



**DRAFT FINANCIAL REPORT AND
STATEMENT OF
ACCOUNTS**

2021/22

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Introduction

The Statement of Accounts for Havant Borough Council for the year ended 31 March 2022 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local Havant residents, Council Members, partners, other stakeholders and interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts. The deadline for completion of the accounts for 2021/22 is 31st July for the unaudited statement of accounts and 30 November for the audited statement of accounts which have to be approved by the Audit Committee. This is a revised deadline for 2021/22 due to global pandemic and subsequent pressures put on Local Authorities. The Council is required to publish unaudited accounts by the 31st July. However, delays in approving the 2020/21 accounts has resulted in some slippage to this timeframe with the draft 2021/22 accounts being placed on the Council's website in mid October 2022.

As the financial statements demonstrate, the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and operate in an environment of continuous improvement.

This narrative report is structured as follows:

1. An Introduction to Havant
2. Covid 19
3. Summary of Achievements
4. Governance
5. Summary of the 2021/22 Financial Performance of the Council
6. Strategic Risks
7. Liability for Pensions Costs
8. Future Plans
9. Material assets/liabilities
10. Explanation of the Financial Statements
11. Acknowledgements

1. An Introduction to Havant Borough

The Borough of Havant is nestled between the South Downs and the Solent, covering approximately 55km² of southeastern Hampshire. There are roughly 125,000 people living in the semi-urban borough, which benefits from 60km of coastline and more than 5 times the UK average of green urban space. The borough has a strong history of industry, is home to more than 4,000 businesses, and has excellent road and rail connections to London, Southampton, Portsmouth and Brighton. However there are pockets of deprivation within the borough which score poorly for educational attainment, health and wellbeing.

Havant Borough Council is comprised of 38 councillors (elected by thirds) and operates according to the leader and cabinet model. In 2021-22 the Council has been controlled by a Conservative majority, with two Labour councillors, two UKIP councillors and one Liberal Democrat councillor.

The councillors are supported by 230 full time equivalent members of staff, who co-ordinate the provision of more than 70 services from the Public Service Plaza in the centre of Havant. The Council's Constitution sets out the

committee structure, scheme of delegation and other important regulatory matters, and has been thoroughly reviewed throughout 2021-22 to ensure that it remains an effective, streamlined document.

The Council's income comes from a variety of sources. Against a backdrop of decreasing funding from central government, the Council has worked hard to continue delivering efficient and effective services to residents and businesses. It is committed to careful and sustainable management of its resources in an upcoming time of change and will prioritise the needs of local people and businesses as it undergoes transformation.

The business case for sharing senior managers across both East Hampshire District Council and Havant Borough Council was agreed by the Council on 30 June 2010. In January 2022 Havant Borough Council and East Hants District Council considered that a partnership was no longer the best option for a sustainable and successful future and made a business case for ending the partnership. On 16 March 2022 Havant Council approved the preferred option and business case for managing the transition and withdrawal from the joint management and shared staffing arrangements at both authorities and move towards a standalone Council. An Interim Chief Executive was appointed as the Chief Executive for Havant.

2. Covid 19 PANDEMIC

Background

The Council has continued to support residents and businesses as the country emerges from the global pandemic. During the first part of the year an additional 700 local businesses benefited from Covid related support grants as the country emerged from lockdowns. In May 2021 the local elections were successfully held with the additional safety measures that were required as a result of Covid. Our staff continue to work in a hybrid way, embracing both working from home and office working. Whilst all Covid restrictions have now been lifted the Council is looking to ensure that residents and businesses have the necessary support going forward and this will primarily be driven through our new Corporate Strategy.

Business Support

During the year the Council has continued to be instrumental in ensuring that local businesses are supported through the processing and distribution of grants. The pandemic has had and will continue to have a significant impact on businesses and the economy with the nature and scale of the event being unprecedented. Government released a package of support including a range of initiatives including grants and extended business rates reliefs. On 3 March 2021 the government confirmed that the Expanded Retail Discount would continue to apply in 2021/22 at 100% for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022. The government confirmed that there would be no cash cap on the relief received for the period from 1 April 2021 to 30 June 2021. From 1 July 2021, relief will be capped at £105,000 per business, or £2 million per business where the business is in occupation of a property that was required, or would have been required, to close, based on the law and guidance applicable on 5 January 2021.

In total the Council administered further grant schemes as detailed below and gave out over £6.5 million to local businesses during 2021-22 across the business grant schemes.

- Additional Restrictions Business Grant Scheme
- Restart Grant Scheme
- Omicron Business Grant Scheme

Financial Impact

The Council has had considerable financial pressure as a result of the pandemic which has been partially mitigated through receipt of financial grants from Central Government including:

- Covid (unringfenced) grant: £0.743 million
- Sales, Fees and Charges compensation scheme: £0.184 million

The Council has continued to run services throughout the pandemic including, for example, regulatory services such as Planning and Building Control and this has helped to mitigate the financial impact of the pandemic. Moving forward, the Council has reset its Medium-Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's strategic objectives and set a balanced budget for 2022-23. The changing environment and "new normal" will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change going forward as a stand-alone council.

Service Impact

Corporately, the majority of staff have been home based for the financial year with only a small selection of staff who cannot be home based working in the Council offices in a covid secure environment. Increased communications with staff through virtual meetings have been held as well as wellbeing support available for staff to be able to access.

Service delivery has continued throughout the pandemic with all our statutory services continuing to operate. Service changes within Environmental Services were initiated during the lockdowns to ensure that essential elements of waste collection continued.

Summary

The coronavirus pandemic has had a profound impact on all aspects of life in Havant. Through 2021/22 the Council has adopted a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. Going forward the Council will move into a recovery phase and will seek to continue to provide support to residents, businesses, and officers to ensure that the area recovers as soon as possible from this once in a generation global event.

3. Summary of Achievements

The Corporate Strategy

Havant Borough Council sets out its strategic aims and objectives in its Corporate Strategy, which articulates its mission 'enhance the lives of our residents, businesses and visitors'. During the year a new Corporate Strategy was developed and approved by Full Council. The new Corporate Strategy has a focus on the following themes:

- An environmentally aware and cleaner borough
- A safe environment, healthier and more active residents
- A thriving local economy
- A revitalised borough with infrastructure that meets our ambitions
- A responsive and commercial council
- A quality home for all

The Corporate Strategy is supported by a number of other plans including our Regeneration & Economy Strategy, our Digital Strategy, our Homelessness and Rough Sleeper Strategy, our developing Local Plan and our Climate Change and Environmental Strategy.

Despite the challenges posed by Covid during the first part of the year the Council has still delivered some notable achievements through the year as summarised below:.

During 2021/22:

- We agreed to move towards being a standalone Council, separating out our shared staffing arrangements with East Hampshire District Council, in order to ensure sole focus on delivery for Havant Borough;
- We approved our new Climate Change and Environmental Strategy setting out how we will reach our aspiration of carbon net-zero for council operations by 2050;
- Our pioneering nitrate mitigation scheme was recognised at the national CIEEM awards;
- We continued to invest in play areas across the borough including the Emsworth Recreation Ground and Jubilee Park play area in Waterloooville;
- We awarded nearly £500,000 to fund a scheme to help young people in Leigh Park into work and to improve their long term health and wellbeing;
- Planning permission was granted for the Havant Thicket reservoir, safeguarding the water supply in the borough for decades to come;
- The Beachlands area of Hayling Island retained its prestigious Blue Flag Award

Key Business Indicators

The table below contains some of our key corporate performance indicators in 2021-22, with comparison figures from 2020-21. In addition, we have sought to improve our performance reporting by adding further key performance measures which we now monitor during the year.

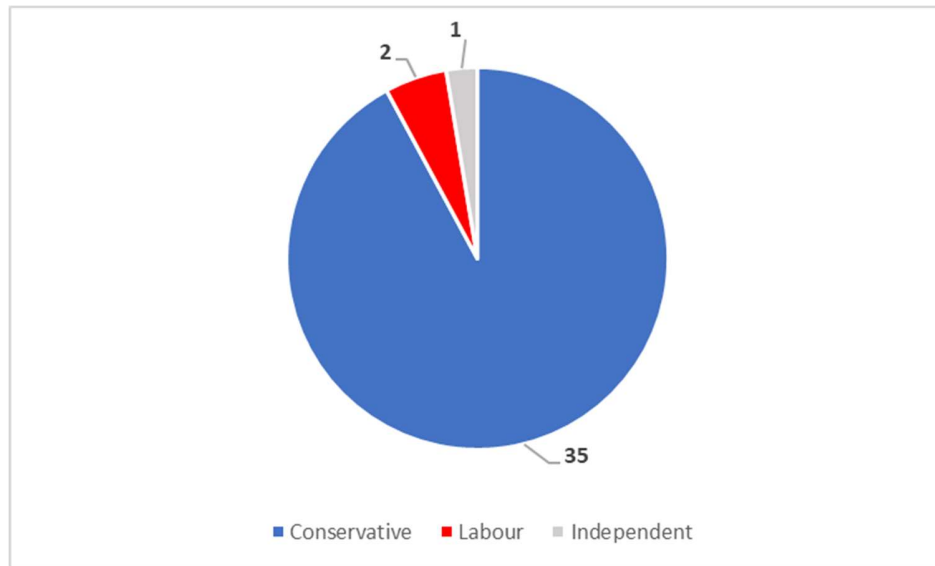
Key Performance Indicator	2020-21	2021-22
Business Rates collection rate	87.05%	89.94%
Council Tax collection rate	94.41%	94.59%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	98%	88%
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	82%	85%
All planning applications decided within 26 weeks (above 98%)	99%	99%
Full Building Control plan applications checked within 15 days (over 90%)	New system	88%
Customer Service calls answered within 20 seconds (above 75%)	68%	82%
Homelessness interventions (above 600 for the year)	960	825
Affordable homes delivered.	58	73
Freedom of Information requests responded within statutory deadline (above 95%)	97%	95%

4. Governance

Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved. For example, the Corporate Governance Board meets on a quarterly basis to discuss internal audit, risk management, health and safety, emergency planning, information governance, and any complaints received from the Local Government Ombudsman.

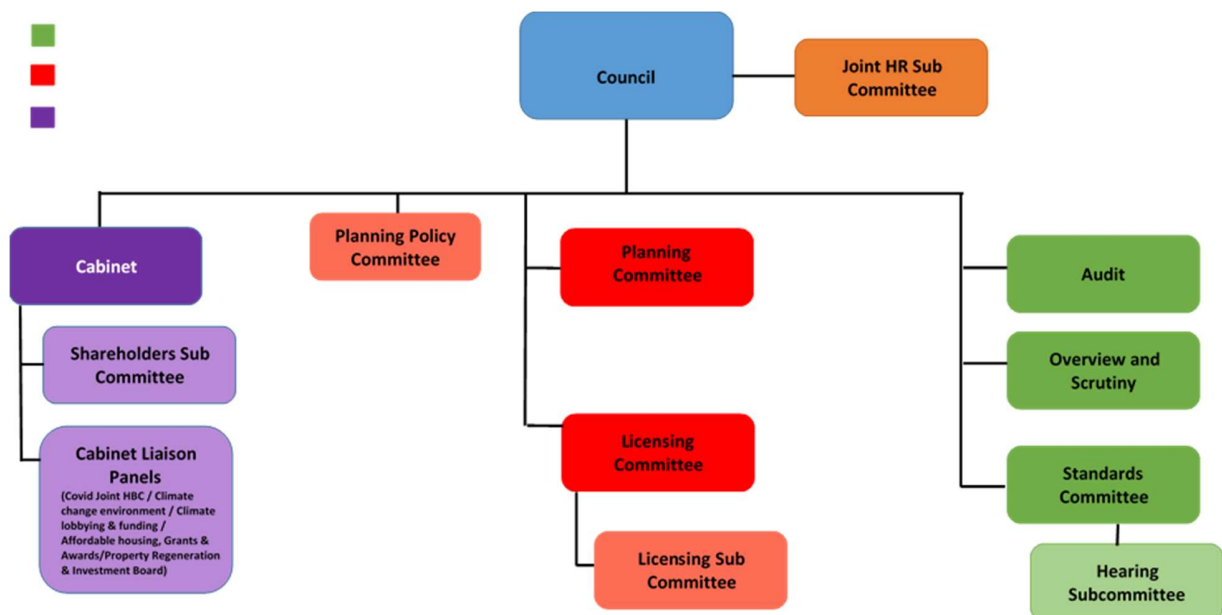
The Council

Havant Borough is made up of 38 councillors elected in thirds, with each Councillor serving a four-year term. Councillors are democratically accountable to the residents of their ward.



The political make up of the members is shown in the table above.

All the Councillors meet together as Full Council six times a year, in a public forum, to set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for Havant Borough Council that were in place during 2021/22.



Cabinet

Havant Borough runs on a 'Leader and Cabinet' model. This works in the same way as the Prime Minister and Cabinet but on a local scale. The political party which has had the most councillors elected by the public forms the cabinet, and elects one of its members as the Leader (currently Councillor Alex Rennie).

The Cabinet makes collected policy decisions for the council. The Cabinet will be advised and supported in its policy formulation role by Scrutiny and Policy Development Panels, with particular areas of responsibility and encompassing a broad range of opinion and expertise. In addition it is also advised by a number of committees.

The Cabinet has to make decisions which are in line with the council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

Each Cabinet Member is responsible for an area of the council's work, known as portfolios.

Overview & Scrutiny Committee

The Committee is made up of 14 Councillors.

The Committee has the remit to;

- Review and scrutinise the decisions made and performance of the Executive and/or council officers both in relation to individual decisions and the impact of those decisions over time
- Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas

Audit Committee

The Committee is made up of 8 Councillors.

The Committee had the remit to.

- provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Planning Committee

The Committee is made up of 7 Councillors and normally meets monthly.

The majority of planning applications are dealt with by council officers under delegated powers from the Planning Committee as they are relatively straight forward. Approximately 20% are referred to councillors to make a decision.

The Planning Committee's function is:

- to deal with applications for planning permission and the conduct of planning appeals. It considers the larger more controversial applications.
- Changes of use, for example a building changing from a newsagent to a fish and chip shop, are also deemed to be developments requiring planning consent.

The committee also has an enforcement role in ensuring that planning conditions are complied with and that unacceptable development which has taken place without the necessary planning permission is removed or ceased, and is responsible for the protection and preservation of trees.

Licensing Committee

The Committee is made up of 15 Councillors and meets as required. The Licensing Committee is responsible for licensing and registration functions.

The full list of matters includes:

- hackney carriage and private hire taxis (and drivers);
- theatre licences; game dealers;
- entertainment licences; and
- lotteries.

Standards Committee

The Committee is made up of 8 Councillors.

The Standards functions are:

- to promote and maintain high standards of conduct by Members and Co-opted Members of the Council;
- to adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity;
- to put in place arrangements to investigate and make decisions on written allegations against Elected Members both at District and Parish level and undertake an overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other benefits in cases of maladministration etc.

Planning Policy Committee

The Committee is made up of 10 Councillors.

The Planning Policy Committee functions are:

- to agree the emerging content of the Havant Borough Council Local plan throughout its preparation

Joint HR Committee

The Committee is made up of 5 Councillors from EHDC and 5 Councillors from HBC.

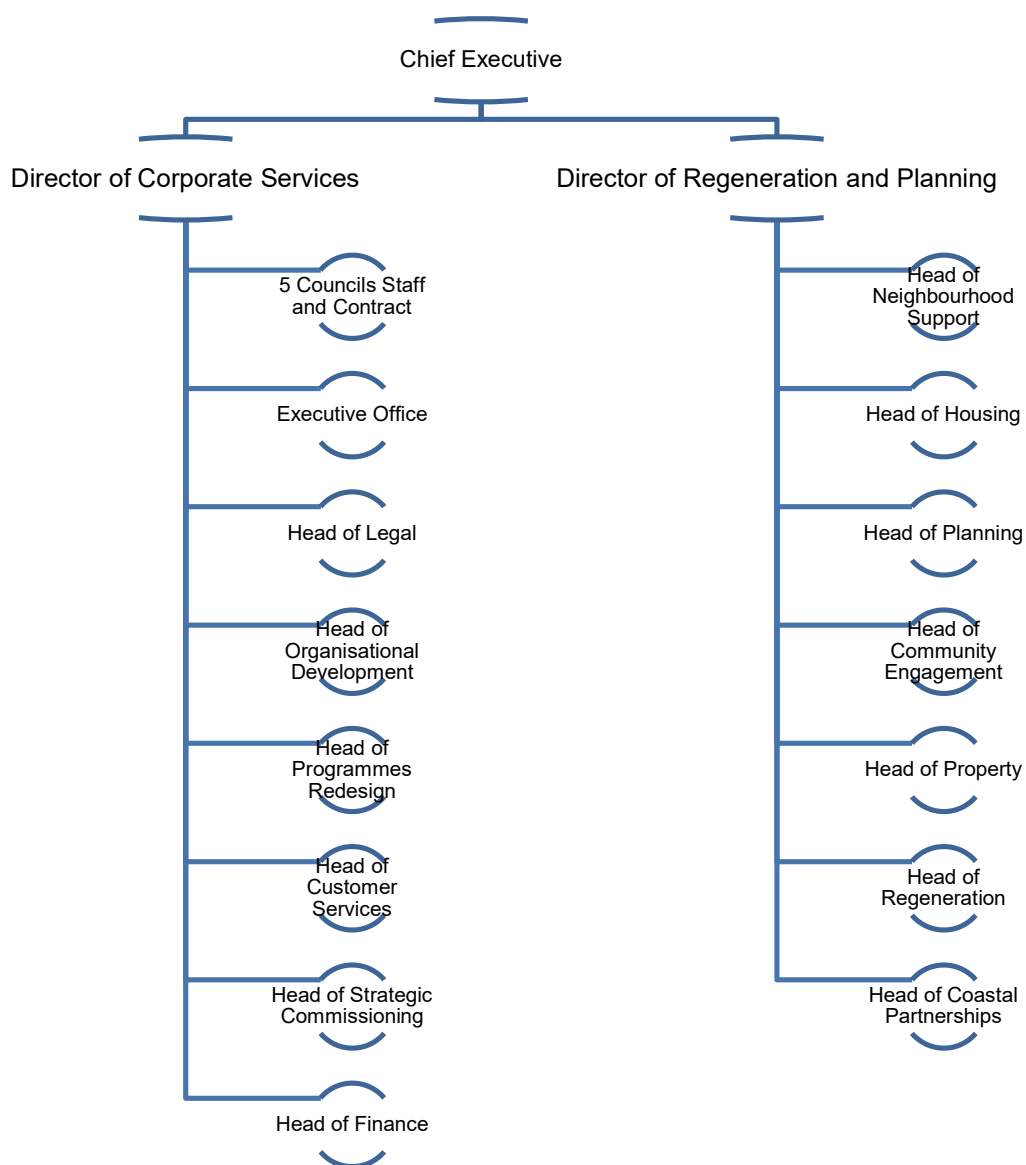
In addition to the above there are various sub-committees including Constitution, Shareholders and Licensing sub-committee which met as required during the year.

All meeting information (papers and minutes) of all Committee meetings are located on our website:

<https://havant.moderngov.co.uk/mgListCommittees.aspx>

Management Structure

Supporting the work of elected Members is the organisational structure of the Council headed by the Executive Team. The Council appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. Areas of responsibility are shown below, it should be noted that as a result of the decision to split the management structure the below structure was accurate as at 31 March 2022, although it will be subject to change during 2022-23.



Staffing

A summary of the Council's staffing is shown in the table below:

Employees	2020/21	2021/22
Total number of current permanent full and part time employees	300	257
Total number of current temporary / fixed term employees		
Total number of employees	300	257
Total number of employees expressed as full time equivalents	253	230

Posts	2020/21	2021/22
Total number of permanent full and part time posts	280	279
Total number of temporary / fixed term posts		

Total number of posts	280	279
Total number of posts expressed as full time equivalents	253	252

Sickness and accident statistics are shown in the table below:

	2020/21	2021/22
Short term sickness (days per FTE)	1.4	1.3
Long term sickness (days per FTE)	5.3	4.1
Overall sickness (days per FTE)	6.7	5.4

5. A Summary of the 2021/22 Financial Performance of the Council

General Fund

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year.

	Final Budget	Outturn	Variation *	Variation
	£'000	£'000	£'000	%
Director of Corporate Services				
5 Councils Staff and Contract	287	(14)	(301)	-104.9%
Executive Office	469	713	244	52.0%
Head of Legal	913	988	75	8.2%
Head of Organisational Development	724	600	(124)	-17.1%
Head of Programmes Redesign	3,039	3,036	(3)	-0.1%
Head of Customer Services	3,231	4,017	786	24.3%
Head of Strategic Commissioning	3,764	3,582	(182)	-4.8%
Head of Finance	1,131	1,329	198	17.5%
			0	
			0	
Director of Regeneration and Planning			0	
Head of Coastal Partnerships	417	314	(103)	-24.7%
Head of Neighbourhood Support	(495)	(104)	391	-79.0%
Head of Housing	454	1,327	873	192.3%
Head of Planning	603	600	(3)	-0.5%
Head of Community Engagement	584	463	(121)	-20.7%
Head of Property	(1,849)	(889)	960	-51.9%
Head of Regeneration (South)	519	407	(112)	-21.6%
Other operating income and expenditure	0	21	21	
Total Cost of Services	13,791	16,390	2,599	18.8%
Capital expenditure charged to revenue	0	99	99	
Meridian	(198)	(8)	190	-96.0%
Net Cost of Services	13,593	16,481	2,888	21.2%
Funded by:				
Business Rates Retention	(4,496)	(4,342)	154	-3.4%
Section 31 grant	(1,953)	(3,766)	(1,813)	92.8%
Levy payment	996	629	(367)	-36.8%
Business Rates Collection Fund (surplus)/Deficit	1,416	9,003	7,587	535.8%
Council Tax Demand on the Collection Fund (inc precepts)	(8,890)	(8,890)	0	0.0%
Collection Fund (Surplus)/Deficit	(113)	(115)	(2)	1.8%
New Homes Bonus Grant	(347)	(347)	0	0.0%
General Grants	(943)	(2,123)	(1,180)	125.1%
Contributions to/(from) Earmarked Reserves	737	(1,139)	(1,876)	-254.5%
Contributions to/(from) S31 Earmarked Reserves		(5,237)	(5,237)	
Contributions to/(from) General Fund Balance		(154)	(154)	
Total Funding	(13,593)	(16,481)	(2,888)	21.2%
Net (Surplus) / Deficit	0	0	0	

The General Fund Revenue Budget outturn is a deficit £0.154m . The main variances are detailed in the sections that follow:-

Service Area	Variance to budget (£000)	Reasons
5 Councils Contract & Staff	(301)	Accrual for provision for contract costs from prior years and savings on salaries and professional fees
Executive Office	244	Extra spend on transformation in year. We will explore the use of the HBC Transformation Reserve throughout 2022/23
Organisational Development	(124)	£73k underspend in communications on staffing costs and £51k underspend on salary costs in HR
Customer Services	786	£700K accrual for the HB benefit owed to DWP which should have been charged in 2020/21
Strategic Commissioning	(182)	Savings across the service in staffing costs
Finance	198	Overspend on external audit fees along with savings targets that were not able to be delivered
Neighbourhood Support	391	£150k savings target within Parking service not achieved as a result of downturn in income. In particular, quarter one was still affected by Covid downturn.
Head of Housing	873	Large number of homelessness presenting and in temporary accommodation where recoveries of monies via Housing benefit are around 40% leaving the cost falling to the general fund.
Community Engagement	(121)	Savings on Health & Wellbeing and Community Development
Property	960	Including an ambitious savings target of £495k set in the budget which was not fully delivered in year.
Regeneration (South)	(112)	Vacancy savings within the team
Coastal Partnership	(103)	Additional income achieved within the Transport team as well as additional savings in expenditure.

General Fund: Capital Programme

The General Fund Capital Programme is summarised in the table below:

Havant Borough Council			
Capital Programme Summary			
	2021/22 Revised Budget Feb 22 £ (000)	2021/22 Provisional Outturn £ (000)	2021/22 Variance £ (000)
Housing			
Disabled Facilities Grants	1,628	838	(790)
Operational Land and Buildings			
Developer contributions	1,044	190	(854)
Neutrient Neutrality Mitigation	47	42	(5)
CILfundedHBCownedassets	0	87	87
CILFunded-NonHBCAssets	0	100	100
HaylingsIslandBMA	428	342	(86)
HaylingsIsland Strategy	215	186	(29)
LangstoneFCERM	658	615	(43)
Broadmarsh Feasibility Study	0	18	18
AcornCentreExtension	0	88	88
Community Leisure Projects	178	185	7
FeasibilityStudyreMUGAHook	0	8	8
Leigh park Community centre refurbishment	0	5	5
Vehicles and Equipment			
Refurbishment of HBC Play Areas	250	243	(7)
IT Equipment			
Design and Implementation Programme	204		(204)
Total Capital Programme	4,652	2,947	- 1,705
	2021/22 Revised Budget Feb 22 £ (000)	2021/22 Provisional Outturn £ (000)	2021/22 Variance £ (000)
Funded By:			
REFCUS (Revenue funded as Capital under Statute)	1,628	1,178	(450)
External Grants & Contributions	2,750	1,669	(1,081)
Use of Specific Reserves	274	100	(174)
Use of Capital Receipts	0	0	0
Borrowing Requirement	0	0	0
Total Funding	4,652	2,947	(1,705)

The outturn on the General Fund Capital Programme is an overall underspend of £1.705 million. The largest variance is in relation to Disabled Facilities Grants, (DFG), where spend early in the financial year was significantly impacted by Covid pandemic. Funding for DFGs is ring-fenced and, as such, any unspent sums will be carried forward into the following financial year to meet with the future demands on the service.

Similarly, we have not spent the full £1.04m capital allocation linked to 'Developer Contributions' in year, with unspent funding being rolled forward into 2022/23. However, capital spend of £243k has been utilised from the £250k budget for enhancing the Council's play areas.

Strategic Risks

The Council maintains a risk register which details the major corporate risks facing its functionality and the delivery of its corporate objectives. Services maintain their own risk registers and can escalate a risk to the corporate register if necessary.

6. Liability for Pensions Costs

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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.

The Council's net Pension Liability valued on an IAS 19 basis decreased from £48.325 million at 31st March 2021 to £36.495million at 31st March 2022. It is detailed in Note 8 to the accounts. Gross liabilities have decreased by £7.398 million mainly due to changes in the financial assumptions, and the fair value of assets has increased by £4.432 million.

The Council does not operate its own Pension Fund but is part of the Hampshire Local Government Pension Scheme which is administered by Hampshire County Council. Full details of the Pension Scheme and its accounts are available on-line at www.hampshire.gov.uk

7. Future Plans

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

The Medium Term Financial Strategy has recently been updated indicating that due to reductions in government funding and demands on Council services as well as more general economic changes, the financing of the Council services remains challenging.

To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

The Medium Term Financial Strategy

The budget for 2022/23 was set against further reductions in Government grant. The Council's Medium Term Financial Strategy has been updated and takes into account inflation (both pay and contract), superannuation and national insurance changes.

The medium term financial strategy for the period 2022/23 to 2026/27 is set out in the table below:-

Havant Borough Council 2022/23 to 2026/27 Medium Term Financial Strategy	2022/23 Estimate £ (000)	2023/24 Estimate £ (000)	2024/25 Estimate £ (000)	2025/26 Estimate £ (000)	2026/27 Estimate £ (000)
Director of Corporate Services					
5 Councils Staff and Contract	273	273	273	273	273
Executive Office	469	469	469	469	469
Head of Legal	946	836	836	836	836
Head of Organisational Development	694	694	694	694	694
Head of Programmes Redesign	2,882	2,882	2,882	2,882	2,882
Head of Customer Services	3,071	3,071	3,071	3,071	3,071
Head of Strategic Commissioning	4,119	4,332	4,550	4,772	4,772
Head of Finance	1,074	1,074	1,074	1,074	1,074
Director of Regeneration and Planning					
Head of Coastal Partnerships	393	393	393	393	393
Head of Neighbourhood Support	(681)	(681)	(681)	(681)	(681)
Head of Housing	204	204	204	204	204
Head of Planning	572	572	572	572	572
Head of Community Engagement	584	584	584	584	584
Head of Property	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)
Head of Regeneration (South)	519	519	519	519	519
Total Cost of Services	13,270	13,373	13,591	13,813	13,813
Savings to be identified					
Regeneration Investments (Meridian - net)	0	0	0	0	0
Prior year savings	0	0	0	0	0
Salary inflation	511	905	1,311	1,729	2,161
Inflation and contract uplift costs (cumulative)	650	900	1,150	1,400	1,650
Net Cost of Services	14,431	15,178	16,052	16,942	17,624
Business Rates Retention	(4,293)	(4,379)	(4,467)	(4,556)	(4,647)
Section 31 grant	(1,992)	(2,032)	(2,073)	(2,114)	(2,156)
Levy payment	1,016	1,036	1,057	1,078	1,100
Business Rates Collection Fund (surplus)/Deficit	0	0	0	0	0
Council Tax	(9,113)	(9,341)	(9,576)	(9,817)	(10,063)
Council Tax Collection Fund (surplus)/Deficit	0	0	0	0	0
General Grants	0				
New Homes Bonus Grant	(474)	0	0	0	0
Other Financing	0				
Covid 202122 allocation	0	0	0	0	0
Lower Tier Services Grant	(150)	0	0	0	0
New Service Grant	(231)	0	0	0	0
Contributions to/(from) Earmarked Reserves	806	806	806	806	806
Contributions to/(from) General Fund Balance					
Total Deficit/(Surplus)	0	1,268	1,799	2,339	2,664

Capital Strategy 2022/23

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which seeks to provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how associated risk is managed
- the implications for future financial sustainability

The Council's Capital Strategy for 2022/23 was approved by Full Council in February 2022 and is available on the Council's website. The Capital Programme for 2022/23 to 2026/27 was prepared to mirror the 5 year timeframe of the MTFS.

	YTD	5 YEAR CAPITAL PROGRAMME				
Havant Borough Council Capital Programme Summary	2021/22 Revised Forecast £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Project						
Housing						
Disabled Facilities Grants	1,628	1,628	1,628	1,628	1,628	1,628
IT Equipment						
Design and System Implementation Programme	204					
Asset Maintenance Management System	0	60				
Building Control - Software	0					
Southern Coastal	0					
Vehicles and Equipment						
Pest Control Vehicles	0					
Refurbishment of HBC equipped play areas	250	140				
Land and Buildings						
Developer contributions / CIL	1044					
Hayling Island Goose Refuge						
Nutrient Neutrality Mitigation	47	250				
Community Leisure Projects	178					
Warblington Bridge	0	300	2475			
Hayling Island Skate Park	0	150				
Hayling Island BMA	428	500	425			
Hayling Island Strategy	215	292				
Langstone FCERM	658	337	2293	2,300		
Grand Totals	4,652	3,657	6,821	3,928	1,628	1,628
Projected Capital Financing						
REFCUS (Revenue funded as Capital under Statute)	1,628	1,628	1,628	1,628	1,628	1,628
External Grants & Contributions	2,750	1,899	5,193	2,300	0	0
Use of Specific Reserves	274	130				
Use of Capital Receipts						
Borrowing Requirement						
Revenue Funding						
Total Projected Funding	4,652	3,657	6,821	3,928	1,628	1,628

8. Material assets/liabilities

The Council did not purchase or dispose of any significant assets during the year.

9. Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. There have been no changes to policies.

These statements contain a number of different elements which are explained below.

Statement of Responsibilities sets out the respective responsibilities of the Council and the Chief Finance Officer.

Independent Auditor's Report gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Statement of Accounts

- **Comprehensive Income and Expenditure Statement** shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation.
- **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.
- **Balance Sheet** shows the value of the Council's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the reporting period.
- **Collection Fund** is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

10. Acknowledgements

I would like to thank all those involved in managing the Council's finances and preparing this Statement of Accounts. Their support under ever increasing competing demands has been appreciated throughout these challenging times.

Malcolm Coe
Chief Finance Officer

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

Opinion – to follow

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

ANNUAL GOVERNANCE STATEMENT

Introduction

The Leader of the Council (Councillor Alex Rennie) and Interim Chief Executive (Kim Sawyer) both recognise the importance of having good systems in place to manage and deliver services to the residents of Havant Borough. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. This AGS is in respect of 2021-22.

The Council also publishes an Annual Statement of Accounts which provides further information on the opportunities and challenges faced by the Council.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. The framework brings together an underlying set of legislative requirements, good practice principles and management processes and enables the Council 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 an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities.

The risk management processes and other internal control systems such as standards of conduct and audit form part of this framework. Members and senior Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Management Team which comprises the Chief Executive, Executive Heads, Chief Finance Officer (Section 151 Officer) with advice and guidance provided by the Monitoring Officer. The Management Team is further supported and provided with assurance by the Corporate Governance Board.

Governance during Covid-19

The year 2021-22 although not as impacted as the previous year has still been characterised by the challenges around delivering services while maintaining good governance during the Covid-19 pandemic. The Council has continued to operate through a remote and/or hybrid way of conducting business. Council meetings have moved back to in-person meetings, as required by law, however, meetings continue to be live-streamed over the internet and officers often attend remotely if not in person. The majority of our staff have been working remotely, with all statutory Council services continuing to be delivered throughout the year.

The requirements of responding to Covid have reduced over the year, although during the early part of 2021-22 business grants were still being provided, and the elections in May 2021 were run successfully, adhering to all Covid requirements.

Internal audit have provided assurance on our approach to Covid-19 business grants through an internal audit which gave a 'substantial' rating with three management actions, all of which have been completed.

Governance during the transition from shared management to a standalone Council

In January 2022, after a 12 year partnership, Havant Borough Council and East Hampshire District Council announced that it was the right moment to establish their own management teams so they could focus on their different strategic priorities and deliver outcomes for their communities more quickly.

On 26 January 2022 at an extraordinary Full Council meeting it was formally agreed that Havant Borough Council would be withdrawing from its joint management agreement with East Hampshire District Council, subject to a

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business case which would be brought forward at earliest opportunity. East Hampshire formally agreed to withdraw at its meeting on 20 January 2022.

During February business cases and an options appraisal was worked up for consideration by Cabinet and then Council. In addition, CIPFA were engaged to produce a financial review of both authorities. The CIPFA review formed part of the business case and options appraisal for withdrawal and confirmed from a financial perspective Havant Borough Council could operate as a standalone Council. During the process staff were kept updated on progress through regular staff briefings, Q&As being published and a special section on the staff intranet (Skoop+) which contained all the relevant information and reports for staff to review.

On 16 March 2022 Havant Council approved the preferred option and business case for managing the transition and withdrawal from the joint management and shared staffing arrangements at both authorities and move towards a standalone Council. East Hampshire approval followed on 17 March 2022. The Council meeting reviewed the business case, options appraisal and report from CIPFA in making its decision. During the initial decision making process, Kim Sawyer was confirmed as the Acting Chief Executive at Havant and Gill Kneller the Chief Executive at East Hampshire.

Following the formal decision in late March, work was put in place to progress the transition to ensure the ending of shared management arrangements and establishment of new management structure to be in place during the course of 2022/23. At this stage Kim Sawyer was confirmed as the Interim Chief Executive of Havant Borough Council. The next Annual Governance Statement for 2022/23 will provide further narrative on the governance process of the transition once it has been completed in full by December 2022. In addition, an area for improvement within this governance statement is the management of the transition and ensuring the right governance process is in place for ensuring a smooth transition covering people, systems and processes.

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How do we know it is working?

The annual process that we use to maintain and review effectiveness of our governance arrangements includes a wide input.



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How we apply the governance framework to the Local Code of Corporate Governance

The Council aims to achieve effective corporate governance through the Local Code of Corporate Governance. The table below highlights examples of how the Council has adhered to its governance commitments as set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW	
How the Council meets these principles	Where you can see Governance in action
<p>There are codes of conduct in place for all Councillors and Officers which can be found in Part 4 of the Constitution. The Council has appointed independent persons to investigate any allegations of misconduct, and the Standards Committee receives regular reports from the Monitoring Officer on any complaints regarding Councillors.</p> <p>The Council's Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing. A comprehensive review of the Constitution took place in 2020-21 to ensure that it is an effective and up-to-date document and the new Constitution became effective during 2021-22. The Constitution will be further reviewed and updated to reflect the transition to a standalone Council during 2022-23.</p> <p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. Mandatory performance objectives are set for all staff which ensure compliance with data protection law, Health and Safety regulations, and the Council's Safeguarding Policy. Staff must also undertake mandatory e-learning courses throughout the year on such topics to ensure their knowledge and understanding is up to date.</p> <p>There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period. Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality, and an annual register of declarations. Any declarations of interest made during meetings are recorded in the minutes.</p> <p>The Council has in place a complaints procedure including weekly reminders to relevant managers responsible.</p> <p>The Council has a Monitoring Officer who is a member of the Management Team. They are kept apprised on the Council's projects and actions and are ultimately responsible for legal compliance. The Monitoring Officer also chairs the Corporate Governance Board. During 2021-22 this role was shared with East Hampshire District Council, however going forward will be solely Havant employed.</p> <p>Statutory officer roles are the Head of Paid Service who is the Chief Executive, the Chief Financial (S151) Officer, who carries overall responsibility for the Council's financial administration, and the Monitoring Officer, who ensures the Council acts lawfully. The Data Protection Officer is also a statutory role under the new GDPR legislation. These statutory roles were shared with East Hampshire during 2021-22, however going forward will be solely Havant employed.</p>	<p>Councillor Code of Conduct Staff Code of Conduct</p> <p>Standards Committee</p> <p>Audit & Finance Committee</p> <p>Constitution</p> <p>Anti Fraud & Corruption Policy including Fraud Response Plan Whistleblowing Policy</p> <p>Declarations of interest</p> <p>Complaints procedure</p> <p>Management structure</p>

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B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council has laid out its purpose, direction, vision and objectives in its Corporate Strategy which can be obtained either on the Council's website or from the Council's offices. The Council Corporate Strategy is reviewed on a regular basis. During 2021-22 the Corporate Strategy received a comprehensive refresh and a new, updated Strategy was produced and approved by full Council in February 2022.</p> <p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500.</p> <p>The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. During the Covid-19 pandemic, Council meetings were held remotely and/or in a hybrid manner according to government guidance and legislative requirements at the time, and these have been livestreamed via the Council's website which has resulted in increased public engagement with these meetings. Meetings are now held face to face, however, continue to be livestreamed for the public to view.</p> <p>The Council usually carries out a residents' survey every two years, but during the Covid-19 pandemic has increased the frequency to be able to monitor the concerns and feelings of residents as the situation changes. A full residents' survey is planned for 2022-23.</p> <p>In addition to the publication of the residents' magazine, called 'Serving You', which is translated into accessible formats, the Council has a Facebook page and Twitter feed which is actively promoted and used. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, Twitter, LinkedIn and Instagram to get updates from and interact with the Council.</p> <p>The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax and Waste and Recycling, can be accessed quickly and easily from the homepage. During the Covid-19 pandemic, the Communications team have made regular updates to dedicated pages on the website to provide residents and business with reliable information on legislative changes and public health guidance as it has shifted throughout the year.</p> <p>The Statement of Accounts provides a clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p> <p>The Council has a joint venture partnership (Norse South East) for waste collection which is governed by the Norse South East Board. There are members from Norse Commercial Services and the Council on the Board. Norse South</p>	<p>Corporate Strategy</p> <p>Freedom of Information</p> <p>Committees and Papers</p> <p>Residents' Survey</p> <p>Serving You magazine HBC Facebook Twitter Instagram</p> <p>http://www.havant.gov.uk/</p> <p>http://www.havant.gov.uk/accounts</p> <p>http://norsesoutheast.co.uk/</p>

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East is responsible for the procurement and efficient management of waste and recycling collections, street cleaning, public convenience cleansing, grounds maintenance and associated service facilities for the treatment and disposal of residual waste.	
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C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	
How the Council meets these principles	Where you can see Governance in action
<p>A refreshed Corporate Strategy has been developed and was approved in February 2022; the refreshed Corporate Strategy contains the following themes:</p> <ul style="list-style-type: none"> • An environmentally aware and cleaner Borough • A safe environment, healthier and more active residents • A thriving local economy • A revitalised borough with infrastructure that meets our ambitions • A responsive and commercial council • A quality home for all <p>These evidence based themes are used to guide the Council's corporate planning and decision making.</p> <p>The Council has also developed a Digital Strategy which supports the Corporate Strategy delivery and to create digitally 'savvy' staff and councillors and services designed to be accessible and convenient for our customers.</p> <p>The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Medium Term Financial Strategy is reviewed annually and forms the basis of the annual budgeting process.</p> <p>The Corporate Strategy has been prepared to detail the key actions that are required to deliver the overall strategy. Within the Corporate Strategy actions are listed under each theme to be delivered over the initial six months, over the financial year and over the next three years. Progress against the objectives in the Corporate Strategy is reported quarterly. Each service's Key Performance Indicators are monitored corporately and reported to the Management Team on a quarterly basis to ensure that the objectives in the Corporate Strategy are on target. Monthly financial forecasts are submitted to the Management Team and quarterly to Councillors alongside the quarterly performance report.</p> <p>The Council's budget report contains a summary of the budget that has been set for Havant Borough Council for 2021-22, as approved by the Council on the 24th February 2021. It shows on what service areas money is spent, and how this expenditure is funded. Also within this document is information showing the forecast financial position over the next five years, taking into account changes in government funding, other income and spending. The most recent budget for year 2022-23 was approved by the Council on the 23rd February 2022. This budget included a commitment to establish a Budget Working Group to review the Medium Term Financial Strategy to ensure the Council is in a strong financial position going forward.</p> <p>The Council uses evidence based insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the community.</p>	<p>Corporate Strategy</p> <p>Digital Strategy</p> <p>Council Budget</p>

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D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES	
How the Council meets these principles	Where you can see Governance in action
<p>The Council has a Medium Term Financial Strategy (available on the Council's website as part of the budget for the forthcoming year) which is used to align resources to key priorities.</p> <p>The Council has report templates to ensure authors cover all the requirements to enable a decision to be made; they include options appraisal (if required), cost and risk analysis in addition to key signatories such as legal and finance and must include the portfolio holder. This process has been significantly improved in recent years to increase the robustness of decision making.</p> <p>All decision-making meetings are held in public and decisions made by Cabinet members and Officers are published in line with the statutory legal requirements, although some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings.</p> <p>The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p> <p>The Council has an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. Audit recommendations are monitored to ensure that they are completed by the service within a reasonable timeframe, and any actions which are not completed are reported to the management team.</p> <p>The Overview & Scrutiny Committee has responsibility for the performance of overview and scrutiny functions under the Local Government Act 2000 Section 9F. The role of Overview & Scrutiny Committee is to hold Cabinet decision makers to account by monitoring and scrutinising the decisions being made, both before and after they take effect. Members of the Overview & Scrutiny Committee must not be members of the Cabinet and, where possible, should be from different political parties.</p>	<p>Medium Term Financial Strategy</p> <p>Council Decisions</p> <p>Complaints procedure</p> <p>Internal audit</p> <p>Overview & Scrutiny Committee</p>

E. DEVELOPING THE COUNCIL'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT	
How the Council meets these principles	Where you can see Governance in action
<p>As noted above, during 2021-22 the Council had a joint management team with East Hampshire District Council made up of the Chief Executive, Chief Finance Officer (S151 Officer), Executive Director and the Heads of Service, most of which are shared with East Hampshire District Council. The costs of all shared management posts were shared between the Councils. Going forward as part of the transition to a standalone Council Havant will have its own dedicated management team and this will be in place during 2022-23. The new management team will be solely focussed on delivering the priorities of Havant Borough Council.</p>	<p>Management structure</p>

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<p>A number of the Council's corporate services are delivered through the 5 Councils Partnership with Capita which is monitored via a shared Client Team.</p> <p>The Council has a performance management framework which includes a comprehensive induction programme for new starters. Performance appraisal processes for all employees include regular 1:1 meetings with line managers and assessment against the Staff Competency Framework. In 2021-22 new mandatory e-learning courses were introduced for all staff (including health and safety, equality and diversity, and time management), alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services.</p> <p>Following the Borough Council elections, all Councillors are required to undertake a comprehensive training programme which ensures that they have an understanding of the procedures and protocols of the Council. This may include training on planning and licensing matters and Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken.</p> <p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme and accompanying Competency Framework, during the course of a Councillor's four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.</p>	<p>Councillor Competency Framework</p>
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F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.</p> <p>There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council Constitution.</p> <p>The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan and Key Decision notice is published on the Council website. Decisions made by Cabinet can be called in for review by the Overview & Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p> <p>Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly performance report). The Council has a wide range of performance indicators, which are used to measure progress against the Council's priorities. Performance indicators are reported quarterly to the senior management team, to Audit and Finance Committee, and informally to Cabinet. Performance indicators clearly link individual services to the corporate objectives and</p>	<p>Council structure</p> <p>Committee structure</p> <p>Forward Plan</p>

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<p>include details of national and local performance indicators and risk. Performance indicators are reviewed annually as part of the business planning process to ensure they continue to be relevant and stretching.</p> <p>A Corporate Governance Board has been established with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This will be underpinned by the Local Code of Corporate Governance. In addition, the Corporate Governance Board is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks. The Board's Terms of Reference will be reviewed in light of the management team changes and move to a standalone Council during 2022-23.</p> <p>The Council has in place a number of policies and procedures to ensure decisions made are robust. These include the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers.</p>	<p>Corporate Governance Policy</p> <p>Local Code of Corporate Governance</p> <p>Policy Hub</p>
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G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY	
How the Council meets these principles	Where you can see Governance in action
<p>The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.</p> <p>The Council has an Audit and Finance Committee to provide assurance to the Council on the effectiveness of internal audit and the robustness of the Council's Annual Accounts. Risk management is controlled through the Corporate Governance Board and reported to the management team through the quarterly performance report. Risks rated as above the risk threshold are reported as part of the quarterly performance report to Councillors.</p> <p>Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. Audit and Finance Committee approves the Statement of Accounts.</p> <p>The Council is subject to independent external audit currently by Ernst & Young. The external audit plan outlines the work undertaken and the timing of external audit reports.</p> <p>The Council supplements this work with an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust. The Chief Internal Auditor is required to provide a written status report to the management team, summarising the assurance opinions arising from the internal audit reviews carried out during the year.</p>	<p>Statement of Accounts</p> <p>Audit and Finance Committee</p> <p>Full Council</p> <p>Internal audit</p>

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<p>The Audit and Finance Committee undertake the core functions of an audit committee.</p> <p>The Council has appointed the Chief Finance Officer as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs.</p>	
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Review of effectiveness

The 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 following areas:

Area	Review of effectiveness
Political leadership	<ul style="list-style-type: none"> Following the agreement of the new Constitution the various Council committees were amended in 2020-21. During 2021-22 the new Committee structure was fully established and in operation. The Overview & Scrutiny Committee is responsible for monitoring, scrutinising and holding the decision makers to account. The Audit and Finance Committee ensures that the internal and external audit reports it receives are robust and provides assurance to the Council that the governance processes in place are sufficient. The role of the Standards Committee is to monitor standards of conduct of Members and advise the Council on probity issues. A significantly improved Councillor Development Programme has been developed with mandatory and optional training modules. This is being rolled out to ensure that Members are equipped with the right skills and knowledge to be able to fulfil their duties. A new Corporate Strategy covering the period from 2022 to 2025 was developed and approved during 2021-22, to ensure that it best reflects the Council's ambitions for the Borough in the coming years. All councillors were given an opportunity to comment on the draft of the Corporate Strategy. The Corporate Strategy is a key strategic document that articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use. During the year the Overview & Scrutiny Committee considered numerous items, including quarterly reviews of the Shaping our Future programme and Regeneration programme. Post-scrutiny items included the distribution of business grants during Covid and pre-scrutiny items included the Climate Strategy, the budget and various projects within the Regeneration programme. The full year end Overview & Scrutiny Committee report can be viewed here: https://havant.moderngov.co.uk/documents/s44656/HBC%20Annual%20Scrutiny%20Report.pdf
Officer leadership	<ul style="list-style-type: none"> The Council's Constitution underwent a comprehensive review in 2020-21, led by the Monitoring Officer, to ensure that it remains an effective and up-to-date document, and a revised version was approved in January 2021 and came into effect in March 2021 and this was in full operation during 2021-22. The document has been modernised and streamlined in order to make it easier to understand and to put into practice and its introduction is being accompanied by training to ensure that the new version is embedded. The Corporate Governance Board covers matters of governance covering risk, health and safety, business continuity, emergency planning, information governance and financial risk. Updates are also provided to Audit and Finance Committee through the quarterly performance report which has undergone significant improvements during 2020-21 both in format (with a colour-coded dashboard format now being used to show the performance of different services) and content (with an extended range of quantitative performance indicators now being included). During the year further work on improving performance reporting started with a view to introducing a new performance approach for 2022-23. The Corporate Governance Board Terms of Reference will be reviewed to reflect the new management arrangements to be put in place for 2022-23.

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Internal assessment and monitoring	<ul style="list-style-type: none"> • There are regular reporting arrangements in place regarding the financial affairs of the Council. The budget for 2021-22 was agreed by Full Council on 24 February 2021 and financial performance is reported on a quarterly basis to Members. • Effective operation of the Performance Management Framework throughout the year: monitoring information on key areas of performance has been provided by the Governance Hub for review and action. The majority of service performance indicators were met during the year. • The Annual Governance Questionnaire is a survey run every January which asks officers for their self-assessment of the effectiveness of governance arrangements in their service area. Participation has improved in recent years following the extension of the questionnaire to all staff to reflect that good governance is everyone's responsibility - the number of responses received for the January 2022 survey had decreased slightly (13% down) compared to the 2021 survey, although responses were still significantly above the 2020 survey. The results of the questionnaire highlighted the following: <ul style="list-style-type: none"> ○ There were reasonable levels of confidence in governance arrangements, indicated by the majority of scores assigned to 1 ('Evidence of consistently meeting criteria') or 2 ('Meets criteria, but room for improvement'). ○ Areas of strength: <ul style="list-style-type: none"> ▪ Regular meetings between managers and staff ▪ Compliance with FOI procedure ○ Areas for improvement: <ul style="list-style-type: none"> ▪ Engaging with Members ▪ Awareness of structure of council ▪ Feedback from stakeholders ○ Significant changes from 2021 survey: <ul style="list-style-type: none"> ▪ Although still scoring relatively highly, there was a reduction in evidence of managers meeting to review performance regularly. This is likely as a result of the reliance on remote working and effects of 'working from home fatigue'. ▪ A reduction in scoring on the question of seeking feedback from stakeholders when making service planning improvements and this likely reflects the Shaping our Future work and announcement on the movement to a standalone council. <p>Areas that scored poorly in the questionnaire will be targeted with a programme of improvements throughout 2022-23 and the questionnaire will be repeated to see if any trends can be identified. The survey was conducted at the time of the announcement of the split of shared arrangements and hence may have impacted on the responses from a number of staff, in particular around awareness of council structures and stakeholder engagement.</p>
Responsibilities of Chief Finance Officer (s151)	<ul style="list-style-type: none"> • The Chief Finance Officer is the Responsible Financial Officer and is a member of the Management Team, reporting directly to the Chief Executive. They are responsible for delivering and overseeing the financial management arrangements of the Council. Havant Borough Council shared a Chief Finance Officer with East Hampshire District Council for 2021-22, although this will become a solely Havant post in 2022-23 onwards. • They are also responsible for ensuring alignment with the Code of Practice on Local Authority Accounting for 2020-21. Havant Borough Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016).

ANNUAL GOVERNANCE STATEMENT

Internal audit	<ul style="list-style-type: none"> • The Council's internal audit programme is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually. • Progress against the audit plan is reported quarterly to the Audit and Finance Committee. Any outstanding high risk actions are addressed as a matter of priority. • Internal audit attend Corporate Governance Board every quarter to provide an update on progress of management actions. Any outstanding actions are reported to the management team to ensure that these are escalated where necessary and completed within a reasonable timescale. • The Southern Internal Audit Partnership delivered 20 internal audit opinions over the course of the year ending 31 March 2021 with 2 'substantial' assurance reports, 14 'reasonable' assurance reports, 4 'limited' assurance report and no 'no assurance' reports. Additional reviews were conducted which did not lead to an audit opinion as they were advisory reviews and/or follow-up reviews. • The Chief Internal Auditor's annual opinion of Havant Borough Council's framework of governance, risk management and management control is reasonable and audit testing has demonstrated controls to be working in practice.
External audit	<ul style="list-style-type: none"> • The Council's external audit requirement is provided by Ernst & Young LLP. • The role of external audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims. • The Council's external auditor provided the Council with an unqualified opinion on the last set of accounts approved within their Audit Results Report. • Ernst & Young LLP also provided an unqualified opinion of the Council's arrangements to secure Value for Money.

ANNUAL GOVERNANCE STATEMENT

Last year's key improvement areas

In the 2020-21 Annual Governance Statement, three key issues were identified for improvement. Below are the issues and actions taken during 2021-22.

Improvement area	Issue of concern	Objective and actions taken
Embedding of revised Constitution including codes of conduct and structure of Council	Now that the new Constitution has come into effect, work must continue to ensure that the revised version is embedded and understood by all councillors and officers. This will be key to ensuring that the proper procedures are followed and that the framework of corporate governance remains strong.	Since adoption of the new Constitution there has been regular updates to senior officers and a rolling programme of training for Councillors
Review of the 2021/22 Medium Term Financial Strategy (MTFS)	Considering the recent pandemic response, ensure that the published MTFS remains robust.	During the year as part of the budget setting process it was agreed to establish a Councillor Budget working group to review the budget and MTFS with a mission to present a balanced MTFS going forward.
Review the governance arrangements for the 'Shaping our Future' programme	Ensure that the programme is well governed, with good control of investments and benefits.	The Shaping our Future programme was subject to regular review at the Overview & Scrutiny Committee during the year with quarterly updates provided, these were also provided to Cabinet. Going forward, the work done as part of Shaping our Future will be embedded into the transition and transformation programme of the Council and taken forward during 2022/23.
Compliance with the CIPFA Financial Management (FM) Code	This Code comes into effect from 2022/23 and the Council will need to be compliant.	The (Joint) Councils prepared adequately for the CIPFA Financial Management Code. Havant Borough Council will continue to strengthen its Financial Management arrangements throughout 2022/23, as a standalone council, and will be fully compliant with the Code.

ANNUAL GOVERNANCE STATEMENT

Identified key improvement areas

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2022-23.

Issue of concern	Key improvement	Lead officer	Action required
Ensure a smooth transition to a standalone Council with appropriate governance in place	<p>The Council has committed to move towards a standalone Council, ending the current shared management arrangements with East Hampshire District Council.</p> <p>The move towards a standalone Council after 12 years of shared management presents a number of challenges that need to be overcome and carries a number of risks that will need to be appropriately managed.</p>	Chief Executive	<p>Establishment of a transition team and clear work programme to move towards a standalone Council.</p> <p>Establishment of new management structure and new team structures, where appropriate.</p> <p>Consideration of people, financial, process and IT implications of ending shared arrangements.</p> <p>Ensure appropriate communication plans are in place to ensure staff are kept informed of changes.</p>
Review of the 2022/23 budget and MTFS	The current MTFS as approved at Council in February 2022 highlights significant deficits in the years from 2023 onwards. Historically, although balanced budgets have been set there have been repeated forecasts of future deficits which need to be addressed.	S151 Officer	<p>Budget working group to review current budget and MTFS with the aim to balance the MTFS by October 2022.</p> <p>Finance to review the current budget in light of the move towards a standalone Council to ensure proposed structures are deliverable within the budgetary framework.</p>
Establishment of corporate governance arrangements	As the Council moves towards a standalone Council it is important to ensure that governance arrangements are in place and understood to ensure the smooth running of the authority.	Monitoring Officer	<p>Review the current Corporate Governance Board and ensure its replacement is fit for purpose.</p> <p>Review and ensure all statutory roles are appointed to.</p> <p>Ensure Constitution is updated to reflect new management structure and delegations are adequate.</p>

ANNUAL GOVERNANCE STATEMENT

Opinion

It is our opinion that corporate governance, along with supporting controls and procedures, is strong. We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed



CEO



Leader

STATEMENT OF RESPONSIBILITIES

The Council's Responsibility

The Council 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. At Havant Borough Council this officer is the Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Chief Finance Officer Responsibility

The Chief Finance Officer is responsible for the preparation of the Council'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 were reasonable and prudent.
- complied with the local authority Code.

The Chief Finance Officer has also:

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

Chief Financial Officer Certificate

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 37 to 90 give a true and fair view of the financial position of the Council as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Malcolm Coe

Chief Finance Officer

Approval of Accounts

The accounts were presented to the Audit and Finance Committee on the xxx and were authorised by the Chairman of the Committee Councillor Inkster.

Chairman of Audit and Finance Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020-21				2021-22		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
			Director of Corporate Services			
1,442	(896)	546	5 Councils Staff and Contract	475	(418)	57
474	(56)	418	Executive Office	820	(75)	745
993	(140)	853	Head of Legal	1,411	(359)	1,052
713	(163)	550	Head of Organisational Development	764	(107)	657
3,503	(348)	3,155	Head of Programmes Redesign	3,793	(420)	3,372
30,125	(27,601)	2,524	Head of Customer Services	30,249	(26,087)	4,162
12,207	(7,366)	4,841	Head of Strategic Commissioning	12,268	(7,444)	4,824
1,424	(239)	1,185	Head of Finance	1,670	(297)	1,374
0	0	0	Head of Commercial Development	0	0	0
			Director of Regeneration and Planning			
1,104	(477)	627	Head of Coastal Partnerships	4,977	(3,913)	1,064
3,413	(2,288)	1,125	Head of Neighbourhood Support	3,181	(3,075)	105
1,706	(1,297)	409	Head of Housing	3,006	(1,566)	1,441
1,488	(1,548)	(60)	Head of Planning	2,403	(1,352)	1,051
1,340	(502)	838	Head of Community Engagement	1,243	(507)	735
1,165	(619)	546	Head of Property	1,374	(1,377)	(3)
594	(127)	467	Head of Regeneration (South)	770	(283)	487
(21)	0	(21)	Other Operating I&E	21	0	21
61,670	(43,667)	18,003	Cost of Services	68,424	(47,280)	21,144
0	(8,851)	(8,851)	Loss/(Gains) on the disposal of assets	0	0	0
0	(8,851)	(8,851)	Other Operating Expenditure	0	0	0
1,005	0	1,005	Net interest on defined pension liabilities	1,026	0	1,026
0	(26)	(25)	Interest receivable and similar income	(0)	(35)	(35)
134	0	134	Interest payable and similar expensed	144	0	144
			Changes in fair value of investment			
0	772	772	properties	0	(4,204)	(4,204)
			Income and expenditure in relation to			
573	(2,351)	(1,778)	investment properties	174	(1,437)	(1,263)
1,712	(1,605)	108	Financing and Investment Income and Expenditure	1,344	(5,676)	(4,333)
0	(8,638)	(8,638)	Council Tax Income	0	(9,298)	(9,298)
9,720	(5,083)	4,637	Non Domestic Rates	9,720	(10,166)	(446)
0	(13,548)	(13,548)	Non-ringfenced government grants	0	(6,236)	(6,236)
0	(3,580)	(3,580)	Capital grants and contributions	0	(6,374)	(6,374)
9,720	(30,849)	(21,129)	Taxation and non-specific grant income and expenditure	9,720	(32,075)	(22,355)
			(Surplus) or Deficit on Provision of Services			
73,102	(84,972)	(11,869)		79,487	(85,031)	(5,543)
		(593)	Surplus on revaluation of non-current assets.			(2,962)
		1,147	Remeasurement of the net defined benefit pension liability			(15,317)
		554	Other Comprehensive Income and Expenditure			(18,279)
		(11,315)	Total Comprehensive Income and Expenditure			(23,822)

MOVEMENT IN RESERVES

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2020/21							
Balance at 1 April 2020	(3,500)	(7,065)	(1,470)	(13,612)	(25,648)	(38,140)	(63,787)
Movement in Reserves in 2020/21:							
Surplus (deficit) on the provision of services (accounting basis)	(11,878)	0	0	0	(11,878)	0	(11,878)
Other Comprehensive Income and Expenditure	0	0	0	0	0	554	554
Total Comprehensive Income and Expenditure	(11,878)	0	0	0	(11,878)	554	(11,324)
Adjustments between accounting and funding basis under regulation - note 6	(865)	0	(8,849)	(2,264)	(11,978)	11,978	0
Net increase/decrease before transfers to Earmarked reserves	(12,743)	0	(8,849)	(2,264)	(23,856)	12,532	(11,324)
Transfers to/from Earmarked reserves - note 11	12,733	(12,733)	0	0	0	0	0
(Increase)/Decrease in Year	(10)	(12,733)	(8,849)	(2,264)	(23,856)	12,532	(11,324)
Balance at 31 March 2021	(3,510)	(19,798)	(10,319)	(15,876)	(49,504)	(25,608)	(75,111)

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021/22							
Balance at 1 April 2021	(3,510)	(19,798)	(10,319)	(15,876)	(49,504)	(25,608)	0 (75,111)
Movement in Reserves in 2021/22:							
Surplus (deficit) on the provision of services (accounting basis)	(5,543)	0	0	0	(5,543)	0	(5,543)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(15,317)	(15,317)
Total Comprehensive Income and Expenditure	(5,543)	0	0	0	(5,543)	(15,317)	(20,860)
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	12,079	0	0	(4,654)	7,425	(10,386)	(2,961)
Net increase/decrease before transfers to Earmarked reserves	6,536	0	0	(4,654)	1,882	(25,703)	(23,821)
Transfers to/from Earmarked reserves - <i>note 11</i>	(6,382)	6,372	0	0	(10)	0	(10)
Increase/(Decrease) in Year	154	6,372	0	(4,654)	1,872	(25,703)	(23,831)
Balance at 31 March 2022	(3,356)	(13,426)	(10,319)	(20,530)	(47,632)	(51,311)	(98,942)

BALANCE SHEET

31 March 2021			31 March 2022
£'000			£'000
64,544	Property, Plant and Equipment	Note 14	67,814
32,367	Investment Properties	Note 15	36,625
34	Intangible Assets		24
615	Long Term Debtors	Note 16	629
97,560	LONG TERM ASSETS		105,092
0	Assets Held for Sale		0
22,312	Short Term Debtors	Note 16	16,984
0	Inventories		0
0	Short Term Investments	Note 20	0
45,531	Cash and Cash Equivalents		54,489
67,843	CURRENT ASSETS		71,473
(32,605)	Short Term Creditors	Note 17	(29,335)
(228)	Bank Overdraft		0
(199)	Provisions	Note 18	(726)
(106)	Short Term Borrowing	Note 20	(237)
(81)	Capital grants receipts in advance	Note 19	(379)
(33,219)	CURRENT LIABILITIES		(30,677)
(4,009)	Capital grants receipts in advance	Note 19	(6,092)
0	Long Term Creditors		0
(1,588)	Provisions		(1,438)
0	Finance Lease		0
(3,152)	Long Term Borrowing	Note 20	(2,921)
(48,325)	Net Defined Pension liability	Note 8	(36,495)
(57,074)	LONG TERM LIABILITIES		(46,946)
75,110	NET ASSETS		98,942
(3,509)	General Fund		(3,354)
(19,797)	Earmarked Reserves	Note 11	(13,425)
(10,320)	Capital Receipts Reserve		(10,320)
(15,876)	Capital grants and contributions		(20,531)
(49,502)	USABLE RESERVES		(47,630)
(38,509)	Revaluation Reserve		(40,277)
(45,069)	Capital Adjustment Account		(51,067)
0	Deferred capital receipts		0
48,325	Pensions Reserve		36,495
9,362	Collection Fund Adjustment Account		3,331
282	Accumulated Absences Account		206
0	Share of Associate		0
(25,609)	UNUSABLE RESERVES	Note 12	(51,312)
(75,111)	TOTAL RESERVES		(98,942)

CASH FLOW STATEMENT

2020-21		2021-22
£'000		£'000
(12,845)	Taxation	(18,438)
(40,428)	Grants and Contributions	(34,448)
(20,138)	Sales of goods and rendering of services	(19,448)
(28)	Interest received	(35)
(31)	Other receipts from operating activities	(42)
(73,470)	Cash inflows generated from operating activities	(72,411)
10,788	Cash paid to and on behalf of employees	11,337
23,177	Housing benefit payments	21,169
9,720	NNDR Tariff payments	9,720
14,644	Cash paid to suppliers of goods and services	25,960
129	Interest paid	139
3,850	Other operating cash payments	4,314
62,308	Cash outflows generated from operating activities	72,639
(11,162)	Net cashflows from operating activities	228
(8,851)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
1,339	Purchase of property, plant and equipment, investment property and intangible assets	1,635
0	Purchase of short-term and long-term investments	0
0	Proceeds from the sale of short-term and long-term investments	0
0	Other payments for investing activities	0
(4,122)	Other receipts from investing activities	(7,193)
(11,634)	Net cashflows from investing activities	(5,558)
0	Cash Receipts - long/short term borrowing	0
167	Repayments of long/short term borrowing	334
807	Changes in Council Tax balances held for preceptors	946
551	Changes in National Non-Domestic Rates balances held for preceptors	(4,908)
1,525	Net cashflows from financing activities	(3,628)
(21,271)	Net (Increase) / decrease in cash and cash equivalents	(8,958)
23,969	Cash and cash equivalents 1 April	45,532
292	Adjust bank overdraft	0
21,271	Net increase / (decrease) in cash and cash equivalents	8,958
45,532	Cash and cash equivalents 31 March	54,490
5,000	Call accounts and short term deposits	5,049
40,532	Bank balances	49,441
45,532	Cash and cash equivalents 31 March	54,490

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. ACCOUNTING POLICIES

Going Concern

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS). 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.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. However for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- The new revenue recognition standard in IFRS 15 introduces a single model for income with prescribed steps to identify when control of goods or services passes to the customer together with associated revenue in the contract between the parties. An assessment was made of the income streams and the effect of IFRS 15 on the accounts which was found to be immaterial.
- 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. Inventories below £10,000 are considered immaterial and are expensed.
- 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 is accounted for as income 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 ACCOUNTING STATEMENTS

3. Accounting for Council Tax and Non Domestic Rates

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, overpayment creditors and receipts in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is held as part of the Short Term Creditors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than ninety days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, 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.

5. 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.

6. Charges to Revenue for Non-Current Assets

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
- revaluation and impairment gains, where they reverse losses previously charged to services
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is 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, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

NOTES TO THE ACCOUNTING STATEMENTS

7. 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 (e.g. 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 (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

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 cost line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. 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 are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

- The liabilities of the Hampshire pension fund 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of other Operating Expenses
 - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income 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 defined benefit liability at the beginning of the period

NOTES TO THE ACCOUNTING STATEMENTS

- taking account of any changes in the net defined benefit liability 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 liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Hampshire pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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.

8. Events after the Reporting Period

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

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

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

9. Fair Values

The Council measures some of its non-financial assets (surplus assets and investment properties), and its available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction at the year end. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

The Council measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interest.

When measuring the fair value the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use.

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

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- | | |
|---------|---|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end. |
| Level 2 | Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Unobservable inputs for the asset or liability. |

10. 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 in another entity. Non-exchange transactions, such as those relating to taxes, benefits, and government grants, do not give rise to financial instruments.

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 initially measured at fair value and 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.

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.

Liabilities include trade payables. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

The business model of the council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at 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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then

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measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

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

The Council has a substantial amount of investments and employs treasury management advisers in addition to full time professional staff. However, reasonable and verifiable information to support the measurement of lifetime losses on individual instruments is not available without undue cost or effort. Losses are mainly assessed for the portfolio on a collective basis.

Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances whilst making use of a simplified approach contained in regulations.

Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.

Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Group 3 – Other loans to local businesses, in support of the Council vision and objectives. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council 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.

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

- Instruments with quoted market prices – the market price

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- Other instruments with fixed and determinable payments – discounted cash flow analysis

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority 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 or 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.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council 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 charged to the Other Comprehensive Income and Expenditure and are held in the Financial Instrument Revaluation Reserve.

Movements in amortised cost are charged to the Surplus or Deficit on the Provision of Services

Cumulative gains/losses on fair value are transferred to the Surplus or Deficit on the Provision of Services on derecognition.

11. 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 CI&ES 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 liabilities. 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 CI&ES.

Where capital grants are credited to the CI&ES, 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. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council has elected to charge a Community Infrastructure Levy (CIL), charged on new builds with appropriate planning consent. The income from the levy will be used to fund various projects described as “infrastructure” in a broader sense than used for Council property. The infrastructure investment is determined in the 123 list and it is not necessarily this Council that will undertake the works. Part of the CIL income is retained to offset the cost of administration, and is accounted for as income for the Planning service. Some is also payable to parishes: this is treated as an agency service and is excluded from the Comprehensive Income and Expenditure Statement. The rest is intended for use to finance capital, and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income, and is then transferred to the Capital Grants Unapplied Reserve. A small proportion of the monies may be used to fund revenue expenditure.

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The income from CIL is accounted for on an accruals basis and recognised immediately in the CI&ES at the commencement date of the chargeable development. Surcharges and interest received in accordance with the CIL regulations will be accounted for as if they were CIL receipts.

12. 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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 CI&ES. 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.

13. 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 (e.g. 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 that authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

14. Interest in Companies and Other Entities

Local authorities are required to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. In order to assess whether the Council has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations, and other public bodies to determine whether;

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- the Council has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the Council.
- If the authority does not have control, whether its interest involves it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.
- If the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities. The Council's relationship with Norse South East will be assessed. Fuller disclosures have been made in the interests in other entities note in the Core Financial Statements.

The relationship with the body disclosed is not material and therefore there is no entity where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

The position will be reviewed and updated on an annual basis.

15. 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 Authority 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 authority at the end of the lease period).

The Authority 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

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

The Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 Authority 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 (e.g. 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.

16. Overheads and Support Services

The recharging of overheads and support services is not reflected in any part of these accounting statements and notes.

17. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). 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.

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

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.
- Community assets and assets under construction - historic cost.
- Land and buildings - 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 is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or fair value at the year-end. All investment properties are subject to a full valuation every year including surplus assets. In addition the top 10 assets in value and the top 20% across the portfolio are subject to a valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES 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 CI&ES.

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 the value of 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:

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- 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 CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, 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 certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 50 years depending on the asset.
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 3 and 20 years.
- Infrastructure - straight-line allocation over 10 to 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

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.

Componentisation of Property Assets

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.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES 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 and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. 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 non-current 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.

18. 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. 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.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. 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.

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.

19. Reserves

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
 - revalued downwards or impaired and the gains are lost

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- used in the provision of services and the gains are consumed through depreciation, or
 - disposed of and the gains are realised.
- **Capital Adjustment Account:** Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- **Deferred Capital Receipts:** in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- **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.
- **Collection Fund Adjustment Account:** this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- **Accumulated Absences Reserve:** this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- **Financial Instrument Revaluation Reserve:** this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
 - revalued downwards or impaired and the gains are lost.
 - disposed of and the gains are realised.

20. 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 is charged as expenditure to the relevant service in the CI&ES 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.

21. VAT

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.

NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change

NOTES TO THE ACCOUNTING STATEMENTS

that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
- • IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- • IAS 37 (Onerous contracts) – clarifies the intention of the standard
- • IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- • IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances:
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

It is anticipated that the above amendments will not have a material impact on the information provided in the statement of accounts.

NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Business rates -The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from the experience with the 2010 lists as well as appeals determinations so far made against the 2017 list. This year the Council have used a third party, Analyse Local, to provide estimates for the provision for appeals.

Future funding for local government – Consultation is underway on changes to the Business Rates Retention scheme, which will ultimately replace existing government grants, creating uncertainty over future levels of funding. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority 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 judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

Lease classifications – the Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken “in the round” and a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on leases) and could 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).

Providing for potential liabilities – the Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of pending legal actions.

Production of group accounts – the Council has an interest in another entity, Portchester Crematorium Joint Committee, which manages the operations of Portchester Crematorium. The accounts of this entity have not been consolidated into the financial statements of the Council since grouping the accounts would not materially change the reported figures in the Statement of Accounts.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain 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 materially different from the assumptions and estimates. The main items in the Council's Balance Sheet at 31 March 2022 on which such assumptions have been made are as follows:

Pensions Liability

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 and mortality rates. A firm of consulting actuaries, is engaged to provide the Council with expert advice about the assumptions to be applied.

Changes in any one assumption would be affected by changes in others, so that the effect of a number of changes would be a complex calculation.

Property, Plant and Equipment

The Council's external valuers provide a full valuation of all properties every 5 years. On an annual basis they provided desktop valuations as at 31 March 2022 for all of the Council's investment portfolio and for the top 20% in value of its' operational portfolio and where there has been material movement since the last full valuation. The remaining balance of operational properties was also reviewed to ensure values reflect current values. Valuations of property depend on various assumptions. In particular, valuers have to determine:

- The estimated life of the building.
- Whether or not there is a market for the property in its existing use, which means that they could value at such a market value (EUV). If there is no such market properties are valued at Depreciated Replacement Cost (DRC).

Investment Property

The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If the value of the Council's investment properties were to reduce by 10% this would lead to a reduction in value of £2.816M.

Allowance for impairments of doubtful debts

The Balance Sheet contains figures for various groups of debtors, including sundry debtors, council tax, non-domestic rates, and recoveries of overpayments of housing benefits. Allowances are made, and updated at the end of each financial year, on the basis of recent rates of recovery of the particular class of debt, as far as it can be ascertained.

Allowance for impact of rating appeals

Following the 2017 revaluation, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain. The Council has made a provision for the likely impact on the its yield of expected future successful appeals for the period to the end of March 2022.

There are a number of appeals against rating values outstanding, many going back to 1 April 2010, and this Council is liable for its share (40%) of the losses resulting from successful appeals.

The Council has made a provision for the likely impact on the its yield of expected future successful appeals based on both the 2010 and 2017 lists for the period to the end of March 2022 based on work down by Anaylse Local.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

2020-21				2021-22		
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			Director of Corporate Services			
504	42	546	5 Councils Staff and Contract	(14)	71	57
416	2	418	Executive Office	713	32	745
828	25	853	Head of Legal	988	64	1,052
473	77	550	Head of Organisational Development	600	57	657
2,820	335	3,155	Head of Programmes Redesign	3,036	336	3,372
2,438	86	2,524	Head of Customer Services	4,017	145	4,162
3,692	1,149	4,841	Head of Strategic Commissioning	3,582	1,242	4,824
1,099	86	1,185	Head of Finance	1,329	45	1,374
			Director of Regeneration and Planning			
193	434	627	Head of Coastal Partnerships	314	750	1,064
410	715	1,125	Head of Neighbourhood Support	(104)	209	105
290	119	409	Head of Housing	1,327	114	1,441
329	(389)	(60)	Head of Planning	600	451	1,051
435	403	838	Head of Community Engagement	463	272	735
(1,361)	1,907	546	Head of Property	(889)	886	(3)
399	67	466	Head of Regeneration (South)	407	80	487
(21)	(0)	(21)	Other Operating I&E	21	0	21
12,944	5,059	18,003	Cost of Services	16,390	4,754	21,144
(25,686)	(4,186)	(29,872)	Other Income and Expenditure	(9,860)	(16,827)	(26,687)
(12,742)	873	(11,869)	(Surplus) or Deficit on Provision of Services	6,530	(12,073)	(5,543)

NOTES TO THE ACCOUNTING STATEMENTS

Earmarked Reserves	General Fund	Total		Earmarked Reserves	General Fund	Total
£'000	£'000	£'000		£'000	£'000	£'000
(7,065)	(3,500)	(10,565)	Opening balances	(19,797)	(3,510)	(23,307)
0	(12,742)	(12,742)	(Surplus) or Deficit on Provision of Services	0	6,530	6,530
(12,732)	12,732	0	Transfers between General Fund and earmarked reserves	6,372	(6,372)	0
(19,797)	(3,510)	(23,307)	Closing General Fund balance	(13,425)	(3,352)	(16,777)

NOTES TO THE ACCOUNTING STATEMENTS

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2020-21					
Director of Corporate Services					
5 Councils Staff and Contract	0	44	0	(2)	42
Head of Legal	0	13	0	(12)	2
Head of Organisational Development	1	21	0	3	25
Head of Programmes Redesign	0	37	0	41	77
Head of Customer Services	221	131	0	(17)	335
Head of Strategic Commissioning	0	79	0	8	86
Head of Finance	1,697	0	0	(548)	1,149
Head of Commercial Development	0	51	0	35	86
	0	0	0	0	
Director of Regeneration and Planning					
Head of Coastal Partnerships	15	378	0	42	434
Head of Neighbourhood Support	18	133	0	564	715
Head of Housing	0	57	0	62	119
Head of Planning	(534)	142	0	4	(389)
Head of Community Engagement	430	51	0	(77)	403
Head of Property	339	11	0	1,557	1,907
Head of Regeneration (South)	18	35	0	14	67
Other Operating I&E	0	0	0	(0)	(0)
Cost of Services	2,205	1,183	0	1,671	5,059
Other Income and Expenditure from the Expenditure and Funding Analysis	(11,856)	1,005	8,216	(1,551)	(4,186)
Total for 2020-21	(9,651)	2,188	8,216	120	873

NOTES TO THE ACCOUNTING STATEMENTS

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2021-22					
Director of Corporate Services					
5 Councils Staff and Contract	0	75	0	(4)	71
Executive Directors	0	32	0	0	32
Head of Legal	1	58	0	5	64
Head of Organisational Development	0	62	0	(5)	57
Head of Programmes Redesign	66	277	0	(6)	336
Head of Customer Services	0	150	0	(5)	145
Head of Strategic Commissioning	1,361	5	0	(2)	1,365
Head of Finance	0	158	0	(113)	45
Director of Regeneration and Planning					
Head of Coastal Partnerships	7	777	0	(783)	0
Head of Neighbourhood Support	(77)	291	0	536	750
Head of Housing	0	119	0	91	209
Head of Planning	149	307	0	(343)	114
Head of Community Engagement	235	75	0	142	451
Head of Property	378	22	0	(89)	311
Head of Regeneration (South)	18	54	0	1,338	1,411
Other Operating I&E	0	0	0	71	71
Cost of Services	2,138	2,461	0	833	5,432
Other Income and Expenditure from the Expenditure and Funding Analysis	(2,170)	0	(6,031)	(218)	(8,420)
Total for 2021-22	(33)	2,461	(6,031)	615	(2,988)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2020-21					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(9)			9	0
Depreciation and impairment of non-current assets	(2,203)			2,203	0
Movements in value of Investment Properties	(772)			772	0
Disposal of non-current assets	1			(1)	0
Capital receipts to Usable Capital Receipts Reserve	9,048	(9,048)			0
Capital grants and contributions to Capital Grants Unapplied Reserve	3,586		(3,586)		0
Difference between accounting and statutory employment benefit	(152)			152	(0)
Difference between accounting and statutory credit for Council Tax	72			(72)	0
Difference between accounting and statutory credit for Non-Domestic Rates	(8,288)			8,288	0
Revenue Expenditure Financed from Capital under Statute	(634)			634	0
Difference between accounting and statutory credit for pension costs	(2,188)			2,188	0
REFCUS income	634			(634)	0
Revaluation losses on PPE					0
Capital Grants and Contributions applied					0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement	0				
Capital expenditure financed from revenue	239			(239)	0
Statutory Charge MRP					0
Capital expenditure financed from Capital Receipts	(199)	199			0
Capital expenditure financed from Capital grants and contributions			1,322	(1,322)	0
Total for 2020-21	(865)	(8,849)	(2,264)	11,978	(0)

NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2021-22					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(9)			9	0
Depreciation and impairment of non-current assets	(1,950)			1,950	0
Movements in value of Investment Properties	4,204			(4,204)	0
Disposal of non-current assets	0			0	0
Capital receipts to Usable Capital Receipts Reserve	0	0			0
Capital grants and contributions to Capital Grants Unapplied Reserve	6,374		(6,374)		0
Difference between accounting and statutory employment benefit	75			(75)	(0)
Difference between accounting and statutory credit for Council Tax	296			(296)	0
Difference between accounting and statutory credit for Non-Domestic Rates	5,735			(5,735)	0
Revenue Expenditure Financed from Capital under Statute	(1,307)			1,307	0
Difference between accounting and statutory credit for pension costs	(3,487)			3,487	0
REFCUS income	1,129			(1,129)	0
Revaluation losses on PPE	677			(3,638)	(2,961)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Capital expenditure financed from revenue	99			(99)	0
Statutory Charge MRP	243			(243)	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	0			0
Capital expenditure financed from Capital grants and contributions			1,720	(1,720)	0
Total for 2021-22	12,079	0	(4,654)	(10,386)	(2,961)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

2020-21		2021-22
Surplus / Deficit on the Provision of Services		Surplus / Deficit on the Provision of Services
£'000		£'000
13,476	Employee benefits expenses	15,257
57,279	Other service expenses	62,804
134	Interest payments	144
2,212	Depreciation, amortisation, impairment etc	1,282
0	Precepts and levies	0
0	Gains on the disposal of assets	0
73,101	Total Expenditure	79,487
(16,685)	Fees, charges and other service income	(20,836)
772	Investment Properties changes in fair value	(4,204)
(28)	Interest income	(35)
0	Investment income	0
(13,719)	Council Tax and Non-Domestic Rate income	(19,464)
(46,459)	Grants and Contributions	(40,491)
(8,851)	Gains on the disposal of assets	0
(84,970)	Total income	(85,030)
(11,869)	Net	(5,543)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION SCHEME

2020-21		2021-22
£'000		£'000
	Comprehensive Income and Expenditure Statement	
2,358	Current Service Cost	3,861
12	Curtailments	0
2,370	Cost of Services	3,861
1,022	Net interest expense	1,004
1,022	Financing and Investment Income and Expenditure	1,004
3,392	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	4,865
(21,035)	Return on plan assets, less included in interest expense	(5,457)
0	Actuarial gains & losses:	0
0	Changes in demographic assumptions	(1,552)
23,973	Changes in financial assumptions	(8,869)
(1,791)	Other	561
1,147	Remeasurement of the net defined benefit liability	(15,317)
4,722	Total Comprehensive Income and Expenditure Statement	(10,452)
	Movement in Reserves Statement	
3,392	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	4,865
(1,204)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,378)
2,188	Total taken to Note 5	3,487
2020-21		2021-22
£'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	£'000
94,148	Value of Assets at 1 April	112,438
2,110	Interest income on plan assets	2,323
469	Contributions by Members	585
1,204	Contributions by the Employer	1,378
21,035	Return on assets excluding amounts recognised in Other Comprehensive Income	5,457
(6,528)	Benefits Paid	(5,311)
112,438		116,870

NOTES TO THE ACCOUNTING STATEMENTS

2020-21		2021-22
£'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	£'000
(139,138)	Value of Liabilities at 1 April	(160,763)
(2,358)	Current Service Cost	(3,861)
(3,132)	Interest Cost	(3,327)
(469)	Contribution by Members	(585)
	Actuarial Gains and (Losses):	
0	Change in demographic assumptions	1,552
(23,973)	Change in financial assumptions	8,869
1,791	Other experience gains and (losses)	(561)
(12)	Losses on Curtailments	0
6,528	Benefits Paid	5,311
(160,763)		(153,365)
(48,325)	Net Liability at 31st March	(36,495)

2020-21		2021-22
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.1	Men	22.9
25.5	Women	25.4
	Longevity at 45 for future pensioners:	
24.8	Men	24.7
27.3	Women	27.1
2020-21		2021-22
2.7%	Rate of inflation (CPI)	3.0%
3.7%	Rate of increase in salaries	4.0%
2.7%	Rate of increase in pensions	3.0%
2.1%	Rate for discounting scheme liabilities	2.7%

NOTES TO THE ACCOUNTING STATEMENTS

Fair value of employer assets

The assets at the year-end listed above are made up of the following categories:

31 March 2021			Asset Category	31 March 2022		
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total		Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
%	%	%		%	%	%
49.40%	7.60%	57.00%	Equities	45.80%	11.10%	56.90%
0.80%	5.30%	6.10%	Property	0.90%	6.00%	6.90%
17.30%	0.00%	17.30%	Government Bonds	17.20%	0.00%	17.20%
0.00%	0.00%	0.00%	Corporate Bonds	0.00%	0.00%	0.00%
1.40%	0.00%	1.40%	Cash	0.90%	0.00%	0.90%
15.90%	2.30%	18.20%	Other	14.60%	3.50%	18.10%
84.80%	15.20%	100.00%	Totals	79.40%	20.60%	100.00%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed 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 Local Government Pension scheme liabilities have been assessed by Aon, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period.

Impact on the defined benefit obligation in the scheme				Increase in assumption	Base Figure	Decrease in assumption
				£000s	£000s	£000s
Post retirement mortality (increase or decrease in 1 year)				147,457	152,647	157,837
Rate of increase in salaries (increase or decrease by 0.1%)				152,800	152,647	152,494
Rate of increase in pensions (increase or decrease by 0.1%)				155,242	152,647	150,205
Rate for discounting scheme liabilities (increase or decrease by 0.1%)				149,899	155,395	162,867

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2020/21		2021/22
£'000		£'000
(24,068)	DWP benefits grants	(20,940)
(634)	Grants for revenue financed from capital under statute	(1,129)
(1,100)	Council tax hardship	0
(3,522)	Other Grants and Contributions	(5,815)
(29,324)	Total within Cost of Services	(27,884)
(1,041)	Sales fees and Charges	(185)
(2,121)	Covid LA Support Grant	(743)
(902)	New Homes Bonus	(347)
(9,217)	Business Rate Grants	(3,766)
(267)	Other non-specific grant	(1,193)
(3,586)	Grants and contributions towards capital expenditure	(6,374)
(17,134)	Total within Taxation and non-specific grant income	(12,608)
(46,458)	Total income from grants and contributions	(40,492)

NOTE 10. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Council did not purchase or sell any significant assets during the year.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 11. EARMARKED RESERVES

The Council maintains a number of Earmarked Reserves for a variety of purposes. Below is an analysis of the Council's reserves showing the movements and transfers that took place.

	Balance at 31 March 2020	Transfers out 2020/21	Transfers in 2020/21	Balance at 31 March 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund - earmarked	(23)		0	(23)	0	0	(23)
S31 Grant Reserve	0	0	(8,623)	(8,623)	5,237	0	(3,386)
Insurance Reserve	(653)	0	0	(653)	0	0	(653)
Capital Reserve	0	0	0	0	0	0	0
Restructuring Reserve	(418)	0	0	(418)	0	0	(418)
Financial Management Reserve	(3,867)	0	0	(3,867)	0	(789)	(4,656)
Externally funded Reserve - earmarked reserve	(609)	609	0	0	0	0	0
Service Support Reserve	(114)	0	(1,190)	(1,304)	1,135		(169)
Regeneration Reserve	(431)	0	(559)	(990)	0	0	(990)
Regeneration Investment Framework Reserve	(950)	0	0	(950)	0	0	(950)
Covid Financial Resilience Reserve	0		(2,180)	(2,180)	0	0	(2,180)
Pensions Resilience Reserve	0	0	(789)	(789)	789	0	0
Total	(7,065)	609	(13,341)	(19,797)	7,161	(789)	(13,425)

The purposes of these reserves are set out below:

General Fund Earmarked Reserve	To fund specific projects
S31 Grant Reserve	To hold S31 grant balances due to timing of when the grant is received and when it is applied.
Insurance Reserve	To fund any insurance claims below the excess during the year.
Capital Reserve	To fund specific capital projects.

NOTES TO THE ACCOUNTING STATEMENTS

Restructuring Reserve	To fund costs associated with the restructure of the Council.
Financial Management reserve	To meet any potential future financial liabilities that may arise (for example insurance claims)
Externally Funded Reserve	These are all external contributions which are committed to specific projects.
ServiceSupport Reserve	To cover specific service projects which may arise in the future (e.g. economic development work or Local Plan work)
Regeneration Reserve	To ring fence income from Meridien for future economic development
Covid Financial Resilience Reserve	To provide financial resilience to the Council post Covid.
Regeneration Investment Framework Reserve	To provide funding for future regeneration of the Borough
Pensions Resilience Reserve	To provide funding for pension in the future to help mitigate the deficit.

NOTE 12. UNUSABLE RESERVES

	Balance 1 April 2020	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2021
	£'000			
		£'000	£'000	£'000
Revaluation Reserve	(39,943)	(593)	2,026	(38,510)
Capital Adjustment Account	(44,465)	0	(604)	(45,069)
Pensions Reserve	44,990	1,147	2,188	48,325
Collection Fund Adjustment Account	1,148	0	8,216	9,364
Accumulated Absences Account	130	0	152	282
Total for 2020-21	(38,140)	554	11,978	(25,608)
	Balance 1 April 2021	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2022
	£'000	£'000	£'000	£'000
Revaluation Reserve	(38,510)	(2,962)	1,193	(40,279)
Capital Adjustment Account	(45,069)	0	(5,998)	(51,067)
Pensions Reserve	48,325	(15,317)	3,487	36,495
Collection Fund Adjustment Account	9,364	0	(6,033)	3,331
Accumulated Absences Account	282	0	(76)	206
Total for 2021-22	(25,608)	(18,279)	(7,427)	(51,314)

NOTES TO THE ACCOUNTING STATEMENTS

Capital Adjustment Account

2020-21		2021-22
£000		£000
(44,465)	Balance 1 April	(45,069)
	Accounting / Financing Adjustments:	
9	Write down Intangible Assets	9
2,203	Depreciation and impairment of non-current assets	1,274
772	Movements in value of Investment Properties	(4,204)
0	Gain or (loss) on sale of non-current assets	0
634	Revenue Expenditure Financed from Capital under Statute	1,307
(634)	Revenue Expenditure Financed from Capital under Statute - Income	(1,129)
0	Capital expenditure financed from revenue	(99)
0	Capital expenditure financed from Capital Receipts	0
(1,323)	Capital expenditure financed from Capital grants and contributions	(1,720)
(239)	MRP	(243)
(2,026)	Depreciation charged to Revaluation Reserve	(1,193)
(45,069)	Balance 31 March	(51,067)

Revaluation Reserve

2020-21		2021-22
£000		£000
(39,943)	Balance 1 April	(38,510)
	Comprehensive Income & Expenditure:	
(593)	Gain on revaluation of assets	(2,962)
	Accounting / Financing Adjustments:	
2,026	Depreciation charged to Revaluation Reserve	1,193
(38,510)	Balance 31 March	(40,279)

NOTES TO THE ACCOUNTING STATEMENTS

Pensions Reserve

2020-21		2021-22
£000		£000
44,990	Balance 1 April	48,325
	Comprehensive Income & Expenditure:	
1,147	Remeasurement of the net defined benefit liability	(15,317)
	Accounting / Financing Adjustments:	
2,188	Difference between accounting and statutory credit for pension costs	3,487
48,325	Balance 31 March	36,495

Collection Fund Adjustment Account

2020-21		2021-22
£000		£000
1,148	Balance 1 April	9,364
	Accounting / Financing Adjustments:	
(72)	Difference between accounting and statutory credit for Council Tax	(296)
8,288	Difference between accounting and statutory credit for Non-Domestic Rates	(5,735)
9,364	Balance 31 March	3,333

Accumulated Absences Account

2020-21		2021-22
£000		£000
130	Balance 1 April	282
	Accounting / Financing Adjustments:	
152	Difference between accounting and statutory employment benefit	(75)
282	Balance 31 March	207

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 13. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure charged in the year is shown in the table below, 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 Capital Financing Requirement (CFR) is made up of the following balance sheet items.

2020-21		2021-22
£'000		£'000
13,606	Opening Capital Financing Requirement 1 April	13,368
	<i>Capital Investment</i>	
1,322	Property, Plant and Equipment	1,635
0	Investment properties	0
1	Intangible assets	0
634	Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,307
	<i>Sources of finance</i>	
0	Capital receipts	0
(1,322)	Government grants and other contributions	(1,719)
0	Sums set aside from revenue and reserves	(99)
(634)	Grants and contributions towards REFCUS	(1,129)
(239)	MRP	(243)
13,368	Closing Capital Financing Requirement 31 March	13,120
31 March 2021		31 March 2022
£'000		£'000
64,104	Property, Plant and Equipment	67,814
32,367	Investment Properties	36,625
34	Intangible Assets	24
0	Assets Held for Sale	0
(39,043)	Revaluation Reserve	(40,277)
(44,094)	Capital Adjustment Account	(51,067)
13,368		13,119

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const- ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2020	61,092	5,780	2,960	3,003	0	0	72,835
Additions	130	56	846	0	290	0	1,322
Disposals	0	0	0	0	0	0	0
Impairment losses	(285)	0	0	0	0	0	(285)
Reclassifications	97	344	(1,012)	(67)	0	0	(638)
Revaluations	119	0	(980)	0	0	0	(861)
Value 31 March 2021	61,153	6,180	1,814	2,936	290	0	72,373
Cumulative Depreciation:							
Opening value 1 April 2020	(405)	(5,317)	(476)	(1,166)	0	0	(7,364)
Charge for the year	(1,758)	(75)	(63)	(23)	0	0	(1,919)
Disposals	0	0	0	0	0	0	0
Reclassifications	(114)	(186)	300	0	0	0	0
Revaluations	1,454	0	0	0	0	0	1,454
Balance 31 March 2021	(823)	(5,578)	(239)	(1,189)	0	0	(7,829)
Net book value 31 March 2021	60,330	602	1,575	1,747	290	0	64,545

NOTES TO THE ACCOUNTING STATEMENTS

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2021	61,153	6,180	1,814	2,936	290	0	72,373
Additions	125	243	1,162	0	50	0	1,580
Disposals		(261)		(2)			(263)
Impairment losses	(68)						(68)
Reclassifications	745						745
Revaluations	1,679						1,679
Value 31 March 2022	63,634	6,162	2,976	2,934	340	0	76,046
Cumulative Depreciation:							
Opening value 1 April 2020	(823)	(5,578)	(239)	(1,189)	0	0	(7,829)
Charge for the year	(1,790)	(72)	(64)	(23)			(1,949)
Disposals		261		2			263
Reclassifications							0
Revaluations	1,282						1,282
Balance 31 March 2022	(1,331)	(5,389)	(303)	(1,210)	0	0	(8,233)
Net book value 31 March 2022	62,303	773	2,673	1,724	340	0	67,813

Assets are revalued on a 5-year programme. The useful economic life of operational land and buildings is also assessed. An annual desktop assessment is also carried out at the end of each financial year, and the values are updated where necessary. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year.

The following table shows the split of the certified valuations for Property plant and equipment across the financial years.

	Land & Buildings	Vehicles Plant etc	Infra-structure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost:		6,162	2,976	2,934	12,072
Carried at fair value as at:					
31-Mar-22	46,688				46,688
31-Mar-21	4,296				4,296
31-Mar-20	4,789				4,789
31-Mar-19	3,131				3,131
31-Mar-18	4,647				4,647
Total cost or valuation	63,551	6,162	2,976	2,934	75,623

NOTES TO THE ACCOUNTING STATEMENTS

Capital Commitments

At 31 March 2022, there were no material capital commitments outstanding

At 31 March 2022 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 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:

2020-21		2021-22
£'000		£'000
(2,351)	Rental income from investment property	(1,437)
573	Direct operating expenses arising from investment property	174
772	Net gains from fair value adjustments	(4,204)
(1,006)	Total	(5,467)

Balance Sheet movements in Investment Properties during the year:

2020-21		2021-22
£'000		£'000
32,501	Balance at start of the year	32,367
0	Additions	55
(772)	Net gains from fair value adjustments	4,204
638	Assets reclassified to Property Plant & Equipment	0
32,367	Balance at end of the year	36,626

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 16. DEBTORS

31 March 2021		31 March 2022
£'000		£'000
	Amounts falling due within one year:	
677	Central government bodies	600
9,710	Central Government bodies - Business rates	2,807
4,746	Other Local Authorities & Public Bodies	8,140
1,942	Other Local Authorities & Public Bodies - business rates	561
0	NHS	15
9,143	All other bodies	8,985
	Less allowances for expected credit losses	
(635)	General Fund debtors	(1,143)
(2,810)	Housing benefit Overpayments	(2,361)
(214)	Council Tax Arrears	(236)
(246)	Business Rates Arrears	(384)
22,313	Total short term debtors	16,984
615	Amounts falling due after one year (all other bodies)	629
22,928	Total Debtors	17,613

NOTE 17. CREDITORS

31 March 2021		31 March 2022
£'000		£'000
	Amounts falling due within one year:	
(22,432)	Central government bodies	(13,758)
(2,564)	Other Local Authorities & Public Bodies	(2,513)
0	Public Corporations	3
(282)	Accumulated Abscences	(206)
(7,328)	All other bodies	(12,861)
(32,606)	Total short term creditors	(29,335)
0	Amounts falling due after one year (all other bodies)	0
(32,606)	Total Creditors	(29,335)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 18. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

	Insurance Fund £'000	Milestone Payments £'000	Business Rates Backdated Appeals £'000	Municipal Mutual Insurance £'000	Total £'000
Balance outstanding at 1 April 2021	(49)	(150)	(1,579)	(9)	(1,787)
Additional provisions made during the year		(676)	(1,374)		(2,050)
Amounts used in the year	0	150	1,524	0	1,674
Balance outstanding at 31 March 2022	(49)	(676)	(1,429)	(9)	(2,164)
Under 1 year	(49)	(676)			(726)
1 year and over			(1,429)	(9)	(1,438)
Balance outstanding at 31 March 2022	(49)	(676)	(1,429)	(9)	(2,164)

The Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision decreased to £1.429m in 2021/22.

The Council has a liability for its share of the milestone payments that were due to Capita at certain stages of the contract. At the 31 March 2022 Havant's share of the liability amounted to £676K.

Contingent Liabilities

There are no contingent liabilities as at 31 March 2022.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 19. CAPITAL GRANTS RECEIPTS IN ADVANCE

31 March 2021		31 March 2022
£'000		£'000
	Amounts falling due within one year:	
0	S106	0
(81)	Other	(379)
(81)	Total short term capital grants received in advance	(379)
	Amounts falling due after one year (all other bodies)	
(2,449)	S106	(4,610)
(1,560)	Other	(1,482)
(4,009)	Total long term capital grants received in advance	(6,092)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 20. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

31 March 2021			31 March 2022	
Book Value	Fair Value		Book Value	Fair Value
£,000	£,000		£,000	£,000
615	615	Financial assets at amortised Cost	629	629
615	615	Long term Assets	629	629
2,215	2,215	Short Term Debtors	2,093	2,093
45,532	45,532	Cash and bank accounts	54,490	54,490
47,747	47,747	Other financial assets at amortised cost	56,582	56,582
48,362	48,362	Total Financial Assets	57,212	57,212
31 March 2021			31 March 2022	
Book Value	Fair Value		Book Value	Fair Value
£,000	£,000		£,000	£,000
(106)	(106)	Public Works Loan Board	(237)	(106)
(6,373)	(6,373)	Short Term Creditors	(5,987)	(5,987)
		Short Term Financial liabilities at amortised cost		
(6,479)	(6,479)		(6,224)	(6,093)
(3,152)	(3,930)	Public Works Loan Board	(2,921)	(3,530)
(3,152)	(3,930)	LongTerm Liabilities at amortised cost	(2,921)	(3,530)
(9,631)	(10,409)	Total Financial Liabilities	(9,144)	(9,623)

The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 17 and 18 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

NOTES TO THE ACCOUNTING STATEMENTS

Valuation Techniques for Fair Values

The fair values valuations have been provided by the Council's Treasury Management advisor, Link Asset Services. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same.

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 2.9 above. The Fair value through the profit and loss assets are assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices).

For loans from the PWLB, valued in line with level 2, new loan rates from the PWLB have been applied to provide the fair value.

Nature and Extent of Risks arising from Financial Instruments

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

- (i) credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- (ii) liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- (iii) market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movement.

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the Annual Treasury Management Strategy Statement and Annual Investment Strategy, which govern the maximum type of investment risk to which the Council can be exposed.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria using the Link Asset Services creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies (Fitch, Moody's and Standard and Poor's) overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score. The minimum score will depend on the type and length of investment as detailed in the Council's Treasury Management Strategy Statement and Annual Investment Strategy. Credit limits are set for each institution where deposits are placed.

The credit criteria in respect of the financial assets held by the Council at 31 March 2022 are summarised below.

- i. All investments will be with approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.
- ii. The total principal funds invested for up to 6 months is 50%
- iii. The total principal funds invested for up to 3 months is 50%
- iv. The total principal funds invested for up to 1 year is 30%
- v. The total principal funds invested for more than 1 year is £10million

A copy of the Annual Treasury Management Strategy Statement Annual Investment Strategy is available on the Council's website.

NOTES TO THE ACCOUNTING STATEMENTS

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2021/22 of past experience:

The council does not generally allow credit for customers such that [£1.542m] is past due for payment. The past due not impaired is analysed as follows'

31 March 2021		31 March 2022
£'000		£'000
989	0-30 days	2,006
54	31-90 days	29
65	91-180 days	36
434	Over 180 days	751
1,542	Total	2,822

Debtors include trade receivables of £2.822m as at 31 March 2022 (£1.542m as at 31 March 2021). The Council has provided £0.870m (31 March 2021 £0.453m) as a general impairment allowance for non-collection of this debt.

Liquidity Risk

The Council has a robust cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowings from the Public Works Loans Board for long term funding and substantial reserves. Interest rate risk is managed through the Council's Medium Term Financial Strategy Reserve. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

31 March 2021	PWLB	31 March 2022
£'000		£'000
102	Less than one year	105
107	Between one and two years	109
605	Between two and five years	355
682	Maturing in five to ten years	696
1,756	Maturing in more than ten years	1,887
3,252	Total	3,152

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest rates on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund balance. The average investment rate for the reported year was 0.07%.

If interest rates had been 1% higher as at 31 March 2022 with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(540)
Impact on Surplus/Deficit on Provision of Services	(540)

NOTES TO THE ACCOUNTING STATEMENTS

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 and affect the General Fund Balance.

NOTE 21. AGENCY SERVICES

Agency Services are services that the authority provides on behalf of another organisation. The Authority acts as an agent for the collection of Council Tax and Business Rates as an agent for major precepting bodies and Central Government. Income and Expenditure relating to these arrangements are disclosed within the Collection Fund outturn. The Authority acts as an agent for the South Downs National Park for certain planning services. The Authority also acts as an agent on behalf of Central Government for the payment of Housing Benefit. The cost of providing Housing Benefit is met from subsidy paid by Government.

Covid Grants paid on agency basis		Income	Expenditure	Repayment of Excess	Total to be re-paid
		£'000	£'000	£'000	£'000
Financial Year: 2020-21					
Local Restrictions Support Grant (Closed) Addendum		(1,675)	991		(684)
Local Restrictions Support Grant (Open)		(228)	23		(205)
Local Restrictions Support Grant (Closed) 5 Jan 21 onwards		(6,174)	3,599		(2,575)
Business Grants		(25,004)	17,298	7,558	(148)
Closed Business Support Payment		(5,022)	2,948		(2,074)
Test & Trace		(314)	87		(227)
TOTAL		(38,417)	24,946	7,558	(5,913)
Covid Grants paid on agency basis	B/f	Income	Expenditure	Repayment of Excess	Total to be re-paid
	£'000	£'000	£'000	£'000	£'000
Financial Year: 2021-22					
Local Restrictions Support Grant (Closed) Addendum	(684)		9	679	4
Local Restrictions Support Grant (Open)	(205)			205	0
Local Restrictions Support Grant (Closed) 5 Jan 21 onwards	(2,575)	0	49	2,516	(10)
Business Grants	(148)	0	(43)	191	0
Closed Business Support Payment	(2,074)	0	27	2,041	(6)
Christmas Support Grants		(32)	26	6	0
Restart Grants		(5,268)	4,229		(1,039)
Omricon Business Grants		(882)	422		(460)
Household Support		(140)			(140)
Test & Trace	(227)	0	0		(227)
TOTAL		(6,322)	4,719	5,638	(1,878)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 22. LEASES –

Authority as Lessee

The Authority may enter into lease arrangements to obtain assets used to provide services as an alternative to purchasing. Additionally, the Authority also leases out assets, for example, to community organisations. Lease arrangements may be finance or operating leases. The purpose of this note is to disclose the nature and extent of the Authority's leasing obligations.

Lease Classifications

Leases are classified either as finance leases or operating leases. A finance lease is an arrangement where substantially all of the risks and rewards that are incidental to ownership of the asset, transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risk and rewards are classified as operating leases. Where an arrangement includes both land and buildings, the land and buildings element are considered separately for classification and leases of land are generally considered to be operating leases.

Authority as Lessee: Finance Leases

The Authority does not lease any of its assets under a finance lease agreement.

Authority as Lessor: Operating Leases

The Authority leases land and property under operating leases for the following purposes:

- For the provision of community services including sports facilities, community centres and village halls.
- For economic development purposes, to provide affordable retail accommodation for local business.
- To provide allotment space for local residents.

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

31 March 2021		31 March 2022
£'000		£'000
2,435	Not later than one year	1,522
8,189	Later than one year and not later than five years	4,879
60,686	Over 5 years	58,366
71,310		64,767

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 23. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2020-21		2021-22
£'000		£'000
325	Members Allowances	319
0	Expenses	1
325		320

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 24. OFFICERS' REMUNERATION AND EXIT PACKAGES

Senior Officer Remuneration

The Council's Senior Employees' remuneration and expenses was as follows:

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Pension Contributions*	Net cost to Havant	Net cost to East Hants	Total Remuneration
	£	£			£
Financial Year: 2020-21					
Chief Executive	139,087	15,972	77,529	79,145	156,674
Director for Regeneration & Place	102,035	10,394	56,214	60,243	116,457
Director for Corporate Services & Chief Finance Officer	105,104	11,005	58,054	60,368	118,422
TOTAL COST	346,226	37,371	191,797	199,755	391,552

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Pension Contributions*	Net cost to Havant	Net cost to East Hants	Total Remuneration
	£	£			£
Financial Year: 2021-22					
Chief Executive*	203,412	23,649	tbc	tbc	227,061
Director for Regeneration & Place*	144,232	17,989	tbc	tbc	162,221
Director for Corporate Services & Chief Finance Officer	106,639	18,555	62,597	62,597	125,194
TOTAL COST	454,283	60,193	62,597	62,597	514,476

* Additional payments were approved for these two officers by EHDC in March 2022. Further payments have been processed in April 2022 which will be represented within the 2022/23 Statement of Accounts.

NOTES TO THE ACCOUNTING STATEMENTS

Salaries over £50,000

2020-21			2021-22
8		£50,000 - £54,999	6
3		£55,000 - £59,999	3
5		£60,000 - £64,999	5
2		£65,000 - £69,999	1
1		£70,000 - £74,999	1
2		£75,000 - £79,999	3
2		£80,000 - £84,999	1
1		£85,000 - £89,999	1
0		£90,000 - £94,999	0
0		£95,000 - £99,999	0
0		£100,000 - £104,999	0
24			21

NOTES TO THE ACCOUNTING STATEMENTS

Exit Packages

2020/21				Banding	2021-22			
Number of exit packages			Cost		Number of exit packages			Cost
Compuls. Redund.	Other departures	Total exit packages	Total		Compuls. Redund.	Other departures	Total exit packages	Total
			£					£'000
0	0	0	0	£0 - £20,000	1	0	1	3
0	0	0	0	£20,001 - £40,000	1	0	1	21
0	0	0	0	£40,001 - £60,000	0	0	0	0
0	0	0	0	£60,001 - £80,000	0	0	0	0
0	0	0	0	£80,001 - £100,000	0	0	0	0
0	0	0	0	£100,001 - £150,000	0	0	0	0
0	0	0	0		2	0	2	24

NOTE 25. EXTERNAL AUDIT COSTS

Fees were payable to EY as the Council's external auditors as follows:

2020-21		2021-22
£'000		£'000
36	External audit services*	38
0	Other services	0
36		38

*Final fees to be agreed

NOTE 26. RELATED PARTIES

The Authority 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 Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are detailed in Note 9.

NOTES TO THE ACCOUNTING STATEMENTS

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 23. During 2021/22, no works or services were commissioned from companies in which Members had an interest. No grants were awarded to organisations in which Members were on the governing body. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members Interests are available for public inspection.

Officers

2020-21 £	Organisation	Nature of control	2021-22 £
114,000	Havant & District Citizens Advice Bureaux	payment of a grant under a service level agreement	0
47,650	Community First	payment of a grant under a service level agreement and a contribution towards the cost of providing meals for the elderly	0
<u>161,650</u>	Total		<u>0</u>

There was no known material related party transaction with officers for 2020/21 or for 2021/22.

Entities Controlled or Significantly influenced by the Authority

A Joint Management structure is established with East Hampshire District Council. Details of the transactions with East Hampshire District Council can be found in Note 24 Officers' remuneration

NOTE 27. INTERESTS IN OTHER ENTITIES

The Council must consider all of its interests in entities and prepare a full set of group accounts where they have material interests in subsidiaries, associates or joint ventures. The following actions are carried out:

- Determine whether the Council has any form of interest in an entity
- Assess the nature of the relationship with the Council
- Determine the grounds of materiality whether group accounts should be prepared.

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have not been prepared.

Norse South East

- NORSE SOUTH EAST LTD is a joint venture between Havant Borough Council and NORSE COMMERCIAL SERVICES LTD (Part of NORSE GROUP – wholly owned by NORFOLK COUNCIL)
- NORSE COMMERCIAL SERVICES LTD own 100% of the A shares – 8 shares of £1 each
- Havant Borough Council own 100% of the B shares – 2 shares of £1 each
- The Shareholders Agreement provides detail on how the directors and board shall operate, and how profit before tax is to be shared (50:50). Havant get their 50% share as a "discount/rebate". The profit after paying this discount back to Havant is subject to Corporation tax and profits net of tax belong totally to Norfolk Council.
- It is considered by all parties that it is a teckal company for both Havant and Norfolk.

Other Partnerships

NOTES TO THE ACCOUNTING STATEMENTS

The Council has an interest in Portchester Crematorium Joint Committee which manages the operations of Portchester Crematorium. The Joint Committee is represented equally by the four constituent authorities, Fareham Borough Council, Havant Borough Council, Gosport Borough Council and Portsmouth City Council. Further information can be obtained from: The Treasurer to the Joint Committee, Civic Centre, Civic Way, Fareham. The accounts of this entity have not been consolidated into the financial statements of the Council. Havant Borough Council's share of the net assets of Portchester Crematorium Joint Committee is £2,437,093 (£2,444,228 in 2020/21). During 2021/22 the Council received £180,000 from the Portchester Crematorium Joint Committee (£180,000 in 2020/21) being its share of the distributable surpluses.

COLLECTION FUND STATEMENT AND NOTES

2020-21 £'000		2021-22 £'000
	<u>Council Tax</u>	
	INCOME	
(72,990)	Income from Council Taxpayers	(77,995)
(483)	s13A relief	0
(73,473)		(77,995)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
53,068	Hampshire County Council	55,973
8,724	Hampshire Police & Crime Commissioner	9,386
2,849	Hampshire Fire & Rescue Authority	2,919
8,642	Havant Borough Council	8,890
	Apportionments of previous year surplus	
(467)	Hampshire County Council	693
(76)	Hampshire Police & Crime Commissioner	114
(26)	Hampshire Fire & Rescue Authority	37
(77)	Havant Borough Council	113
	Bad & Doubtful Debts	
148	Write offs of uncollectable income	138
48	Provision for uncollectable income-addition / (reduction)	204
72,833		78,467
(640)	Movement on Fund Balance - (surplus)/deficit	472
	FUND BALANCE FOR COUNCIL TAX	
(708)	Balance brought forward	(1,348)
(640)	Surplus for year	472
(1,348)	Balance - (surplus)/deficit carried forward	(876)

COLLECTION FUND STATEMENT AND NOTES

2020-21 £'000		2021-22 £'000
	<u>Non-Domestic Rates</u>	
	INCOME	
(15,304)	Income from Ratepayers	(27,023)
	Transitional Relief	(65)
	Apportionments of previous year deficit	
0	Central Government	(11,253)
0	Hampshire County Council	(2,026)
0	Hampshire Fire & Rescue Authority	(225)
0	Havant Borough Council	(9,003)
(15,304)	Total	(49,595)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
17,781	Central Government	17,578
3,201	Hampshire County Council	3,164
356	Hampshire Fire & Rescue Authority	352
14,225	Havant Borough Council	14,062
	Apportionments of previous year surplus	
202	Central Government	0
36	Hampshire County Council	0
4	Hampshire Fire & Rescue Authority	0
162	Havant Borough Council	0
503	Transitional Relief	0
	Bad & Doubtful Debts	
0	Write offs of uncollectable income	0
294	Provision for uncollectable income	343
	Impairments resulting from appeals	
448	Write offs of uncollectable income	0
(1,322)	Provision for uncollectable income	(376)
132	Transfer to General Fund - Cost of Collection Allowance	133
36,022		35,256
20,718	Movement on Fund Balance - (surplus) / deficit	(14,339)
	FUND BALANCE FOR NON-DOMESTIC RATES	
3,076	Balance brought forward	23,794
20,718	(Surplus) / deficit for year	(14,339)
23,794	Balance - (surplus) / deficit carried forward	9,455
	COLLECTION FUND BALANCE	
2,368	Balances brought forward	22,446
20,078	(Surplus) / deficit for year	(13,867)
22,446	Balance - (surplus) carried forward	8,579

COLLECTION FUND STATEMENT AND NOTES

NOTE 1. GENERAL

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax and non-domestic rates) which is a statutory fund separate from the main accounts of the Council, although the elements related to this Council are included within its accounting statements and notes. The account has been prepared on the accruals basis. The costs of administering collection are accounted for within Central Services in the Cost of Services in the Comprehensive Income and Expenditure Statement.

NOTE 2. COUNCIL TAX

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

Band & Value	Number of Chargeable Dwellings Total	Relationship to Band D	Band D Equivalent £
Band A - up to £40,000 (disabled)	0	5/9	3.97
Band A - up to £40,000	8,374	6/9	3061.77
Band B - over £40,000 up to £52,000	14,375	7/9	8414.87
Band C - over £52,000 up to £68,000	13,057	8/9	9758.16
Band D - over £68,000 up to £88,000	9,947	-	8854.58
Band E - over £88,000 up to £120,000	5,698	11/9	6400.78
Band F - over £120,000 up to £160,000	2,482	13/9	3370.51
Band G - over £160,000 up to £320,000	950	15/9	1477.10
Band H - over £320,000	41	18/9	51.79
	54,924		41,393.32
MOD adjustment			54.70
Tax Base			41448.02

The Council Tax Base, as shown in the final column above, assumes a collection rate of 99.5% of the numbers of properties adjusted for discounts.

NOTE 3. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The national multipliers for 2020/21 were:

- 49.9p for qualifying Small Businesses (49.9p in 2020/21)
- 51.2p for other businesses (51.2p in 2020/21) – the standard multiplier

The rateable value as at the 31st March 2022 was £X (£85,112,818 as at 31 March 2021).

GLOSSARY

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

AMORTISATION

The practice of reducing the value of intangible assets to reflect their reduced worth over time.

BUDGET

The Council's policy expressed in financial terms for a specified period.

CAPITAL EXPENDITURE

Expenditure on the provision and improvements of lasting assets such as land, buildings, vehicles and equipment. The Council may also incur capital expenditure on assets that it does not actually own (see Revenue Expenditure Financed from Capital under Statute, below).

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets.

CASH EQUIVALENTS

Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

Standards issued by the accountancy bodies to prescribe approved accounting methods.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that have restrictions on their disposal. Examples include parks and open spaces.

CONTINGENCY

A condition which exists at the Balance Sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CREDITORS

Amounts owed by the Council but not paid at the date of the balance sheet.

DEBTORS

Amounts owed to the Council but unpaid at the date of the balance sheet.

DEFINED BENEFIT SCHEME

A pension scheme under which benefits are payable under regulations, in which the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

GLOSSARY

EARMARKED RESERVES

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors and derivatives and embedded derivatives.

GENERAL FUND

The main revenue account of the Council which contains the revenue income and expenditure of all services provided.

GOVERNMENT GRANTS

Central Government contributions towards local authority expenditure. Examples are Revenue Support grant and Housing Benefit Subsidy.

INFRASTRUCTURE ASSETS

Long-Term Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

INTANGIBLE ASSETS

Identifiable non-monetary assets such as software licences.

INVESTMENT PROPERTIES

Property held solely to earn rentals or for capital appreciation or both

LEASE

An agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time.

PAST SERVICE COST

Discretionary pension benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

PRECEPT

The amount of money the County Council, Sussex Police & Crime Commissioner and the Fire Authority have instructed the Council to collect and pay out of council tax receipts held in the Collection Fund. The Council also pays from its General Fund precepts issued by parish and town councils within the district.

PROPERTY, PLANT & EQUIPMENT (PPE)

Tangible assets that yield up benefit to the Council over more than one accounting period, e.g. Land and Buildings.

PROVISIONS

Sums set aside for any liabilities or losses which are likely to be incurred, but uncertain as to the dates on which they will arise.

GLOSSARY

PUBLIC WORKS LOAN BOARD (PWLB)

A Government financed body which provides a source of long term borrowing for local authorities.

REVENUE EXPENDITURE

Day to day expenditure on the running of services. It includes staff costs, utility charges, rent and business rates, IT and communications and office expenses.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example Disabled Facility Grants.

REVENUE SUPPORT GRANT

A Government grant distributed to local authorities to augment income raised by the council tax. It is centrally determined on a needs basis.

SURPLUS ASSETS

Items of Property Plant and Equipment that are no longer held for council purposes, but are not being actively marketed.

UNUSABLE RESERVES

These are reserves, including those offsetting non-current assets and the negative reserve that offsets the long term pension liability, that are not immediately available to support revenue or capital expenditure.

USABLE RESERVES

These reserves are available to support the Council's expenditure, although the Capital Receipts Reserve and the Capital Grants and Contributions Reserve may only be used for capital purposes.