES</b>	<b>ACTUAL 01-Apr-19 £'000</b>	<b>ACTUAL 31-Mar-20 £'000</b>	<b>VARIANCE £'000</b>
Revenue Account Balance	(992)	(992)	0
Major Repairs, New Build & Loan Repayment Reserve	(3,612)	(3,498)	114
	<b>(4,604)</b>	<b>(4,490)</b>	<b>114</b>

# NARRATIVE REPORT

## Capital Programme

A summary of capital expenditure for 2019/20 is detailed in the table below, presented in the Budget Book format. The programme overall underspent by £313,000, major scheme variations are set out in the table below.

SCHEME	REVISED 2019/20 £'000	ACTUAL 2019/20 £'000	VARIANCE £'000	SLIPPAGE to 2020/21 £'000
<b>BY BOARD</b>				
Community Board - Housing (HRA)	4,758	5,023	265	0
Community Board - Housing (GF)	600	398	(202)	0
Community Board - Non Housing	1,968	1,828	(140)	167
Economic Development Board	604	493	(111)	149
Policy & Organisation Board	363	238	(125)	67
	<b>8,293</b>	<b>7,980</b>	<b>(313)</b>	<b>383</b>
<b>BY MAJOR SCHEME</b>				
Improvements to Housing Stock (HRA)	3,300	3,322	22	-
Purchase of Properties (HRA)	1,458	1,701	243	-
Disabled Facilities Grant	600	398	(202)	-
Alver Valley Country Park	500	458	(42)	42
Lee-on-Solent Splash Pool	430	436	6	-
Coastal Flood Schemes (All)	309	441	132	(132)
Grange Farm Gateway	159	156	(3)	3
Car Park Resurfacing and Upgrading	138	15	(123)	123
Public Convenience Refurbishment	116	43	(73)	73
Daedalus Regeneration	101	67	(34)	34
Waterfront Regeneration	100	45	(55)	55
Allotments - Management and Eradication of Japanese Knotweed	55	0	(55)	55
Purchase of Laptops	0	100	100	-
Leesland Road Play Area	0	76	76	(76)
All other schemes	1,027	722	(305)	206
	<b>8,293</b>	<b>7,980</b>	<b>(313)</b>	<b>383</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 2020 and a summary of its income and expenditure in the year to 31 March 2020. 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 2019/20 (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 an increase in the net pension liability of £1.889 million during 2019/20. This is mainly due to a reduction in the fair value of assets valued at 31/3/20 of £2.86 million and reflects the impact of the Coronavirus pandemic has had on financial markets. Pension liabilities reduced by 0.971 million during the year. 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.

31-Mar-19 £'000	31-Mar-20 £'000
<b>(38,620) Net Pension Liability</b>	<b>(40,509)</b>

# NARRATIVE REPORT

- **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-19 £'000	31-Mar-20 £'000
7,044 Short Term Investments	5,512
4,890 Cash and Cash Equivalents	5,860
(14,588) Short Term Borrowing	(16,167)
(59,000) Long Term Borrowing	(55,850)
<b>(61,654) Net Borrowing position</b>	<b>(60,645)</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-19 £'000	31-Mar-20 £'000
<b>81,707 Capital Financing Requirement</b>	<b>82,475</b>
<i>Explanation of movement in the year</i>	
- Increase in need to borrow to fund capital expenditure	768

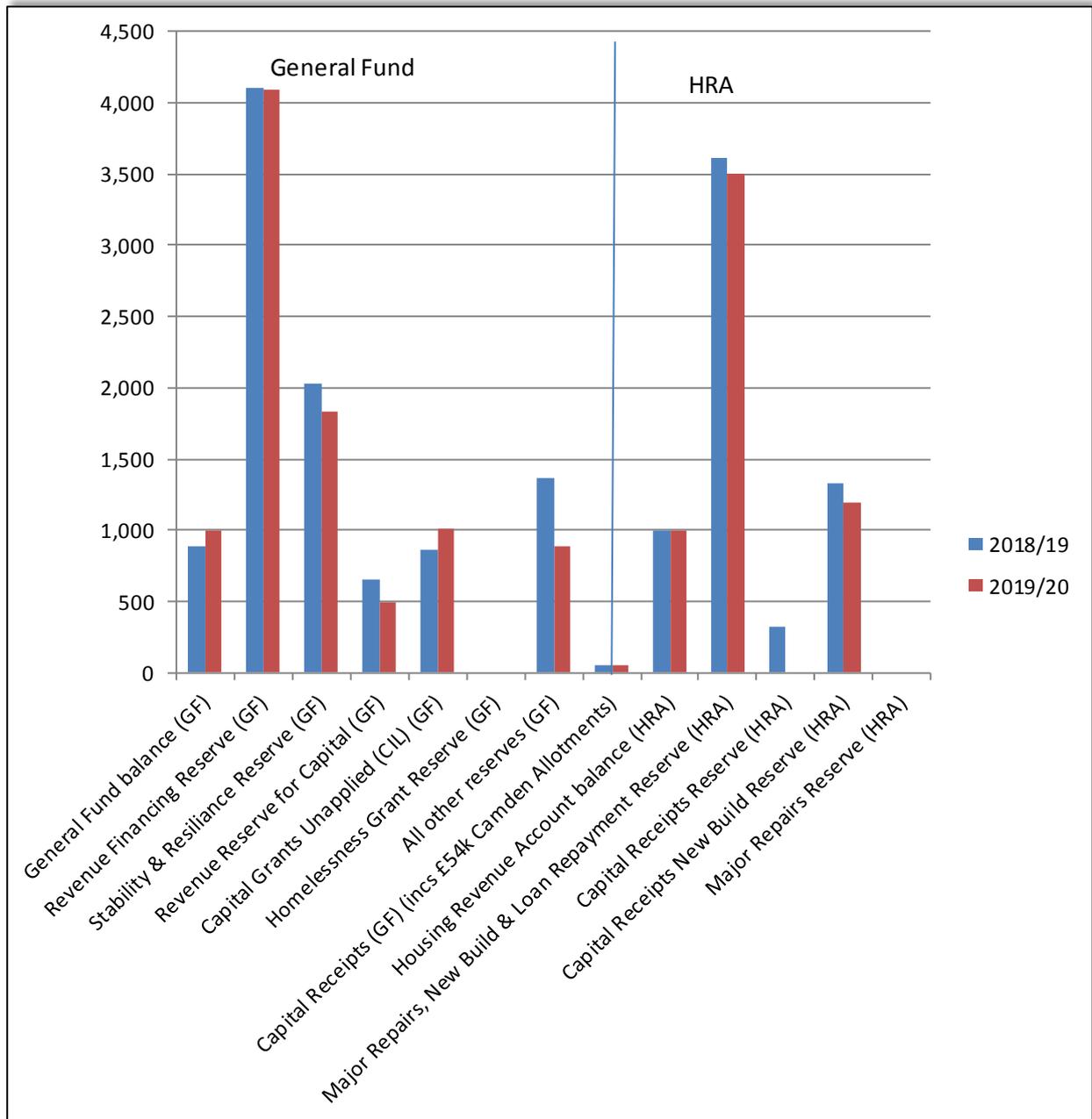
- **Resources**

The council's available reserves at the end of 2019/20 to meet both General Fund and Housing Revenue Account capital and revenue expenditure plans are summarised below:

31-Mar-19 £'000	31-Mar-20 £'000
<b><u>Revenue</u></b>	
(8,393) General Fund (GF)	(8,400)
(4,604) Housing Revenue Account (HRA)	(4,490)
<b><u>Capital</u></b>	
(1,572) General Fund (GF)	(1,557)
(1,655) Housing Revenue Account (HRA)	(1,189)
<b>(16,224)</b>	<b>(15,636)</b>

# NARRATIVE REPORT

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



In addition the Council has £2.584 million of developers' contributions and other grants and contributions available to spend at 31st March 2020 (£2.40 million at 31 March 2019).

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)

Both the immediate and medium term outlook for the General Fund (and indeed all aspects of the Council's financial health) are dominated by the potential impact of Covid-19. This is shaped by a number of factors:

### The health of the economy

Our Medium Term Financial Strategy (MTFS), summarised in the diagram below, forecast a three year deficit of £1.7m. However, this was based on an assumption of economic growth in line with recent years growth in turn leading to a modest growth in income in Council Tax. There is a significant risk that any economic recession caused by Covid could cause these income levels to fall with greater uptake of Local Council Tax Support. It could also cause business failure and reduced income from business rates.

### The cost of response and recovery

As detailed elsewhere in the report; the Council has provided several additional key services to enable a resilient response to the Covid pandemic. The vast majority of these costs will be incurred in the 2020/21 financial year. The Council is currently planning the next steps to enable the Borough to recover from the pandemic, which may require additional (as yet unknown) costs. The Government has so far provided financial support to the Council of £1,160,000 being Covid 19 and New Burdens Business Rates grant which will partially offset additional costs.

### Income forecasts

A further impact caused by Covid, which may have both near and medium term implications, has been on the Council's income streams outside of the Collection Fund. The General Fund relies on a range of income sources, notably from Council owned car-parks, from planning and development applications and also from rental income from Council property assets. All of these income sources have reduced, some significantly, as a consequence of Covid and it is unclear as to if and when they may return to the levels seen prior to the pandemic. In part this will also depend on the broader economic conditions as outlined above, but is a further risk to the Council's financial position. The government has agreed to fund 75% of the lost income from sales, +fees and charges in 2020/21 after the Council has funded the first 5% of loss.

### Other uncertainties

Prior to the outbreak of Covid-19, the Council was already managing an already uncertain financial outlook over the medium term. In particular, how the Business Rates system will operate in the future is a major uncertainty both in terms of how the income collected by rates is distributed between the Council and Government but also regarding how the needs element of the Rates system will be determined. Government was expected to publish its conclusions on these issues in the summer of 2020 but this has, due to Covid, been delayed to 2021.

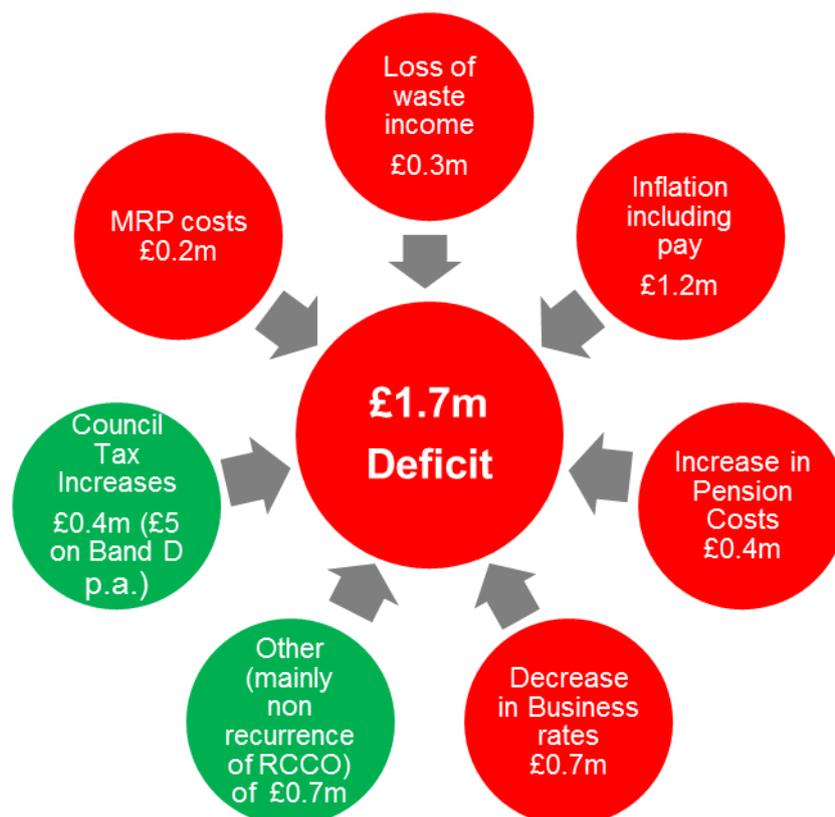
### Conclusion

The Council has undertaken an assessment of the financial impact of Covid 19 and reports these to central government on a monthly basis. Given the level of financial reserves available to the Council, government financial support, sources of available cash, the Council believes it will be able to withstand the financial shocks of Covid 19 in the Medium Term whilst still maintaining reserves above minimum levels (for more detail please see page 21 note 1b)

The Council will undertake a full refresh of its MTFS as part of the Budget setting process for financial year 2021/22. In doing so, it will have a much stronger understanding of the financial impact that has been created by Covid and the extent to which any economic downturn has materialised.

# NARRATIVE REPORT

MTFS Outlook February 2020



- **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 at the end of the period amounting to £65 million. It will provide a smooth profile of repairs and maintenance funding at average levels of £7.7 million per annum, and takes into account key variables relating to rent increases and forecast Right to Buy sales;
- From April 2020, Government policy regarding social housing allowed rents to increase by CPI plus 1% per annum for the next five years. Rents increased by 2.7% as at April 2020 as a result of this;
- Gross HRA borrowing at 31 March 2020 is £52.8 million. The HRA's capital financing requirement (underlying need to borrow) is £61.7 million and so the HRA is therefore presently under-borrowed by £8.9 million;
- In October 2018 The Government announced the removal of the HRA debt cap. The Council is now able to borrow to meet its social housing new build requirements, subject to prudential principles;
- Decisions on whether to repay or refinance maturing loans are taken as they fall due and are influenced by the latest business plan; and

# NARRATIVE REPORT

- **Capital Programme**

The currently approved capital programme covers the four year period from 2019/20 to 2022/23 for both the GF and the HRA and is summarised below.

The programme will be updated following the 2019/20 outturn to incorporate any slippage, re-phasing and under or over spends.

	2019/20 £,000	2020/21 £,000	2021/22 £,000	2022/23 £,000	Total £'000
<b>CAPITAL BUDGETS BY BOARD</b>					
COMMUNITY BOARD - HOUSING (HRA)	4,758	5,000	5,840	7,390	22,988
COMMUNITY BOARD - HOUSING (GF)	600	600	600	600	2,400
COMMUNITY BOARD - NON HOUSING	1,968	3,587	2,258	1,979	9,792
ECONOMIC DEVELOPMENT BOARD	604	1,442	595	525	3,166
POLICY & ORGANISATION BOARD	363	521	215	150	1,249
	<b>8,293</b>	<b>11,150</b>	<b>9,508</b>	<b>10,644</b>	<b>39,595</b>
<b>FUNDING</b>					
DEPRECIATION, REVENUE AND RESERVES (HRA)	4,758	5,000	5,840	7,390	22,988
EXTERNAL GRANTS AND CONTRIBUTIONS	1,183	2,739	1,658	1,523	7,103
RESERVES AND CAPITAL RECEIPTS	884	661			1,545
CAPITAL RECEIPTS	55	200	90	475	820
RESERVES - HRA (TO GF PROGRAMME)	115	115	993	892	2,115
BORROWING (GF)	1,298	2,435	927	364	5,024
	<b>8,293</b>	<b>11,150</b>	<b>9,508</b>	<b>10,644</b>	<b>39,595</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 M. Hook  
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 2020.

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	2018/19		Notes	2019/20		Net Exp £'000
	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	
11,353	(5,220)	6,133	Community Board	11,216	(4,314)	6,902
1,016	(192)	824	Economic Development Board	1,198	(199)	999
31,584	(26,241)	5,343	Policy and Organisation Board	27,452	(22,761)	4,691
12,436	(14,795)	(2,359)	Housing Revenue Account	12,316	(14,783)	(2,467)
<b>56,389</b>	<b>(46,448)</b>	<b>9,941</b>	<b>Cost Of Services</b>	<b>52,182</b>	<b>(42,057)</b>	<b>10,125</b>
		3,163	Other Operating Expenditure			4,476
		2,701	Financing and Investment Income and Expenditure			1,887
	(11,535)		Taxation and Non-Specific Grant Income and Expenditure			(11,764)
			<b>4,270 Deficit on Provision of Services</b>			<b>4,724</b>
	(7,175)		Surplus on revaluation of Property, Plant and Equipment assets	25		(3,961)
	(4,280)		Actuarial losses / (gains) on pension assets / liabilities	25		732
	<b>(11,455)</b>		<b>Other Comprehensive (Income)</b>			<b>(3,229)</b>
	<b>(7,185)</b>		<b>Total Comprehensive (Income)/Expenditure</b>			<b>1,495</b>

# 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 2018</b>	<b>(7,331)</b>	<b>(4,094)</b>	<b>(1,747)</b>	<b>0</b>	<b>(101)</b>	<b>(13,273)</b>	<b>(73,961)</b>	<b>(87,234)</b>
<b>Movement in reserves during 2018/19</b>								
Total Comprehensive Income and Expenditure	1,455	2,815				4,270	(11,455)	(7,185)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(2,517)	(3,325)	(618)	0	(761)	(7,221)	7,221	0
<b>(Increase)/decrease in 2018/19</b>	<b>(1,062)</b>	<b>(510)</b>	<b>(618)</b>	<b>0</b>	<b>(761)</b>	<b>(2,951)</b>	<b>(4,234)</b>	<b>(7,185)</b>
<b>Balance at 31 March 2019</b>	<b>(8,393)</b>	<b>(4,604)</b>	<b>(2,365)</b>	<b>0</b>	<b>(862)</b>	<b>(16,224)</b>	<b>(78,195)</b>	<b>(94,419)</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 2019</b>	<b>(8,393)</b>	<b>(4,604)</b>	<b>(2,365)</b>	<b>0</b>	<b>(862)</b>	<b>(16,224)</b>	<b>(78,195)</b>	<b>(94,419)</b>
<b>Movement in reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure	1,533	3,191				4,724	(3,229)	1,495
Adjustments between accounting basis & funding basis under regulations (Note 9)	(1,540)	(3,077)	625	0	(144)	(4,136)	4,136	0
<b>(Increase)/decrease in 2019/20</b>	<b>(7)</b>	<b>114</b>	<b>625</b>	<b>0</b>	<b>(144)</b>	<b>588</b>	<b>907</b>	<b>1,495</b>
<b>Balance at 31 March 2020</b>	<b>(8,400)</b>	<b>(4,490)</b>	<b>(1,740)</b>	<b>0</b>	<b>(1,006)</b>	<b>(15,636)</b>	<b>(77,288)</b>	<b>(92,924)</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-19 £'000	Notes	31-Mar-20 £'000
186,890 Property, Plant & Equipment	13	188,184
395 Heritage Assets	14	446
6,089 Investment Properties	15	6,399
466 Intangible Assets	16	186
4,796 Long Term Debtors	19	4,736
<b>198,636 Long Term Assets</b>		<b>199,951</b>
7,044 Short Term Investments	17	5,512
6,572 Short Term Debtors	19	6,501
4,890 Cash and Cash Equivalents	20	5,860
<b>18,506 Current Assets</b>		<b>17,873</b>
(14,588) Short Term Borrowing	17	(16,167)
(5,399) Short Term Creditors	21	(7,065)
(1) Short Term Liabilities	32	(1)
(1,413) Short Term Provisions	22	(1,414)
<b>(21,401) Current Liabilities</b>		<b>(24,647)</b>
(1,111) Long Term Creditors	21	(1,120)
(45) Long Term Provisions	22	(45)
(59,000) Long Term Borrowing	17	(55,850)
(146) Other Long Term Liabilities	32	(145)
(2,400) Receipts in Advance - Capital Grants	29	(2,584)
(38,620) Net Pension Liability	33	(40,509)
<b>(101,322) Long Term Liabilities</b>		<b>(100,253)</b>
<b>94,419 Net Assets</b>		<b>92,924</b>
(16,224) Usable Reserves	24	(15,636)
(78,195) Unusable Reserves	25	(77,288)
<b>(94,419) Total Reserves</b>		<b>(92,924)</b>

# FINANCIAL STATEMENTS

The unaudited Statement was issued on 13<sup>th</sup> July 2020 and the audited Statement was issued on 25<sup>th</sup> November 2020.

Chris Ward CPFA  
Borough Treasurer,  
25/11/2020

## 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.

2018/19 £'000	Notes	2019/20 £'000
(4,270)	Net surplus or (deficit) on the provision of services	(4,724)
10,742	Adjustments to surplus or deficit on the provision of services for non-cash movements	13,802
(2,875)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,441)
<b>3,597</b>	<b>Net Cash flows from Operating Activities</b>	<b>6,637</b>
(5,123)	Net Cash flows from Investing Activities	(3,753)
(634)	Net Cash flows from Financing Activities	(1,914)
<b>(2,160)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>970</b>
7,050	Cash and cash equivalents at the beginning of the reporting period	4,890
4,890	Cash and cash equivalents at the end of the reporting period	5,860

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020.

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 2019/20, 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 and Covid 19

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.

The Covid pandemic has had an impact on Gosport Borough Council's finances through a combination of increased costs and a reduction in income and this includes

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and impact on collection rates.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless and rough sleepers), costs associated with the closure of Gosport Leisure Centre and additional costs associated with changes to working practices (such as remote working).
- Changes to government policy, e.g. changes to business rate reliefs, business support grants, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact of all of the above on the Councils cash flow and treasury management, including availability of liquid cash
- The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves

As at the end of September 2020; unbudgeted costs of £1,042,000 have been incurred alongside a loss of income of £601,000; giving a total pressure of £1,643,000. Government grants of £1,160,000 have been received and the government has committed to partially funding lost income from fees and charges with the local authority having to meet the first 5% and then 25% of the remaining loss with central government funding the difference.

It is not anticipated that the availability of cash will be a concern, the Council holds £10,000,000 of liquid investment which it can reduce if required and can borrow a further £10,500,000 (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 net total impact of Covid-19 on the General Fund reserves and reported to the Policy and Organisation board in September 2020 is currently estimated to be a reduction of £906,000 in

# NOTES TO THE FINANCIAL STATEMENTS

2020/21. The Council has minimal commercial investment income streams (such as commercial property) and as such is not exposed to material income risk from this income source.

To forecasting the impact of Covid-19 is very difficult with a number of key assumptions about future events, the Council has stress tested these assumptions and have estimated a potential range of pressure on Council reserves based on a favourable, likely and unfavourable scenario's, the outcomes are detailed in the table below for the remainder of this Financial Year.

Favourable	Current Projections	Less Favourable
-£530,000	-£906,000	-£1,431,000

What is clear is that there will be financial pressure and recent statements made by the Secretary of State for Housing, Communities and Local Government have suggested that Councils should be prepared to shoulder part of the burden, including through the use of reserves.

The Councils useable reserves at 31<sup>st</sup> March 2020 are as follows

General Fund	General Fund Earmarked Reserves	Housing Revenue Account Reserves
£1,000,000	£7,400,000	£4,490,000

The current medium term financial strategy (excluding the impact of Covid-19) assumes cumulative savings of £1,710,000 over the next three years are required to produce a balanced budget, any shortfalls in individual years being met by using existing reserves.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

## **e) Exceptional Items**

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

## **f) 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.

## **g) 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.

## **h) 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

# NOTES TO THE FINANCIAL STATEMENTS

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

## **i) 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. Detailed regulations govern rates of contribution and scales of benefit.

The pension scheme is detailed in note 33 to the accounting statements and is accounted for as a defined benefits scheme.

# NOTES TO THE FINANCIAL STATEMENTS

- 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 2.4% 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.

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

Service cost comprising	
Current service cost	The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
Past service cost	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure 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
Employers' contributions payable to scheme	Cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense

# NOTES TO THE FINANCIAL STATEMENTS

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.

## **j) 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.

## **k) 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

# NOTES TO THE FINANCIAL STATEMENTS

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

There are three main classes of financial assets measured at:

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

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

## Financial Assets Measured at Amortised Cost

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

The Council makes car loans, at an interest rate of 2.5%, available to certain employees as part of its recruitment and retention package

## 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 authority.

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

# NOTES TO THE FINANCIAL STATEMENTS

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.

## **I) Government Grants and Contributions**

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

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

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

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

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

### 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 used to fund both revenue and capital expenditure.

# NOTES TO THE FINANCIAL STATEMENTS

## m) Heritage Assets

The Council's Heritage Assets are

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

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

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

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

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

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.

There are no intangible heritage assets

## n) 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.

# NOTES TO THE FINANCIAL STATEMENTS

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.

## **o) 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.

## **p) 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.

## **q) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## r) Leases

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

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

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

### The Council as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

#### *Operating Leases*

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

# NOTES TO THE FINANCIAL STATEMENTS

## The Council as Lessor

### *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

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

### *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

## **s) 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.

## **t) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## Recognition

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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

## Impairment

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

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

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

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

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (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

# NOTES TO THE FINANCIAL STATEMENTS

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.

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.

## **u) 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.

# NOTES TO THE FINANCIAL STATEMENTS

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.

## v) 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

## w) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## x) 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.

## y) 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 - other information/data applied to the asset or liability

# 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 2020/21 Code.

The new standards in the 2020/21 Code that apply from 1 April 2020 are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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 2020 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 2020, the Council's share of the total provision of £3.440 million (£3.440 million in 2018/19) is £1.376 million (£1.376 million in 2018/19).</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 £40,000 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 £79,000 for a 1 year increase in the 2019/20 mortality rate assumption)</p> <p>However, the assumptions interact in complex ways. During 2019//20, the authority's actuaries advised that the net pensions liability had increased by £3.661 million as a</p>

# NOTES TO THE FINANCIAL STATEMENTS

		<p>result of estimates being corrected as a result of experience and decreased by £5.993million attributable to updating of the assumptions</p>
<p>Doubtful Debt Allowances</p>	<p>The Covid 19 pandemic has increased the risk of non-payment of debt.</p> <p>The Council has made allowances for doubtful debts of £3.760 million in 2019/20 (£3.713 million in 2018/19) based on what it believes to be a prudent but realistic level.</p> <p>Payment terms are being allowed in certain situations to help mitigate defaults.</p>	<p>If debt collection rates were to deteriorate or improve, a 5% change in the General Fund allowances would require an adjustment to the allowance of £188,000 (£186,000 in 2018/19).</p>
<p>Fair Value Measurements</p>	<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>The outbreak of Covid-19 has impacted in many sectors and at the valuation date previous market evidence to fully inform opinions of value cannot be relied upon. The current response to Covid-19 means valuers are faced with an unprecedented set of circumstances on which to base a judgement.</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> <p>Valuations have been reported on the basis of "material valuation uncertainty" as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the asset valuations than would normally be the case.</p>

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Borough Treasurer on 25/11/2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6. Other Operating Expenditure

2018/19 £'000	2019/20 £'000
278 Payments to the Government Housing Capital Receipts Pool	270
2,885 (Gain) or Loss on the disposal of non-current assets	4,206
<b>3,163</b>	<b>4,476</b>

## 7. Financing and Investment Income and Expenditure

2018/19 £'000	2019/20 £'000
2,035 Interest payable and similar charges	2,005
1,040 Pension interest on net defined benefit liability	904
(323) Interest receivable and similar income	(335)
(51) Net income and expenditure in relation to investment properties and changes in their fair value	(687)
<b>2,701</b>	<b>1,887</b>

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

2018/19 £'000	2019/20 £'000
(5,841) Council Tax Income	(6,061)
(2,482) Retained Business Rates	(2,856)
(2,855) Non-Ringfenced Government Grants (Note 29)	(2,054)
(357) Capital Grants and Contributions (Note 29)	(793)
<b>(11,535)</b>	<b>(11,764)</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

2019/20	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)	(834)	(323)			
Council Tax and Business Rates (transfers to or (from) the Collection Fund adjustment account)	415				
Holiday pay (transferred to the Accumulated Absences Reserve)	(2)	(1)			
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)	(3,144)	(7,421)			
<b>Total Adjustments to Revenue Resources</b>	<b>(3,565)</b>	<b>(7,745)</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		1,078	(1,078)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(18)	18		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		(270)	270		
Posting of HRA resources from revenue to the Major Repairs Reserve		3,018		(3,021)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)					
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	847	860			
Transfers to / (from) Capital Reserves	(13)		157		(144)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>834</b>	<b>4,668</b>	<b>(633)</b>	<b>(3,021)</b>	<b>(144)</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			1,294		
Use of the Major Repairs Reserve to finance capital expenditure				3,021	
Application of capital grants to finance capital expenditure	1,191				
Cash payments in relation to deferred capital receipts			(36)		
<b>Total Adjustments to Capital Resources</b>	<b>1,191</b>	<b>0</b>	<b>1,258</b>	<b>3,021</b>	<b>0</b>
<b>Total Adjustments</b>	<b>(1,540)</b>	<b>(3,077)</b>	<b>625</b>	<b>0</b>	<b>(144)</b>

# NOTES TO THE FINANCIAL STATEMENTS

2018/19	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)	(1,685)	(565)			
Council Tax and Business Rates (transfers to or (from) the Collection Fund adjustment account)	(598)				
Holiday pay (transferred to the Accumulated Absences Reserve)	(5)	0			
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)	(3,100)	(7,048)			
<b>Total Adjustments to Revenue Resources</b>	<b>(5,388)</b>	<b>(7,613)</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		1,288	(1,288)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(18)	18		
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		2,992		(3,000)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)					
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	824	304			
Transfers to Capital Reserves	893		(132)		(761)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,717</b>	<b>4,288</b>	<b>(1,124)</b>	<b>(3,000)</b>	<b>(761)</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			543		
Use of the Major Repairs Reserve to finance capital expenditure				3,000	
Application of capital grants to finance capital expenditure	1,154				
Cash payments in relation to deferred capital receipts			(37)		
<b>Total Adjustments to Capital Resources</b>	<b>1,154</b>	<b>0</b>	<b>506</b>	<b>3,000</b>	<b>0</b>
<b>Total Adjustments</b>	<b>(2,517)</b>	<b>(3,325)</b>	<b>(618)</b>	<b>0</b>	<b>(761)</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.

2018/19			2019/20		
Net Expenditure chargeable to the GF & HRA Balances £'000	Adjustments between Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	Net Expenditure chargeable to the GF & HRA Balances £'000	Adjustments between Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
4,811	(1,322)	6,133	4,909	(1,993)	6,902
610	(214)	824	694	(305)	999
4,988	(356)	5,343	6,685	1,993	4,692
(2,369)	(9)	(2,359)	(1,689)	779	(2,468)
<b>8,040</b>	<b>(1,901)</b>	<b>9,941</b>	<b>10,599</b>	<b>474</b>	<b>10,125</b>
(10,505)	(4,834)	(5,671)	(10,478)	(5,077)	(5,401)
<b>(2,465)</b>	<b>(6,735)</b>	<b>4,270</b>	<b>121</b>	<b>(4,603)</b>	<b>4,724</b>
(11,526)			(13,859)		
(2,465)			121		
132			(158)		
<b>(13,859)</b>			<b>(13,896)</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 2019/20	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Community Board	(1,579)	(64)	(350)	(1,993)
Economic Development Board	(267)	(9)	(29)	(305)
Policy and Organisation Board	550	(101)	1,544	1,993
Housing Revenue Account	859	(79)	(1)	779
<b>Net Cost Of Services</b>	<b>(437)</b>	<b>(253)</b>	<b>1,164</b>	<b>474</b>
Other income & expenditure from the Expenditure & Funding Analysis	(3,421)	(904)	(752)	(5,077)
<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>(3,858)</b>	<b>(1,157)</b>	<b>412</b>	<b>(4,603)</b>

Adjustments between Funding and Accounting Basis 2018/19	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Community Board	(966)	-	(356)	(1,322)
Economic Development Board	(210)	-	(4)	(214)
Policy and Organisation Board	(1,112)	(906)	1,662	(356)
Housing Revenue Account	295	(304)	-	(9)
<b>Net Cost Of Services</b>	<b>(1,993)</b>	<b>(1,210)</b>	<b>1,302</b>	<b>(1,901)</b>
Other income & expenditure from the Expenditure & Funding Analysis	(1,889)	(1,040)	(1,905)	(4,834)
<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>(3,882)</b>	<b>(2,250)</b>	<b>(603)</b>	<b>(6,735)</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

2018/19 £'000	2019/20 £'000
1,297 Employees ( <i>excludes Business Unit staff</i> )	1,290
5,465 Premises	5,331
24 Transport	26
3,500 Supplies & Services	3,526
4,728 Third Party Payments ( <i>includes major contracts</i> )	4,767
25,308 Transfer Payments ( <i>includes Benefit payments</i> )	21,743
11,872 Support Services ( <i>see note below #</i> )	11,177
10,674 Depreciation, amortisation, impairment	11,324
2,043 Capital/Financing ( <i>includes interest, MRP</i> )	2,014
(5,510) Fees & Charges ( <i>see analysis below</i> )	(4,614)
(55,131) Non Fees & Charges ( <i>see analysis below</i> )	(51,860)
<b>4,270 Deficit on Provision of Services</b>	<b>4,724</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 £12.3million in 2019/20 (£12.2 million in 2018/19). The total employee related costs included are £8.6million and £8.3million respectively.

# NOTES TO THE FINANCIAL STATEMENTS

Income can be further analysed over the following headings

2018/19 £'000	2019/20 £'000
<b><u>Fees &amp; Charges (see segmental analysis below)</u></b>	
(250) Cust & Client Receipts - Sales	(347)
(1,944) Cust & Client Receipts - Rents	(1,778)
(3,316) Cust & Client Receipts - Fees & Charges	(2,489)
<b><u>Non Fees &amp; Charges</u></b>	
(30,554) Government Grants <i>(includes Business Rates, Revenue Support Grant &amp; Benefits Subsidy payments)</i>	(26,722)
(2,578) Other Grants, Reimbursements & Contributions <i>(a broad range of service grants &amp; contributions, including Business Rates Cost of Collection)</i>	(2,551)
(2,222) Interest <i>(includes interest reimbursed by the HRA to the GF)</i>	(2,181)
(5,453) Taxation & Non Specific Grants <i>(includes Council Tax precept)</i>	(6,002)
(14,234) HRA - income <i>(includes Benefits rental income)</i>	(14,397)
(90) Other	(7)
<b>(60,641)</b>	<b>(56,474)</b>
<b><u>Fees &amp; Charges by reporting segment</u></b>	
(3,654) Community Board	(3,414)
(610) Economic Development Board	(338)
(758) Policy and Organisation Board	(488)
(488) Housing Revenue Account	(374)
<b>(5,510)</b>	<b>(4,614)</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 Infrastructure	Straight line method over the estimated useful life of the asset which are between 3 and 20 years 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 2019/20	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 2019	147,203	26,470	3,833	13,238	4,385	208	1,103	196,440
Additions	5,023	392	865	258	24		880	7,442
Revaluation increases/(decreases) to RR	(856)	(332)				1,174		(14)
Revaluation increases/(decreases) to SDPS		(490)				(44)		(534)
De-recognition - Disposals	(1,078)							(1,078)
De-recognition - Other	(3,323)	(121)	(309)				(433)	(4,186)
Assets reclassified		14	218	136	10		(378)	0
<b>At 31 March 2020</b>	<b>146,969</b>	<b>25,933</b>	<b>4,607</b>	<b>13,632</b>	<b>4,419</b>	<b>1,338</b>	<b>1,172</b>	<b>198,070</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2019	0	(457)	(2,878)	(6,215)	0	0	0	(9,550)
Depreciation Charge	(3,018)	(808)	(299)	(360)				(4,485)
Depreciation & Impairment written out to RR	3,018	958						3,976
De-recognition - Disposals								0
De-recognition - Other			173					173
Assets reclassified								0
<b>At 31 March 2020</b>	<b>0</b>	<b>(307)</b>	<b>(3,004)</b>	<b>(6,575)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,886)</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>146,969</b>	<b>25,626</b>	<b>1,603</b>	<b>7,057</b>	<b>4,419</b>	<b>1,338</b>	<b>1,172</b>	<b>188,184</b>

# NOTES TO THE FINANCIAL STATEMENTS

Movement in Plant, Property and Equipment for 2018/19	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 2018	144,189	26,847	3,586	13,238	4,286	208	348	192,702
Additions	3,687	85	247		60		794	4,873
Revaluation increases/(decreases) to RR	3,377	56						3,433
Revaluation increases/(decreases) to SDPS		(403)						(403)
De-recognition - Disposals	(1,289)							(1,289)
De-recognition - Other	(2,761)	(115)						(2,876)
Assets reclassified					39		(39)	0
<b>At 31 March 2019</b>	<b>147,203</b>	<b>26,470</b>	<b>3,833</b>	<b>13,238</b>	<b>4,385</b>	<b>208</b>	<b>1,103</b>	<b>196,440</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2018	0	(436)	(2,694)	(5,866)	0	0	0	(8,996)
Depreciation Charge	(2,992)	(771)	(184)	(349)				(4,296)
Depreciation & Impairment written out to RR	2,992	741						3,733
Impairment losses/(reversals) to RR								0
Impairment losses/(reversals) to SDPS								0
De-recognition - Disposals								0
De-recognition - Other		9						9
Assets reclassified								0
<b>At 31 March 2019</b>	<b>0</b>	<b>(457)</b>	<b>(2,878)</b>	<b>(6,215)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,550)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>147,203</b>	<b>26,013</b>	<b>955</b>	<b>7,023</b>	<b>4,385</b>	<b>208</b>	<b>1,103</b>	<b>186,890</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Capital Commitments

Significant commitments for future expenditure at 31 March 2020 include:

2018/19 £'000	2019/20 £'000
233 Disabled Facilities Grants	-
269 Alver Valley Country Park	187
298 Lee on Solent Splash Park	-
264 Forton Lake Bridge	-
<b>1,064</b>	<b>187</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
		2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000	
Property, Plant & Equipment						
Council Dwellings	-	146,969	-	-	-	146,969
Operational Property	286	12,552	11,310	695	-	24,843
Garages	-	1,090	-	-	-	1,090
Equipment	4,607	-	-	-	-	4,607
Infrastructure	13,632	-	-	-	-	13,632
Community Assets	4,419	-	-	-	-	4,419
Surplus Assets	-	1,338	-	-	-	1,338
Assets under Construction	1,172	-	-	-	-	1,172
	<b>24,116</b>	<b>161,949</b>	<b>11,310</b>	<b>695</b>	<b>-</b>	<b>198,070</b>

As a consequence of the outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020 market activity is being impacted in many sectors. At the valuation date 31 March 2020 both Capita Ltd and Savill (UK) Ltd consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Their valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommend that the valuation of these assets are kept under frequent review.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

There has been a change in valuation technique, changing to a market value approach from an existing use income approach to reflect potential re-development.

## Impairments

There were no general impairments identified in 2019/20 or 2018/19.

Any revaluation gains or losses for those assets that were reported on by the Council's valuers for 2019/20 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-18</b>	<b>260</b>	<b>114</b>	<b>12</b>	<b>-</b>	<b>386</b>
Additions	-	-	-	-	-
Revaluations	-	3	6	-	9
Depreciation	-	-	-	-	-
<b>31-Mar-19</b>	<b>260</b>	<b>117</b>	<b>18</b>	<b>-</b>	<b>395</b>
Additions	-	-	-	51	51
Revaluations	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>31-Mar-20</b>	<b>260</b>	<b>117</b>	<b>18</b>	<b>51</b>	<b>446</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

The existing inventory of items remains unchanged for 2019/20 and the insurance cover has been re-evaluated.

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.

2018/19 £'000	2019/20 £'000
72 Direct operating expenses arising from investment property	48
(478) Rental income from investment property	(473)
<b>(406) Net gain</b>	<b>(425)</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 (y) 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 2020 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.

# NOTES TO THE FINANCIAL STATEMENTS

Due to the impact of Covid 19 on the valuation process (see note 13) values are reported on the basis of "material valuation uncertainty".

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

2018/19 £'000	2019/20 £'000
6,407 Balance at the start of the year	6,089
35 Subsequent expenditure	48
(353) Net gains or (losses) from fair value adjustments	262
<b>6,089</b> Balance at the end of the year	<b>6,399</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 £123,411 charged to revenue in 2019/20 (£107,524 in 2018/19) 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:

2018/19 £'000	2019/20 £'000
Balance at the start of the year	
1,678 Gross carrying amount	1,754
(1,180) Accumulated amortisation	(1,288)
<b>498</b> Net carrying amount at the start of the year	<b>466</b>
76 Purchases	18
- Derecognition - gross carrying amount	(575)
- Derecognition - amortisation	400
- Transfer from Assets Under Construction	-
(108) Amortisation for the year	(123)
<b>466</b> Net carrying amount at the end of the year	<b>186</b>
Comprising	
1,754 Gross carrying amount	1,197
(1,288) Accumulated amortisation	(1,011)

## 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

31-Mar-19		31-Mar-20	
Long Term £'000	Current £'000	Long Term £'000	Current £'000
<b>Financial Liabilities</b>			
(59,000)	(4,000)	(55,850)	(5,100)
-	(74)	-	(53)
-	(10,500)	-	(11,000)
-	(14)	-	(14)
-	(293)	-	(68)
(59,000)	(14,881)	(55,850)	(16,235)
-	(1,598)	-	(1,203)
<b>(59,000)</b>	<b>(16,479)</b>	<b>(55,850)</b>	<b>(17,438)</b>
All borrowing is at fixed rates and is shown at amortised cost			
<b>Financial Assets</b>			
-	7,044	-	5,512
Cash and Cash Equivalents			
-	23	-	25
-	5,160	-	5,903
Debtors at amortised cost			
73	2	48	1
4,690	36	4,652	38
-	2,577	-	2,555
<b>4,763</b>	<b>14,842</b>	<b>4,700</b>	<b>14,034</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-19 £'000	31-Mar-20 £'000
<b>Financial Liabilities:</b>	
2,035	2,005
<b>Financial Assets:</b>	
(323)	(335)
<b>1,712</b>	<b>1,670</b>
Included in the Surplus or Deficit on the Provision of Services	

## Financial Instruments – Fair Values

Financial assets and financial liabilities represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

# NOTES TO THE FINANCIAL STATEMENTS

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

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

31-Mar-19				31-Mar-20	
Carrying Amount	Fair Value		Fair Value Level	Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
		<b><u>Financial Liabilities held at amortised cost</u></b>			
(63,074)	(75,676)	PWLB Loans (Long and Short Term)	2	(61,003)	(74,853)
<b>(63,074)</b>	<b>(75,676)</b>	Total Financial Liabilities		<b>(61,003)</b>	<b>(74,853)</b>
(12,405)		<b><u>Liabilities for which fair value is not disclosed</u></b>		(12,285)	
<b>(75,479)</b>		<b>Total Financial Liabilities</b>		<b>(73,288)</b>	
		<u>Recorded on the balance sheet as</u>			
(59,000)		Long Term Borrowing		(55,850)	
(293)		Bank Overdraft		(68)	
(14,588)		Short Term Borrowing		(16,167)	
(1,598)		Short Term Creditors		(1,203)	
<b>(75,479)</b>		<b>Total Financial Liabilities</b>		<b>(73,288)</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31-Mar-19				31-Mar-20	
Carrying Amount	Fair Value		Fair Value Level	Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
<b>Financial Assets held at amortised cost</b>					
4,690	3,610	Long Term Lease receivables	3	4,652	3,597
73	73	Long Term Staff Loans (Car, Bike and Bus Pass)	3	48	48
4,763	3,683	Total		4,700	3,645
14,842		<b>Assets for which fair value is not disclosed</b>	*	14,034	
<b>19,605</b>		<b>Total Financial Assets</b>		<b>18,734</b>	
<u>Recorded on the balance sheet as:</u>					
4,763		Long Term Debtors		4,700	
2,615		Short Term Debtors	*	2,594	
7,044		Short Term Investments	*	5,512	
5,183		Cash and Cash Equivalents	*	5,928	
<b>19,605</b>		<b>Total Financial Assets</b>		<b>18,734</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 2017.

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 an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government 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.

## Credit Risk

**Treasury Investments:** The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £3million is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks and building societies a smaller limit of £2million applies. The Council also sets limits on investments in certain worldwide geographical areas.

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	2018/19 £'000	2019/20 £'000
A	2,000	2,000
Unrated Local Authorities	5,000	3,500
<b>Total</b>	<b>7,000</b>	<b>5,500</b>
Credit risk not applicable *	5,160	5,900
<b>Total Investments</b>	<b>12,160</b>	<b>11,400</b>

\* 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).

The Covid 19 pandemic has increased the risk of default and the Council has made an additional provision in 2019/20 to cover the non-payment of trade and lease receivables and the council is allowing payment terms with tenants to mitigate defaults.

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Amount at 31 March 2020	Historical experience of default	Adjustment for market conditions at 31 March 2020	Estimated maximum exposure to default
		£'000	%	%	£
General debtors	a	274	8%	41%	113
Housing rents	a	1,701	55%	55%	937
Other	a	580	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		2,639	90%	90%	2,375
Costs associated with Council Tax and Business Rates Collection		806	41%	41%	334
(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:

# NOTES TO THE FINANCIAL STATEMENTS

<b>Maturity Structure of All Borrowings (excluding accrued interest)</b>						
<b>31-Mar-19</b>		<b>2019/20 Approved Limits</b>		<b>31-Mar-20</b>		
<b>Amount</b>	<b>Maturing within:-</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Amount</b>		
<b>£'000</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	
14,500	20.0%	Up to 1 year	0%	25%	16,000	22.0%
5,000	7.0%	Over 1 but not over 2 years	0%	25%	3,000	4.0%
9,000	12.0%	Over 2 but not over 5 years	0%	30%	9,000	13.0%
14,000	19.0%	Over 5 but not over 10 years	0%	35%	11,000	15.0%
-	-	Over 10 but not over 15 years	35%	55%	-	-
-	-	Over 15 but not over 20 years	35%	55%	1,950	3.0%
-	-	Over 20 but not over 25 years	35%	55%	-	-
-	-	Over 25 but not over 30 years	35%	55%	-	-
-	-	Over 30 but not over 35 years	35%	55%	-	-
-	-	Over 35 but not over 40 years	35%	55%	2,000	3.0%
31,000	42.0%	Over 40 but not over 45 years	35%	55%	29,000	40.0%
-	-	Over 45 years	35%	55%	-	-
<b>73,500</b>	<b>100.0%</b>				<b>71,950</b>	<b>100.0%</b>

## 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)

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.

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.

If all interest rates in 2019/20 had been 1% higher (with all other variables constant) the financial effect would have been £133,800 (2018/19 £126,100) additional interest receivable on variable rate investments. There were no significant variable rate borrowings during 2019/20 or 2018/19.

# NOTES TO THE FINANCIAL STATEMENTS

The Covid 19 pandemic has increased the risks described above. The Council has responded by reducing its unsecured investments and diverting investments into more secure and liquid instruments.

## 19. Debtors

### Long Term Debtors

31-Mar-19 £'000	31-Mar-20 £'000
4,690 Finance Lease - Landing Stage	4,652
106 Other entities and individuals	84
<b>4,796</b>	<b>4,736</b>

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

31-Mar-19 £'000	31-Mar-20 £'000
1,613 Central Government bodies	441
1,706 Other Local Authorities	2,618
3,253 Other entities and individuals	3,474
<b>6,572</b>	<b>6,533</b>

## 20. Cash and Cash Equivalents

31-Mar-19 £'000	31-Mar-20 £'000
5,160 Money Market Funds	5,903
23 Cash imprests / cash in hand	25
(293) Cash at bank / (Overdraft) [Grouped accounts]	(68)
<b>4,890</b>	<b>5,860</b>

## 21. Creditors

### Long Term Creditors

31-Mar-19 £'000	31-Mar-20 £'000
(1,111) Other entities and individuals	(1,120)
<b>(1,111)</b>	<b>(1,120)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Short Term Creditors

31-Mar-19 £'000		31-Mar-20 £'000
(2,430)	Central Government bodies	(4,473)
(908)	Other Local Authorities	(889)
(2,061)	Other entities and individuals	(1,703)
<b>(5,399)</b>		<b>(7,065)</b>

## 22. Provisions

	Short Term (S) Long Term (L)	Balance 01-Apr-19 £'000	< ----- 2019/20 ----- > Additional provisions made £'000	Amounts used £'000	Unused amounts reversed £'000	Balance 31-Mar-20 £'000
Business Rates Appeals	S	(1,376)	(324)	4	319	(1,377)
MMI Scheme of Arrangement	S	(37)				(37)
MMI Scheme of Arrangement	L	(45)				(45)
		<b>(1,458)</b>	<b>(324)</b>	<b>4</b>	<b>319</b>	<b>(1,459)</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 £3.440 million is £1.377 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) and this is summarised below.

31-Mar-19 £'000		31-Mar-20 £'000
151	Grasscutting	145
(71)	Hampshire County Council contribution	(98)
<b>80</b>		<b>47</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.

# NOTES TO THE FINANCIAL STATEMENTS

## **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 £54,000 is the residual receipt from the sale of Camden Allotments which must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

## **Capital – Housing Revenue Account**

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

### **Major Repairs Reserve**

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

# NOTES TO THE FINANCIAL STATEMENTS

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

	2018/19			31-Mar-19	2019/20		
	01-Apr-18	Transfers In	Transfers Out		Transfers In	Transfers Out	31-Mar-20
	£'000	£'000	£'000		£'000	£'000	£'000
<b>Revenue</b>							
<b>General Fund Balance</b>	<b>(890)</b>			<b>(890)</b>	<b>(110)</b>		<b>(1,000)</b>
<b>Earmarked General Fund Reserves</b>							
Revenue Financing Reserve	(3,856)	(248)		(4,104)	(346)	358	(4,092)
Stability & Resilience Reserve	(1,562)	(466)		(2,028)		200	(1,828)
Cherque Farm Open Space	(199)		20	(179)		19	(160)
Supporting Troubled Families	(97)	(9)		(106)	(8)	5	(109)
Housing Renewal Grant	(9)			(9)			(9)
Priddys Play Area Maintenance	(49)		6	(43)		5	(38)
Building Control Partnership	(97)			(97)	(26)	11	(112)
Community Safety Partnership	(48)	(17)		(65)	(1)	20	(46)
Preventing Repossessions	(14)			(14)			(14)
High Street Innovations	(23)			(23)			(23)
Open Spaces Maintenance	(23)		3	(20)		2	(18)
Bus Shelter Maintenance	(30)			(30)			(30)
Business Growth Incentive Grant	(22)			(22)		22	-
Urbaser Contract Reserve	(102)		2	(100)	(7)		(107)
Sodexo Contract Reserve	(1)		1	-			-
Royan Twinning Fund	(8)		1	(7)		2	(5)
Cherque Farm Land Transfer	(6)			(6)		1	(5)
Healthy Homes	(24)		1	(23)		2	(21)
CCTV Monitoring	(8)		1	(7)		2	(5)
Education Fund	(4)			(4)			(4)
Hermitage Wildlife Garden	(10)		2	(8)			(8)
Benefits DWP External Funding	(49)	(22)	49	(22)	(17)	27	(12)
Homeless Support Grant Reserve	(165)	(334)		(499)	(96)		(595)
Planning DCLG Grants Reserve	(35)	(34)		(69)	(18)		(87)
EU Exit Preparation	-	(18)		(18)	(22)		(40)
COVID-19 Govt Grant Reseve	-			-	(17)		(17)
Civic Events Reserve	-			-	(15)		(15)
	<b>(6,441)</b>	<b>(1,148)</b>	<b>86</b>	<b>(7,503)</b>	<b>(573)</b>	<b>676</b>	<b>(7,400)</b>
<b>Housing Revenue Account</b>							
Housing Revenue Account	(992)			(992)			(992)
Major Repairs, New Build & Loan Repayment Reserve	(3,102)	(510)		(3,612)	(747)	861	(3,498)
	<b>(4,094)</b>	<b>(510)</b>	<b>0</b>	<b>(4,604)</b>	<b>(747)</b>	<b>861</b>	<b>(4,490)</b>
<b>Capital</b>							
Capital Receipts Reserve (GF)	(54)	(36)	36	(54)			(54)
Revenue Reserve for Capital (GF)	(524)	(531)	399	(656)	(538)	697	(497)
Capital Receipts Reserve (HRA)	(114)	(733)	525	(322)	(600)	922	0
Capital Receipts New Build (HRA)	(1,055)	(556)	278	(1,333)	(479)	623	(1,189)
Major Repairs Reserve (HRA)	-			-			-
Capital Grants Unapplied (CIL)	(101)	(761)		(862)	(172)	28	(1,006)
	<b>(1,848)</b>	<b>(2,617)</b>	<b>1,238</b>	<b>(3,227)</b>	<b>(1,789)</b>	<b>2,270</b>	<b>(2,746)</b>
<b>Total Usable Reserves</b>	<b>(13,273)</b>	<b>(4,275)</b>	<b>1,324</b>	<b>(16,224)</b>	<b>(3,219)</b>	<b>3,807</b>	<b>(15,636)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Unusable Reserves

31-Mar-19 £'000		31-Mar-20 £'000
(56,625)	Revaluation Reserve	(60,228)
(55,509)	Capital Adjustment Account	(52,512)
(4,726)	Deferred Capital Receipts Reserve	(4,690)
38,620	Net Pension Reserve	40,509
(61)	Collection Fund Adjustment Account	(476)
106	Accumulated Absences Account	109
<b>(78,195)</b>		<b>(77,288)</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

2018/19 £'000		2019/20 £'000
(49,586)	Balance at 1 April	(56,625)
(8,858)	Upward revaluation of assets	(5,392)
1,683	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,431
(7,175)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3,961)
136	Difference between fair value depreciation and historical cost depreciation	358
136	Amount written off to the Capital Adjustment Account	358
<b>(56,625)</b>	<b>Balance at 31 March</b>	<b>(60,228)</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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

2018/19 £'000	2019/20 £'000
<b>(59,704)</b> Balance at 1 April	<b>(55,509)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,294 Charges for depreciation, impairment of noncurrent assets	4,485
403 Revaluation losses on Property, Plant and Equipment	534
108 Amortisation of intangible assets	123
833 Revenue expenditure funded from capital under statute	420
4,156 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	5,266
<b>9,794</b>	<b>10,828</b>
<b>(136)</b> Adjusting amounts written out of the Revaluation Reserve	<b>(358)</b>
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>10,470</b>
Capital financing applied in the year:	
<b>(543)</b> Use of the Capital Receipts Reserve to finance new capital expenditure and reduce CFR	<b>(1,294)</b>
<b>(2,992)</b> Use of the Major Repairs Reserve to finance new capital expenditure	<b>(3,018)</b>
<b>(302)</b> Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(398)</b>
<b>(852)</b> Application of grants to capital financing from the Capital Grants Unapplied Account	<b>(793)</b>
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-
<b>(1,128)</b> Capital expenditure charged against the General Fund and HRA balances	<b>(1,708)</b>
<b>(5,817)</b>	<b>(7,211)</b>
<b>354 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>(262)</b>
<b>(55,509)</b> Balance at 31 March	<b>(52,512)</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.

2018/19 £'000	2019/20 £'000
(4,763) Balance at 1 April	(4,726)
37 Transfer to the Capital Receipts Reserve upon receipt of cash	36
<b>(4,726) Balance at 31 March</b>	<b>(4,690)</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.

2018/19 £'000	2019/20 £'000
40,650 Balance at 1 April	38,620
(4,280) Remeasurements of the net defined benefit liability/(asset)	732
4,000 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	3,089
(1,750) Employer's pensions contributions and direct payments to pensioners payable in the year	(1,932)
<b>38,620 Balance at 31 March</b>	<b>40,509</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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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/>

2018/19 £'000	2019/20 £'000
251 Allowances	256
1 Expenses	1
<b>252</b>	<b>257</b>

## 27. Officers Remuneration

Number of employees 2018/19	Left during 2018/19	The number of employees (excluding senior officers which are disclosed individually in separate tables) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were: Remuneration band	Number of employees 2019/20	Left during 2019/20
5	-	£50,000 - £54,999	5	-
1	-	£55,000 - £59,999	3	-
1	-	£60,000 - £64,999	2	-
2	-	£65,000 - £69,999	1	-
-	-	£70,000 - £74,999	-	-
-	-	£75,000 - £79,999	-	-
-	-	£80,000 - £84,999	-	-

## 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	0	0	0	1	0	1	0	20
£20,001 - £40,000	0	1	0	1	0	2	0	55
£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>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>75</b>

# NOTES TO THE FINANCIAL STATEMENTS

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

The roles of the Chief Executive, Borough Solicitor and Deputy Chief Executive (until 15<sup>th</sup> May 2019) 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.

2018/19 £000's	2019/20 £000's
67 Chief Executive	68
53 Borough Solicitor & Deputy Chief Executive	9
48 Borough Treasurer	49
<b>168</b>	<b>126</b>

During 2019/20 a new role of Assistant to the Chief Executive was created as part of the council's management team, the Head of Planning and Regeneration has been appointed to that role, remuneration for 2019/20 is shown

2019/20						
Senior Officer Emoluments - Salaries more than £50,000 but less than £150,000 per year						
Post Title	Notes	Salary (Including Allowances) £	Expense Allowances £	Total Remuneration excluding pension contributions 2019/20 £	Pension Contributions £	Total Remuneration including pension contributions 2019/20 £
Assistant to the Chief Executive and Head of Planning and Regeneration	1	27,304	-	27,304	4,396	31,700
		<b>27,304</b>	<b>0</b>	<b>27,304</b>	<b>4,396</b>	<b>31,700</b>

1. New post wef 18/11/2019; Full Time Equivalent Salary was £72,740.95

## 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.

2018/19 £'000	2019/20 £'000
Fee payable to Ernst & Young with regard to external audit services carried out by appointed auditors	
41 External audit services	41
- Certification of grant claims and returns	-
<b>41</b>	<b>41</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 29. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/19 £'000	Grant Income	2019/20 £'000
<b>Included in Taxation and Non Specific Grant Income</b>		
<u>Non-Ringfenced Government Grants</u>		
Department for Communities and Local Government:		
(264)	Revenue Support Grant	-
(391)	New Homes Bonus Grant	(274)
(184)	New Burdens Grants - various	(114)
(819)	Autumn Statement Measures - Business Rate Relief Grants	(1,060)
-	Covid 19	(44)
Department for Work and Pensions		
(397)	HB / CTB Administration	(380)
(800)	<u>Community Infrastructure Levy</u>	(182)
<b>(2,855)</b>		<b>(2,054)</b>
<u>Capital Grants and Contributions</u>		
(201)	Developers Contributions - Open Spaces	(221)
-	Heritage Action Zone	(44)
-	Local Enterprise Partnership - Daedalus Regeneration	(87)
(50)	Hampshire County Council - Alver Valley	-
(106)	Coast Protection	(441)
<b>(357)</b>		<b>(793)</b>
<b>Service Specific Revenue Grants and Contributions (included in cost of services)</b>		
<u>Department for Work and Pensions</u>		
(25,388)	HB / CTB Subsidy	(21,788)
<u>Environment Agency</u>		
<u>Department for Communities and Local Government</u>		
(798)	Disabled Facilities Grant	(398)
(78)	NNDR Cost of Collection	(77)
(656)	Homelessness Prevention Grants	(432)
(47)	Historic England Grant	(25)
(28)	One Public Estate (studies / option appraisals)	(18)
<u>Cabinet Office</u>		
(55)	Elections / Register of Electors Grants	(17)
<b>(27,050)</b>		<b>(22,755)</b>

## Receipts in Advance – Capital Grants

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.

# NOTES TO THE FINANCIAL STATEMENTS

2018/19 £'000	2019/20 £'000
<b>Receipts in Advance - Capital Grants</b>	
(10) Affordable Housing	(10)
(960) Open Spaces and Play Areas	(747)
(623) Transport Contributions	(623)
(667) Disabled Facilities Grant	(1,074)
(140) Other grants and contributions	(130)
<b>(2,400)</b>	<b>(2,584)</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 2019/20 is shown in Note 26. There were no other material related party transactions during the year

### Officers

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

### Portsmouth City Council – Shared Management arrangements

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

During 2019/20, the Council paid PCC £718,425 (£866,522 in 2018/19).

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 2019/20, the Partnership charged Gosport Borough Council £143,503 (£113,594 in 2018/19) 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 2020, the balance of retained surplus for future investment in the service held by Gosport Borough Council was £111,924 (£91,327 in 2018/19), £188,800 (£149,478 in 2018/19) by Fareham Borough Council and £82,771 (£49,066 in 2018/19) by Portsmouth City Council.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2019/20, the Partnership charged Gosport Borough Council £641,939 for statutory environmental health services (£619,629 in 2018/19). 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 2019/20 the Council received £160,000 (£150,000 in 2018/19) 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 2019/20 are shown below

2018/19 £'000	2019/20 £'000
<b>Portchester Crematorium - Gosport share (25%)</b>	
1,511 Long Term Assets	1,915
674 Current Assets	758
(17) Current Liabilities	(16)
(193) Long Term Liabilities	(198)
(657) Usable Reserves	(742)
(1,318) Unusable Reserves	(1,717)
<b>0</b>	<b>0</b>
(504) Income	(534)
503 Expenditure	533

## Other Public Bodies

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

2018/19 £'000	2019/20 £'000
33,230 Hampshire County Council	34,996
4,707 Hampshire Police & Crime Commissioners	5,471
1,897 Hampshire Fire & Rescue Authority	1,994
1,750 Hampshire County Council Fareham Borough Council	1,932
968	853
(444)	(213)
(25) Test Valley Borough Council	(5)

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

2018/19 £'000	2019/20 £'000
<b>81,707</b> Opening Capital Financing Requirement	<b>81,707</b>
<u>Capital Investment</u>	
4,873 Plant, Property & Equipment	7,442
- Heritage Assets	51
35 Investment Properties	48
76 Intangible Assets	18
833 Revenue Expenditure funded from Capital under Statute	420
<u>Sources of Finance</u>	
(543) Capital Receipts	(1,294)
(1,154) Government Grants & Other Contributions	(1,191)
(4,120) GF and HRA Revenue and Reserves including Major Repairs Reserve	(4,726)
<u>Other Adjustments</u>	
- Sums set aside from Revenue (including Minimum and Voluntary Repayments of Principal)	-
<b>81,707</b> Closing Capital Financing Requirement	<b>82,475</b>
<b>Explanation of Movements in year</b>	
0 Increase in underlying need to borrow (unsupported)	768
0 (Decrease) in underlying need to borrow due to MRP, VRP and lease payments	0
<b>0 (Decrease) / Increase in Capital Financing Requirement</b>	<b>768</b>

## 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.

	2018/19 £'000	2019/20 £'000
Housing Grants	798	398
Other Capital Schemes	35	22
<b>Total</b>	<b>833</b>	<b>420</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 32. Leases

### Council as Lessee

#### Finance Leases

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

#### Operating Leases

The Council has lease arrangements for vehicles 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-19 £'000	31-Mar-20 £'000
Not later than one year	1,324	917
Later than one year and not later than five years	*	48
Later than five years	7	-
	<u>1,379</u>	<u>3,200</u>

\* 2019-20 reflects average temporary accommodation tenancy

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-19 £'000	31-Mar-20 £'000
Minimum lease payments	<u>1,120</u>	<u>996</u>
	<u>1,120</u>	<u>996</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-19 £'000	31-Mar-20 £'000
Finance lease debtor		
current	36	38
non current	4,690	4,652
Unearned finance income	6,255	6,035
Gross investment in the lease	10,981	10,725

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

	Gross Investment in the Lease		Finance Lease payments	
	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'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	9,681	9,425	9,681	9,425
	10,981	10,725	10,981	10,725

### 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-19 £'000	31-Mar-20 £'000
Not later than one year	631	654
Later than one year and not later than five years	2,549	2,617
Later than five years	15,969	15,865
	19,149	19,136

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-19 £'000	31-Mar-20 £'000
Not later than one year	1	1
Later than one year and not later than five years	4	4
Later than five years	141	140
	146	145

# 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'.

**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 2019 and the contributions to be paid until 31 March 2023 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 employer contributions for the year ending 31 March 2021

**Funded** - £1.12m, additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

**Unfunded** - £0.19m directly to beneficiaries

## Assumptions

The latest actuarial valuation of Gosport Borough Council's funded liabilities and unfunded LGPS benefits took place as at 31 March 2019. 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

2018/19	Key assumptions (% per annum)	2019/20
	<b><u>Funded</u></b>	
2.4%	Discount rate	2.3%
2.2%	CPI Inflation	2.0%
2.2%	Pension increases	2.0%
2.2%	Pension accounts revaluation rate	2.0%
3.7%	Salary increases	3.0%
	<b><u>Unfunded</u></b>	
2.4%	Discount rate	2.3%
2.2%	CPI Inflation	2.0%
2.2%	Pension increases	2.0%

2018/19	Assumed life expectancy at age 65	2019/20
	<b><u>Males</u></b>	
23.3	Member aged 65 at accounting date	23.0
24.9	Member aged 45 at accounting date	24.7
	<b><u>Females</u></b>	
26.1	Member aged 65 at accounting date	25.5
27.8	Member aged 45 at accounting date	27.2

# 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

2018/19		Transactions relating to Post-employment Benefits	2019/20	
Funded £'000	Unfunded £'000		Funded £'000	Unfunded £'000
		<b><u>Comprehensive Income and Expenditure Statement</u></b>		
		<b>Cost of Services</b>		
1,840		- Current service costs #	2,185	-
1,120		- Past service costs	-	-
-		- Settlement cost	-	-
		<b>Financing and Investment Income and Expenditure</b>		
970	70	Interest on net defined benefit liability	844	60
<b>3,930</b>	<b>70</b>	<b>Pension expense recognised in the Surplus or Deficit on the Provision of Services</b>	<b>3,029</b>	<b>60</b>
		<b>Remeasurements of the Net Defined Liability, comprising</b>		
(5,410)		- Return on plan assets (in excess of) / below that recognised in net interest	3,064	-
5,690	60	Actuarial (gains) / losses due to change in financial assumptions	(2,917)	(17)
(4,720)	(110)	Actuarial (gains) / losses due to changes in demographic assumptions	(3,019)	(40)
200	10	Actuarial (gains) / losses due to liability experience	3,779	(118)
<b>(4,240)</b>	<b>(40)</b>	<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>907</b>	<b>(175)</b>
<b>(310)</b>	<b>30</b>	<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>3,936</b>	<b>(115)</b>
		<b><u>Movement in Reserves Statement</u></b>		
(3,930)	(70)	Reversal of charges made for retirement benefits	(3,029)	(60)
1,570	180	Inclusion of employers contributions payable	1,751	181
<b>(2,360)</b>	<b>110</b>	<b>Total included in Movement in Reserves Statement</b>	<b>(1,278)</b>	<b>121</b>
20		# Allowance for administration expenses included in current service cost	17	

# NOTES TO THE FINANCIAL STATEMENTS

2018/19 £'000		2019/20 £'000
	<b>Employers contributions paid to Pension Fund</b>	
1,570	Normal Funded Contributions	1,751
	- Lump Sums for Early Retirements	-
	<b>Employers contributions paid to Pensioners</b>	
180	Discretionary / Unfunded Added Years	181
<b>1,750</b>		<b>1,932</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-19 £m	Reconciliation to Balance Sheet	31-Mar-20 £m
	<b>Funded</b>	
81.590	Fair value of assets	78.730
(117.640)	Present value of funded defined benefit obligation	(116.965)
(36.050)	Funded status	(38.235)
	- Impact of minimum funding requirement/asset ceiling	-
<b>(36.050)</b>	Pension liability recognised on the Balance Sheet	<b>(38.235)</b>
	The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:	
0.300	Active members	0.260
0.130	Deferred Pensioners	0.170
0.570	Pensioners	0.570
	<b>Unfunded</b>	
(2.570)	Present value of defined benefit obligation	(2.274)
<b>(2.570)</b>	Pension liability recognised on the Balance Sheet	<b>(2.274)</b>
<b>(38.620)</b>	<b>Total</b>	<b>(40.509)</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-19		Asset allocation	31-Mar-20			
Quoted	Unquoted		Quoted	Unquoted	Total	
54.0%	6.4%	60.4%	Equities	44.1%	8.6%	52.7%
0.7%	6.9%	7.6%	Property	0.8%	6.5%	7.3%
22.6%	0.1%	22.7%	Government Bonds	21.8%	0.0%	21.8%
1.1%	4.1%	5.2%	Corporate Bonds	0.0%	0.0%	0.0%
2.3%	0.0%	2.3%	Cash	2.0%	0.0%	2.0%
0.1%	1.7%	1.8%	Other	14.1%	2.1%	16.2%
<b>80.8%</b>	<b>19.2%</b>	<b>100.0%</b>	<b>Total</b>	<b>82.8%</b>	<b>17.2%</b>	<b>100.0%</b>

## Movement in the present value of Pension Fund Obligations

2018/19 £m	Changes to the present value of the defined benefit obligation	2019/20 £m
	<b>Funded</b>	
114.020	Opening defined benefit obligation	117.640
1.840	Current service cost	2.185
2.920	Interest expense on defined benefit obligation	2.782
0.370	Contributions by participants	0.363
5.690	Actuarial (gains)/losses due to change in financial assumptions	(2.917)
(4.720)	Actuarial (gains)/losses due to changes in demographic assumptions	(3.019)
0.200	Actuarial (gains)/losses due to liability experience	3.779
(3.800)	Net benefits paid out	(3.848)
1.120	Past service cost	-
	- Settlements	-
<b>117.640</b>	<b>Closing defined benefit obligation</b>	<b>116.965</b>
	<b>Unfunded</b>	
2.720	Opening defined benefit obligation	2.570
	- Current service cost	-
0.070	Interest expense on defined benefit obligation	0.060
0.060	Actuarial (gains)/losses due to change in financial assumptions	(0.017)
(0.110)	Actuarial (gains)/losses due to changes in demographic assumptions	(0.040)
0.010	Actuarial (gains)/losses due to liability experience	(0.118)
(0.180)	Net benefits paid out	(0.181)
<b>2.570</b>	<b>Closing defined benefit obligation</b>	<b>2.274</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Movement in the fair value of Pension Fund Assets

2018/19 £m	Changes to the fair value of assets	2019/20 £m
	<b>Funded</b>	
76.090	Opening fair value of assets	81.590
1.950	Interest income on assets	1.938
5.410	Remeasurement gains/(losses) on assets	(3.064)
1.570	Contributions by the employer	1.751
0.370	Contributions by participants	0.363
(3.800)	Net benefits paid out #	(3.848)
	- Settlements	-
<b>81.590</b>	<b>Closing fair value of assets</b>	<b>78.730</b>
# The 'Net benefits paid out' figure includes an allowance for expenses of £0.017m		
	<b>Unfunded</b>	
0.190	Contributions by the employer	0.181
(0.190)	Net benefits paid out	(0.181)
	<b>- Closing fair value of assets</b>	<b>-</b>

## Actual return on Scheme Assets

2018/19 £m	Actual return on assets	2019/20 £m
1.950	Interest income on assets	1.938
5.410	Remeasurement gain/(loss) on assets	(3.064)
<b>7.36</b>	<b>Actual return / (loss) on assets</b>	<b>(1.126)</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 2020 and the projected service cost for the year ending 31 March 2020 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised on page 76.

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)	114.822	116.965	119.148
% change in present value of total obligation	-1.8%		1.9%
Projected service cost (£m's)	2.064	2.133	2.204
Approximate % change in projected service cost	-3.2%		3.3%
<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)	117.143	116.965	116.789
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£m's)	2.133	2.133	2.133
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)	118.942	116.965	115.027
% change in present value of total obligation	1.7%		-1.7%
Projected service cost (£m's)	2.204	2.133	2.064
Approximate % change in projected service cost	3.3%		-3.2%
<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)	120.652	116.965	113.308
% change in present value of total obligation	3.2%		-3.1%
Projected service cost (£m's)	2.212	2.133	2.054
Approximate % change in projected service cost	3.7%		-3.7%
# 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			

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Contingent Assets

- **Landing Stage**

The new Gosport Ferry Terminal opened on 27 June 2011. Final works and contract sums remain to be completed at 31 March 2020 and discussions regarding final payments and retentions will be concluded at the end of the defects period.

- **Priddys Hard Profit Share**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Cash Flow Statement – notes

2018/19 £'000	Adjustments to surplus or deficit on the provision of services for non-cash movements	2019/20 £'000
4,154	Depreciation and Impairments	4,485
543	Impairment and Downward Valuations	534
108	Amortisation	123
(429)	Increase/(Decrease) in Creditors	1,262
(1,011)	(Increase)/Decrease in Debtors	1,237
2,250	Movement in Pension Liability	1,157
4,156	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,265
971	Other non-cash items charged to the net surplus or deficit on the provision of services	(261)
<b>10,742</b>	<b>Net cash flow</b>	<b>13,802</b>

2018/19 £'000	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2019/20 £'000
(1,289)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,078)
(1,586)	Capital Grants credited to the surplus/deficit on the provision of services	(1,363)
<b>(2,875)</b>		<b>(2,441)</b>

2018/19 £'000	Net Cash Flow from Investing Activities	2019/20 £'000
(5,130)	Purchase of property, plant and equipment, investment property and intangible assets	(7,782)
(13,000)	Purchase of short-term and long-term investments	(14,500)
1,326	Proceeds from the sale of property, plant and equipment, investment property, intangible assets (including deferred capital receipts)	1,114
10,000	Proceeds from short-term and long-term investments	16,000
1,681	Other receipts from investing activities	1,415
<b>(5,123)</b>	<b>Net cash outflow from investing activities</b>	<b>(3,753)</b>

2018/19 £'000	Net Cash Flow from Financing Activities	2019/20 £'000
10,500	Cash receipts of short and long-term borrowing	20,000
	Cash payments for the reduction of outstanding liabilities relating to finance leases	
(11,249)	Repayments of short and long-term borrowing	(21,550)
115	Billing Authorities - Council Tax and NNDR adjustments	(364)
<b>(634)</b>	<b>Net cash (inflow) / outflow from financing activities</b>	<b>(1,914)</b>

# NOTES TO THE FINANCIAL STATEMENTS

2018/19	The cash flows for operating activities include the following	2019/20
£'000	items:	£'000
287	Interest Received	370
(2,045)	Interest Paid	(2,024)
<b>(1,758)</b>	<b>Net cash outflow from Interest and Dividends</b>	<b>(1,654)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 37. Certification and authorisation of the Accounts

Statement of Accounts – unaudited draft authorised for issue

Signed



Date 13<sup>th</sup> July 2020

C. WARD

Borough Treasurer, Section 151 officer

Statement of Accounts – audited statement authorised for issue

Signed

Date 25<sup>th</sup> November 2020

C. WARD

Borough Treasurer, Section 151 officer

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

Signed

Date 25<sup>th</sup> November 2020

COUNCILLOR M. HOOK

Leader of the Council

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

Signed

Date 25<sup>th</sup> November 2020

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

2018/19 £'000	HRA INCOME AND EXPENDITURE STATEMENT	2019/20 £'000	2019/20 £'000
	<b>EXPENDITURE</b>		
4,739	Repairs & maintenance	4,514	
3,974	Supervision & management	4,228	
527	Rents, rates, taxes & other charges	304	
3,000	Depreciation, impairment and revaluation losses of non current assets	3,021	
41	Debt management costs	42	
25	Movement in the allowance for bad or doubtful debts	91	
<b>12,306</b>	<b>TOTAL EXPENDITURE</b>		<b>12,200</b>
	<b>INCOME</b>		
(13,956)	Dwelling rents	(14,021)	
(279)	Non dwelling rents	(301)	
(514)	Charges for services and facilities	(431)	
<b>(14,749)</b>	<b>TOTAL INCOME</b>		<b>(14,753)</b>
<b>(2,443)</b>	<b>NET INCOME OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>		<b>(2,553)</b>
83	HRA Services' share of Corporate and Democratic Core		86
<b>(2,360)</b>	<b>NET INCOME FOR HRA SERVICES</b>		<b>(2,467)</b>
	<b>HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>		
2,778	(Gain)/Loss on the disposal of HRA non-current assets		3,341
278	Payments to the Governments Housing Capital Receipts Pool		270
1,903	Interest payable and similar charges		1,852
(45)	Interest and investment income		(49)
261	Pension interest on net defined benefit liability		244
<b>2,815</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES</b>		<b>3,191</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS

2018/19 £'000	MOVEMENT ON THE HRA STATEMENT	2019/20 £'000	2019/20 £'000
(992)	Balance on the HRA at the end of the previous year		(992)
2,815	(Surplus) / deficit for the year on the HRA Income and Expenditure Account	3,191	
(3,325)	Adjustments between accounting basis and funding basis under regulations (detailed below)	(3,077)	
(510)	Net increase before transfers to reserves		114
510	Transfers to / (from) Reserves		(114)
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			
2018/19 £'000		2019/20 £'000	2019/20 £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
(2,778)	Gain/(Loss) on the disposal of HRA Non-Current Assets	(3,340)	
(278)	Contributions from the Capital Receipts Reserve to finance payments to the Governments Housing Capital Receipts Pool	(270)	
304	Capital Expenditure funded by the HRA	860	
-	Net charges to Accumulated Absences Account	(1)	
(1,006)	Net charges made for retirement benefits in accordance with IAS19	(834)	
2,992	Depreciation transfer to Major Repairs Reserve	3,018	
(3,000)	Depreciation transfer from Capital Adjustment Account	(3,021)	
(3,766)			(3,588)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
441	Employers contributions payable to the Local Government Pension Scheme and retirement benefits payable directly to pensioners		
441		511	511
(3,325)	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>		(3,077)

# 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-19			31-Mar-20	
Number	Value £'000		Number	Value £'000
<b>Operational Assets</b>				
2,935	140,748	Standard Dwellings	2,929	141,539
182	5,430	Sheltered Housing	182	5,430
502	1,025	Garages and Parking Spaces	504	1,090
5	53	Operational Property	5	51
1	33	Community Asset	1	33
<b>3,625</b>	<b>147,289</b>		<b>3,621</b>	<b>148,143</b>

The HRA asset base is valued annually – the 2019/20 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 2019/20 has been valued at 1 April 2020.

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-19 £'000		31-Mar-20 £'000
441,694	Dwellings	444,272
1,025	Other Land & Buildings	1,090
<b>442,719</b>		<b>445,362</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 3. Housing Stock

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

31-Mar-19	31-Mar-20
<b>Numbers</b>	
1,256 Houses	1,252
427 Bungalows	428
1,434 Flats	1,431
<b>3,117</b>	<b>3,111</b>
<b>Analysis of bedroom type</b>	
1,541 1 bedroom	1,537
542 2 bedroom	545
951 3 bedroom	945
83 4 or more bedrooms	84
<b>3,117</b>	<b>3,111</b>
<b>Analysis of stock by age</b>	
258 Pre 1945	255
1,275 1945 - 1964	1,274
621 1965 - 1974	619
963 1974 onwards	963
<b>3,117</b>	<b>3,111</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.

2018/19 £'000	2019/20 £'000
0 Balance at 1 April	0
3,000 HRA Depreciation	3,018
(3,000) HRA Capital Financed	(3,018)
<b>0 Balance at 31 March</b>	<b>0</b>

## 5. Housing Repairs

2018/19 £'000	2019/20 £'000
7,498 Expenditure on Repairs	7,835
3,707 Of which planned	3,929
49.4% % of Planned / Response	50.1%

£3,322 million of the 2019/20 expenditure (£2.760 million in 2018/19) on repairs was capital expenditure. The main categories of expenditure were overcladding, disabled adaptations, sheltered scheme improvements, kitchens, bathrooms and central heating installations.

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 6. Capital Expenditure

2018/19 £'000	2019/20 £'000
2,760 HRA Properties - capital repairs & maintenance	3,322
927 Purchase of Properties	1,701
<b>3,687</b>	<b>5,023</b>

## 7. Capital Financing

2018/19 £'000	2019/20 £'000
2,992 Major Repairs Reserve	3,018
303 Revenue Contribution	861
392 Capital Receipts Reserves	1,144
0 Revenue Reserves	0
<b>3,687</b>	<b>5,023</b>

## 8. Capital Receipts

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

2018/19 £'000	2019/20 £'000
1,289 Right to Buy sales	1,078
<b>1,289</b>	<b>1,078</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 2018/19 or 2019/20.

2018/19 £'000	2019/20 £'000
2,992 Depreciation of Council Dwellings	3,018
<b>2,992</b>	<b>3,018</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 10. Rent Arrears

2018/19 £'000	2019/20 £'000
228 Current Tenants	310
100 Former Tenants	125
0 Garages	7
<b>328</b> Total Rent Arrears	<b>442</b>
(14,144) Gross Rent Income	14,223
2.3% Arrears as a % of Gross Rent Income	3.1%

The bad debt provision for all HRA debts at 31 March 2020 is £408,700 (£318,000 at 31 March 2019)

## 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.

2018/19 £'000	2019/20 £'000
<b>Net Cost of Services</b>	
22 Current service costs and past service costs	79
<b>Surplus or (Deficit) for the year on HRA Services</b>	
261 Pension interest on net defined benefit liability	244
<b>Statement of Movement on the HRA Balance</b>	
(724) Reversal of net charges made for retirement benefits in accordance with IAS19	(834)
<b>Actual amount charged against Rents</b>	
441 Employers' contributions payable to scheme	511

# SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND			
2018/19 £'000	-----2019/20-----		
	£'000	£'000	£'000
	Business Rates	Council Tax	Total
<b>INCOME</b>			
(44,647)	-	(46,928)	(46,928)
(16,107)	(17,061)	-	(17,061)
<b>(60,754)</b>	<b>(17,061)</b>	<b>(46,928)</b>	<b>(63,989)</b>
<b>EXPENDITURE</b>			
<b>Apportionment of Previous Year Estimated Collection Fund Surplus / (Deficit)</b>			
180 Central Government	(73)	-	(73)
144 Gosport Borough Council	(58)	50	(8)
32 Hampshire County Council	(13)	274	261
- Hampshire Police and Crime Commissioners	-	41	-
4 Hampshire Fire and Rescue Authority	(1)	15	14
<b>Precepts, Shares and Demands</b>			
7,638 Central Government	7,740	-	7,740
11,924 Gosport Borough Council	6,192	6,085	12,277
33,230 Hampshire County Council	1,393	33,341	34,734
4,707 Hampshire Police and Crime Commissioners	-	5,431	5,431
1,897 Hampshire Fire and Rescue Authority	155	1,825	1,980
59,756	15,335	47,062	62,356
<b>Charges to the Collection Fund</b>			
103 Write off of uncollectable amounts	119	192	311
276 Increase / (Decrease) in Bad Debt Provisions	24	244	268
1,451 Increase / (Decrease) in Provision for Appeals	1	-	1
79 Cost of collection	77	-	77
145 Transitional protection payments	52	-	52
2,054	273	436	709
<b>61,810</b>	<b>15,608</b>	<b>47,498</b>	<b>63,065</b>
<b>1,056</b>	<b>(1,453)</b>	<b>570</b>	<b>(924)</b>
<b>MOVEMENTS ON THE COLLECTION FUND</b>			
(1,271)	233	(448)	(215)
1,056	(1,453)	570	(883)
<b>(215)</b>	<b>(1,220)</b>	<b>122</b>	<b>(1,098)</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	7.40	5/9	4.1
A	3,774.90	6/9	2,516.6
B	10,212.80	7/9	7,943.3
C	7,608.90	8/9	6,763.5
D	4,682.50	9/9	4,682.5
E	1,789.00	11/9	2,186.6
F	1,304.60	13/9	1,884.4
G	289.70	15/9	482.9
H	15.30	18/9	30.5
			26,494.4
			Plus MOD contributions in lieu 793.0
			Less allowance for losses on collection (331.2)
			<b>Tax Base for 2019/20</b> 26,956.2
			Tax base for 2018/19 26,524.9

The Band D Council Tax for a Gosport property in 2019/20 was £225.75 (£219.19 in 2018/19)

#### 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

# SUPPLEMENTARY FINANCIAL STATEMENTS

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 2018/19 (surplus) / deficit (shared with preceptors 2019/20) £'000	Actual 31- Mar -19 £'000	Council Tax	Estimated 2019/20 (surplus) / deficit (shared with preceptors 2020/21) £'000	Actual (surplus) / deficit 31- Mar -20 £'000
(274)	(323)	Hampshire County Council	126	87
(15)	(18)	Hampshire Fire & Rescue Authority	7	5
(41)	(48)	Hampshire Police and Crime Commissioners	21	14
(50)	(59)	Gosport Borough Council	23	16
<b>(380)</b>	<b>(448)</b>		<b>177</b>	<b>122</b>

The difference between the estimated (surplus) / deficit for 2019/20 and the actual (surplus) / deficit will be shared with preceptors in 2021/22.

### 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 50.4p pence (49.3p in 2018/19). The total non-domestic rateable value at the year-end was £44,551,493 (£42,476,155 in 2018/19).

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%

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 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.

<b>Estimated 2018/19 (surplus) / deficit (shared with preceptors 2019/20) £'000</b>	<b>Actual 31- Mar -19 £'000</b>	<b>Business Rates</b>	<b>Estimated 2019/20 (surplus) / deficit (shared with preceptors 2020/21) £'000</b>	<b>Actual (surplus) / deficit 31- Mar -20 £'000</b>
73	117	Government	(148)	(610)
13	21	Hampshire County Council	(27)	(110)
2	2	Hampshire Fire & Rescue Authority	(3)	(12)
58	93	Gosport Borough Council	(118)	(488)
<b>146</b>	<b>233</b>		<b>(296)</b>	<b>(1,220)</b>

The difference between the estimated (surplus) / deficit for 2019/20 and the actual (surplus) / deficit will be shared with preceptors and central government in 2021/22.

#### 4. Accounting for the Collection Fund balance

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

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

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

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

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

# SUPPLEMENTARY FINANCIAL STATEMENTS

-----31-Mar-19-----			-----31-Mar-20-----		
£'000	£'000	£'000	£'000	£'000	£'000
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
<b><u>Debtors</u></b>					
	1,212	1,212		2,017	2,017
	66	66		108	108
	201	201			
				331	331
41	373	414	192	440	632
<b><u>Creditors</u></b>					
(298)		(298)	(390)		(390)
(33)		(33)	(43)		(43)
(85)	(93)	(178)	(64)	(94)	(158)
(1,659)		(1,659)	(2,170)		(2,170)
<b><u>Provisions</u></b>					
(1,376)		(1,376)	(1,376)		(1,376)
<b><u>Unusable Reserves</u></b>					
	93	(60)			
		33		16	(472)
			(488)		
<b>(3,317)</b>	<b>1,699</b>	<b>(1,618)</b>	<b>(4,339)</b>	<b>2,818</b>	<b>(1,521)</b>

*The Council's Unusable Reserves figures above exclude the Enterprise Zone £4,500 credit (£96,000 credit in 2018/19)*

# ANNUAL GOVERNANCE STATEMENT

## GOSPORT BOROUGH COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2019/20

#### **Scope of responsibility**

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

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

This statement explains how Gosport Borough Council has complied with the Code and also meets the requirements of Regulation 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.

# ANNUAL GOVERNANCE STATEMENT

## The governance framework

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



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

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

The Constitution sets out how the Borough Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

### **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.

# ANNUAL GOVERNANCE STATEMENT

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 remains unchanged for 2019/20:

## Composition of Boards

The following is the composition of the Boards;-

Board/Sub Board	Number of Members
Policy and Organisation Board	13
Community Board	15
Economic Development Board	15
Regulatory Board	13
Standards and Governance Committee	12
Licensing Sub Board	3
Licensing (General Applications) 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 Board***

### ***Economic Development Board***

### ***Regulatory Board (Licensing Sub-Boards)***

As the Regulatory Board deals only with planning applications 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 Governance Committee in place to promote and maintain the highest standards of conduct by members and officers of the Council. Additionally, the Monitoring Officer is enabled to convene an Initial Filtering Panel with three Councillors of the Standards and Governance Committee to determine allegations of failure to comply with the Council's Code of Conduct, in accordance with the Council's arrangements for dealing with such allegations.

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A 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 and Monitoring Officer, Head of Finance, Head of Benefits, Head of Streetscene, Head of Housing and Head of IT, meets periodically to develop policy and strategic issues commensurate with the Council's strategic priorities. Members of CMT meet collectively and individually with the Leader of

# ANNUAL GOVERNANCE STATEMENT

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 Officer Assistant Chief Executive and Monitoring Officer to review progress in achieving the Council's strategic priorities for action, performance management and forward planning for major issues and projects.

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 (updated)
- Protocol for Councillor/Officer Relationships (updated)
- Whistle Blowing Policy

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

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

Local government is accountable and transparent in a number of ways. Elected local authority members are democratically accountable to their local area and this gives them a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

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

The Council 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 has a corporate complaints process should members of the public be unhappy with the service they have received from the Council. The process has three stages including consideration by

# ANNUAL GOVERNANCE STATEMENT

section heads and an independent manager before final consideration by the Chief Executive. Complaints to the Local Government Ombudsman will not be considered until any complaint has been through this complaints process.

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.

## **Review of effectiveness**

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

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

1. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. The reporting process for Internal Audit requires a report of each audit to be 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 & Governance Committee (as per the Accounts and Audit Regulations 2015) and this provides the overall opinion on the Council's internal control environment.

The Standards & Governance Committee also received Internal Audit monitoring reports throughout 2019/20.

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, 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.

# ANNUAL GOVERNANCE STATEMENT

## **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**

The Council's plan on a page sets out Gosport Borough Council's mission and core values (ambitious, supportive, collaborative, adaptable and efficient). The Plan also identifies the Council's strategic priorities (raise aspirations, enhance the environment, develop the economy, empower our residents and deliver effective services which are based on a combination of factors including what matters most to local people, national priorities set by the Government and the challenges from Gosport's changing social, economic and environmental context. The Council continues to keep its plan relevant and up to date the plan has been developed through engagement with both the Corporate Management Team and officers of the Authority.

The Council also have a Local Plan 2011-2029. The Local Plan sets out the Council's proposals for the development and use of land from 2011 – 2029, and forms the basis for dealing with planning applications. The Local Plan has gone through several stages to adoption and was supported by an evidence base and a Sustainability Appraisal. In accordance with Government guidance the Council is required to keep its Local Plan up to date. The Council has now started to prepare a revised Local Plan to cover the period to 2036.

The Council's Mission statement:

**“Build on our strengths to empower and support our communications and ensure the potential of the borough and all of our residents is achieved”**

The Council has continued to evolve its approach to performance management by promoting a transparent and open performance culture amongst Section Heads, who are responsible for managing performance on a day-to-day basis. Whilst in transition, key outcome based performance management measurements have been retained whilst new and relevant measures are being further developed. Section Heads are accountable for performance to the Corporate Management Team and to elected members.

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 Standards and Governance Committee (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.

Risk management is monitored by the Corporate Governance Group that was formed this year. It is intended the group meet on a monthly basis (impacted by COVID-19) to discuss governance issues across the Authority. The Corporate Governance Group consists of the Chief Executive, Assistant Chief Executive, Monitoring Officer and Chief Internal Auditor. Risk management is still in the process of change and the use of Pentana has ceased. Section Heads will be required to create their own risk registers which will then be strategically analysed by the Monitoring Officer, to determine the corporate strategic risks. These risks will then be analysed in more detail by Legal and Internal Audit to ensure suitable mitigating/controlling actions are in place or in the process of being put in place. At

# ANNUAL GOVERNANCE STATEMENT

each meeting, the group will review one risk on the corporate risk register to challenge the risk level, mitigation and any subsequent actions.

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

A designated Members' Portal covers a wide range of useful materials and guidance. This is available for Members and staff to view on the intranet system. This resource enables the Council to better provide for Members the opportunity to locate important stored information and data. Within the Portal is the Members' Information Pack which provides Members with detailed corporate, strategic and financial information as well as relevant policies and other useful information such as floor plans and complaints guidance. Note – access to this is impacted by COVID-19 as members need access to the Town Hall or via a GBC laptop.

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. charring 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.

All Officers receive annual personal development reviews where matters such as corporate issues, performance, both individual and team, individual action plans developed and training needs are discussed and agreed. There are also mandatory in-house on-line training packages provided by PCC and monitored by Human Resources (HR), continued professional development schemes for some individual officers and ad-hoc professional training course and webinars. All newly appointed officers are provided with an induction (monitored by HR) when they begin employment with the Council.

## **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**

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

# ANNUAL GOVERNANCE STATEMENT

## Internal Audit Annual Opinion 2019/20 - Reasonable Assurance

During 2019/20, 21 audit reviews & 1 full follow up were undertaken and completed along with follow up on 15 issues raised in the previous financial year. The number of audits completed was affected by the Coronavirus pandemic with the originally planned 4 remaining audits being deferred into 2020/21 for completion. Some testing had been completed within these audits but there was not sufficient staff resources to continue the audit testing and finalise the audit.

53% of the audits undertaken achieved a level of 'Full Assurance' or 'Reasonable Assurance' and 43% of the audits completed resulted in a 'Limited Assurance' level with 4% (1) obtaining 'No Assurance'. As the audit function has substantially changed from the previous year in both approach and reporting, it is not possible to make a direct comparison on the 2019/20 results to those of 2018/19. However it should be noted that with the new risk based approach to auditing, I did expect a spike in issues as the audits are now more focused on key risks and, in my opinion, greater scrutiny of process and data is occurring.

The review conducted on the management follow up of the previous 'recommendations' highlighted that 86% had been actioned as stated. This shows a positive reaction by management to issues highlighted by audit and this was further emphasised by the swift action undertaken by the Housing Section following the 'No Assurance' audit on CCTV. Further detail on this follow up is contained in the body of the report.

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. 53% of audits completed obtained Reasonable or Full Assurance, therefore the Annual Audit Opinion for 2019/20 is Reasonable Assurance on the internal control governance and framework for risk management and control within Gosport Borough Council.

No Assurance	Limited Assurance	Reasonable Assurance	Full Assurance
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The Coronavirus pandemic, while occurring towards the end of the year in which this opinion is based, will have impacted on some governance and internal control. This is due to the Authority having to implement remote working within weeks, significant staff redeployment into areas where they will have received minimal training and the administration of multiple Grants in a short timescale. The Council has taken action to address these potential issues, specifically on the business grant administration. The impact of these changes on the governance and internal controls within the council will be reviewed as part of the 2020/21 audit plan however the uncertainty and significant changes in process and ways of working were factored into the 2019/20 annual audit opinion.

2019/20 was the first full year in which the Authority conducted the audit process using a full risk based approach and some consideration is needed to be given that the 2019/20 audits represent around 20% of the full audit universe, so while the early results have a positive element, future years' results will allow for a more comprehensive and rounded view of the Authority's Governance, risk management and internal control framework.

# ANNUAL GOVERNANCE STATEMENT

Internal Audit will continue to work with Section Heads, the Monitoring Officer, the Assistant Chief Executive 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 2019/20 may affect that year's work for External Audit. It may also inform their work for 2020/21 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.

## **Public Sector Internal Audit Standards (PSIAS) External Assessment Actions and Result**

During March 2019, Gosport Borough Council commissioned an external assessment on its compliance with the PSIAS. The results, as noted in the 2018/19 Annual Governance Statement, showed a high level of non-conformity. A subsequent action plan was developed and implemented throughout the financial year.

Progress against the action plan was routinely reported to the Standards and Governance Committee throughout the year and as at March 2020, all stated actions were completed. Based on the completed actions and the continuation of established processes, GBC is conforming to the required standards of the PSIAS.

A self-assessment of the standards will be conducted in 2020/21 and the results reported to the Standards and Governance Committee.

## **Coronavirus Governance**

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.

The Council has acted swiftly to ensure its critical services have been delivered which has resulted in the need for flexibility in working practices, which in turn will have impacted on some of the agreed Governance arrangements such as financial regulations, i.e. with a need to pay in advance. Many staff have also voluntarily been redeployed into critical services departments to meet the demand, specifically in relation to small business grants, and also the welfare workstream. This will have also created a strain on governance as staff will have received minimal training due to the short timescales needed to process these services.

The Council is aware that the pandemic and its response will have presented an opportunity for fraud to occur, and while processes have altered to minimise this risk (including several manual checks as part of the Business Grants process), the council plans a comprehensive post Covid-19 Assurance programme undertaken by its Internal Audit department, with focus on the Business Grants, Covid-19 related spend and process changes.

With a requirement to work remotely, Sections are required to adapt new ways of working which has resulted in process changes. These changes are being captured by a Business Continuity workstream, led by Internal Audit. This will allow internal audit to advise on risk and control prior to changes being recommended to the appropriate decision maker and implemented. Any proposed

# ANNUAL GOVERNANCE STATEMENT

significant corporate changes in work practices will be reviewed by internal audit prior to being submitted to the Recovery Co-ordinating Group, headed by the Assistant Chief Executive before being referred to Members.

As the pandemic materially affected the Council in March 2020, the analysis of corporate governance for 2019/20 has not been significantly impacted and therefore the details within this current report are based on work undertaken before the pandemic. In addition, while the audit plan was slightly reduced, sufficient work was completed to enable the Chief Internal Auditor to present an annual audit opinion.

The Council plans to revisit the Annual Governance Statement once the post assurance work is undertaken and changes recommended by the Business Continuity workstream have been made, where appropriate.

## **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 2019/20.

NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
1	2018/19	Create and embed a new corporate risk management process	Chief Executive	Devise a new corporate risk management process which allows the council to identify and manage its departmental and corporate risks.	Risk Management process has been drafted and is due to be presented to Standards and Governance Committee in June 2019. This has been delayed due to COVID-19	Chief Internal Auditor
2	2018/19	Internal Audit Service not compliant with Public Sector Internal Audit Standards (PSIAS)	Chief Internal Auditor	Implement the proposed actions to rectify the non-conformance highlighted as part of the PSIAS assessment	Completed	Chief Internal Auditor
3	2018/19	Lack of Counter Fraud framework and resource	Chief Internal Auditor	Key Fraud areas to be evaluated and determination	In progress. Counter fraud strategy has	Chief Internal Auditor

# ANNUAL GOVERNANCE STATEMENT

NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
				made on the required provision	been devised and will be presented to Chief Officers to determine budget and resource. Delayed due to COVID-19	
4	2018/19	Departure of officer resulting in Statutory roles being vacant.	Chief Executive	Personnel arrangements to fill vacant statutory roles to be put forward to Full Council	In progress, delayed due to COVID-19, was due to be presented to Standards and Governance Committee prior to cancellation of meeting	Chief Executive
5	2018/19	Complaints against Councillors Procedure requires revision	Chief Executive	Revise the complaints against Councillors procedure. Revisions to be considered by Full Council.	Completed	Chief Executive
6	2019/20	Post COVID-19 Assurance	Chief Internal Auditor	Undertake post assurance checks on COVID-19 related directions.		Chief Internal Auditor

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

Signed .....

.....

**Councillor Mark Hook, Leader of the Council**

**David Williams Chief Executive**

# 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 ie premises, property, vehicles, equipment, cash or a debt
Authorised Limit	This represents the legislative limit on the Council's external debt under the Local Government Act 2003
Balance Sheet	A statement of the recorded assets, liabilities and other balances at the end of an accounting period
Billing Authority	A local authority empowered to collect Council Tax and Business Rates, and manage the collection fund, on behalf of itself, local authorities in its area and the government
Budget	A financial statement that expresses the Council's service delivery plans and capital programme in monetary terms
Capital Adjustment Account	The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or, expenditure which adds to and not merely maintains the value of an existing non-current asset. The asset may not be owned by the authority. Expenditure that does not fall within this definition must be charged to a revenue account.
Capital Financing Charges	The annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals
Capital Receipts	Income from the sale of fixed assets. Capital receipts cannot be used to fund revenue services.
Collection Fund	The separate fund, administered by billing authorities, recording the expenditure and income relating to Council Tax and Non Domestic Rates
Community Assets	Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their

# GLOSSARY OF TERMS

	disposal. le Parks
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	The written code of procedures approved by the Council, intended to provide a

# GLOSSARY OF TERMS

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

(MRP)	
National Non Domestic Rates (NNDR) (also known as Business Rates)	Effective from 1 April 2013, the Business Rates Retention enables a proportion of the Business Rates collected to be retained locally by billing and precepting authorities with the balance being paid over to central government. There is therefore the potential reward of additional income or indeed reduced income, subject to the safety net. The scheme is subject to centrally set targets and thresholds as well as a complex system of tariffs, top-ups, safety nets and levies.
Net Book Value (NBV)	The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation
Operational Boundary	This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.
Pension - Current Service Cost	The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period. ie the pension benefits “earned” by employees in the current year’s employment net of contributions paid
Pension - Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
Pension - Interest on the Net Defined Benefit Liability (Asset),	The change during the period in the net defined benefit liability (asset) that arises from the passage of time - calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Pension - Actuarial gains and losses	Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions
Pension - Past Service Cost	Discretionary benefits awarded on early retirement are treated as past service costs
Pension – Strain on Pension Fund Contribution	Pension strain is a concept for the management of the pension fund finances arising from an employee retiring early, without actuarial reduction of pension. This causes lost contribution income and creates an interest cost arising from the associated earlier, increased cash flow
Pension - Curtailment	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).

# GLOSSARY OF TERMS

Revenue Contribution	The method of financing capital expenditure directly from revenue
Revenue Expenditure	Expenditure incurred on the day to day running of the Council. This includes employee costs, general running expenses and capital financing costs
Revenue Support Grant	A central government grant paid each year as a general contribution towards the cost of the Council's services
Service Reporting Code of Practice (SeRCOP)	Prepared and published by CIPFA , the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.
The Code	The CIPFA Code of Practice 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 (ie 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' (ie depreciation)</li> </ul>

# Agenda Item 14

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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