



**Havant**  
BOROUGH COUNCIL



**FINANCIAL REPORT AND STATEMENT  
OF ACCOUNTS  
2022/23**



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## 1. Introduction

The Statement of Accounts for Havant Borough Council for the year ended 31 March 2023 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 introduced earlier deadlines for publication of the accounts. The deadline for completion of the accounts for 2022/23 is 31<sup>st</sup> May for the unaudited statement of accounts and 30<sup>th</sup> September 2023 for the audited statement of accounts

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 operates in an environment of continuous improvement.

This narrative report is structured as follows:

1. An Introduction to Havant Borough
2. Summary of Achievements
3. Governance
4. Summary of the 2022/23 Financial Performance of the Council
5. Strategic Risks
6. Liability for Pensions Costs
7. Future
8. Material assets/liabilities
9. Explanation of the Financial Statements
10. Acknowledgements

### 1. An Introduction to Havant Borough Council

The Borough of Havant is nestled between the South Downs and the Solent, covering approximately 55km<sup>2</sup> 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 2022-23 the Council has been controlled by a Conservative majority.

The councillors are supported by 243 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 frameworks e.g. financial procedure rules.

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.

Towards the end of 2021/22 a decision was made to end the 12 year partnership with East Hampshire District Council and for each Council to establish their own management team so they could focus on their different strategic

priorities and deliver outcomes for their communities more quickly. Following the formal decision in March 2022, work was undertaken to progress the transition to ensure the ending of shared management arrangements and the establishment of a new management structure which was put in place during the course of 2022/23.

A project team was put in place to manage the transition with three workstreams covering process (finance, policy/governance and ways of working), technology and people. Regular updates were provided to Managers who were leading on transition for their areas and all staff through the staff Intranet (The Fountain). Tools and checklists were produced for managers to work through and a HR managed process was put in place for staff transitioning from shared roles alongside an updated policy on redeployment. A timeline was produced for staff transitioning from each service area into the new structure and this was shared with staff.

The Joint Management Team Agreement (JMTA) was formally ended on 31<sup>st</sup> December 2022, there were some areas of work that remained shared post 31<sup>st</sup> December 2022. These areas have been agreed and managed through separate Inter Authority Agreements for each one and will be reviewed on an ongoing case by case basis as to whether sharing is the most appropriate mechanism.

## **2. Summary of Achievements**

### **The Corporate Strategy**

Havant Borough Council sets out its strategic aims and objectives in its Corporate Strategy. The Corporate Strategy vision is to see a future borough whose communities are economically and socially viable, which is made up of places where people and families want to live, work and enjoy, and whose residents are proud to champion and respect their natural surroundings. 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:

- Wellbeing – the health of our communities
- Pride in place – creating a great place to live, work and enjoy
- Growth – building our future

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 Environment Strategy.

The Council delivered some notable achievements during 2022/23 as summarised below:

- We completed the separation of joint management arrangements and shared services that had been in place with East Hampshire District Council;
- We created a new Corporate Strategy setting out the Council's vision, its priorities over the coming years, and the values and behaviours that the organisation wishes its staff and Councillors to adhere to;
- We re-based our budget mid-year following the separation with East Hampshire District Council and set a more balanced Medium Term Financial Strategy as a result of the work done by the Budget Working Group;
- We recruited a new senior team including new Chief Executive, Chief Finance Officer (s151) and Chief Legal Officer (Monitoring Officer);
- We continued our investment in play areas with a new refurbished play areas in Waterlooville and Emsworth and a major refurbishment of Hayling Island skatepark. Funding was also secured for the further refurbishments of other play parks across the borough;
- We administered the £150 energy rebate scheme for the 43,000 eligible Havant borough households and the Household Support Fund for those facing economic hardship due to inflationary pressures;
- We worked to support Ukrainian refugees and their hosts through English language teaching, opportunities for hosts and refugees to socialise through drop in sessions at Havant Plaza and signposting for counselling services;
- We consulted on our new Local Plan with a series of public consultation exhibitions across the borough;
- The Beachlands area of Hayling Island retained its prestigious Blue Flag Award;
- We secured £1.65 million from the Government's Brownfield Land Release Fund for funding to support town centre regeneration and £1 million in funding from the UK Shared Prosperity Fund for investment in public spaces, job creation and supporting small businesses;
- We opened Brent House, an exciting partnership between Two Saints and the council to provide high quality, temporary housing for those in need;
- We helped to support the borough celebrate the Platinum Jubilee and paid our respects at the sad passing of Her Majesty the Queen.

## Key Business Indicators

The table below contains some of our key corporate performance indicators in 2022-23, with comparison figures from 2021-22. 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	2021-22	2022-23
Business Rates collection rate	89.94%	97.37%
Council Tax collection rate	94.59%	96.36%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	88%	95%
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	85%	86%
All planning applications decided within 26 weeks (above 98%)	99%	93%
Full Building Control plan applications checked within 15 days (over 90%)	88%	95%
Customer Service calls answered within 20 seconds (above 75%)	82%	69%
Homelessness interventions (above 600 for the year)	825	655
Affordable homes delivered	73	154
Freedom of Information requests responded within statutory deadline (above 95%)	95%	97%

### 3. 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.

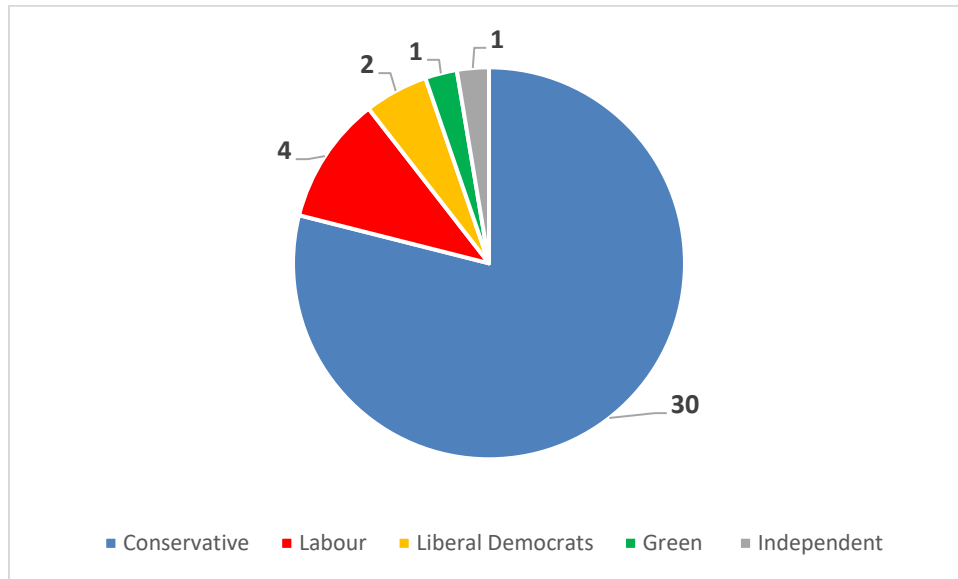
#### The Council

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 overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

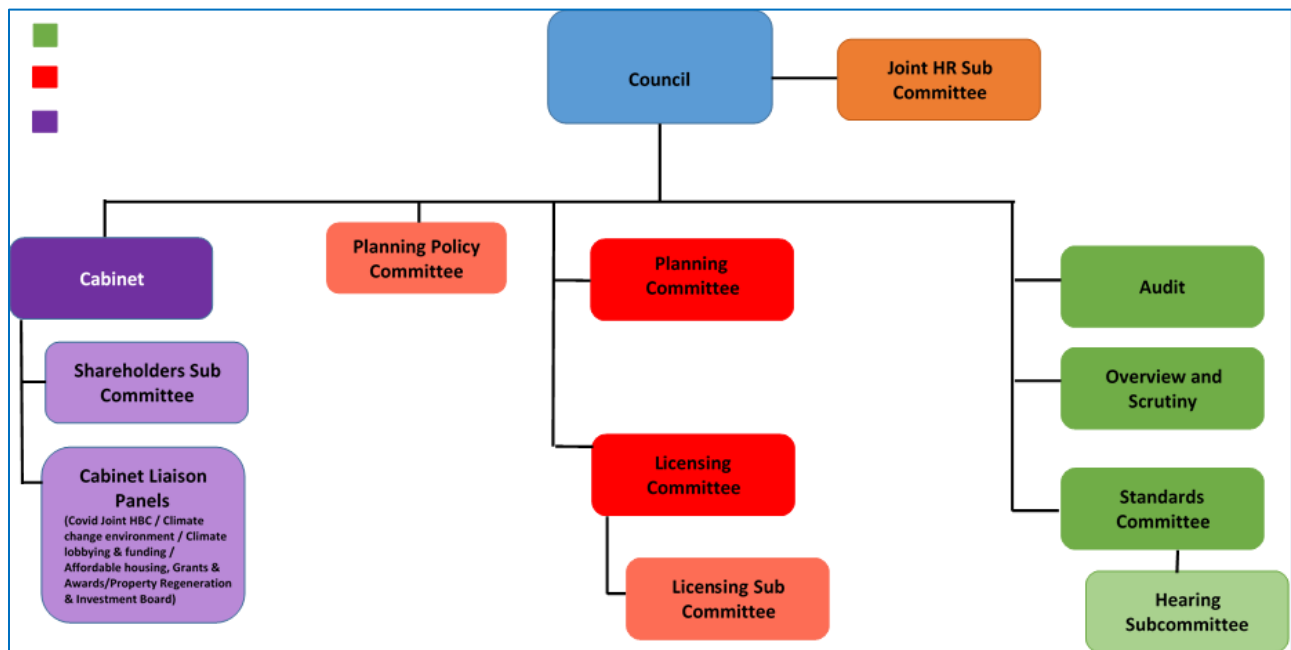
All councillors meet together for Full Council meetings six times a year. These are held in public, and are used to decide the council's overall policies and set the budget each year.





The political make up of the members is shown in the table above (current make up following the 2023 elections)

All the Councillors meet together as Full Council 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 2022/23.



Havant Borough council 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 and Finance Committee**

The Committee is made up of 8 Councillors.

The Committee has 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 fall within the provisions of the council's adopted development plan.

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.

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.- It is also 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 and undertake an overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other remediation 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

### **HR Committee**

The Committee is made up of 8 Councillors.

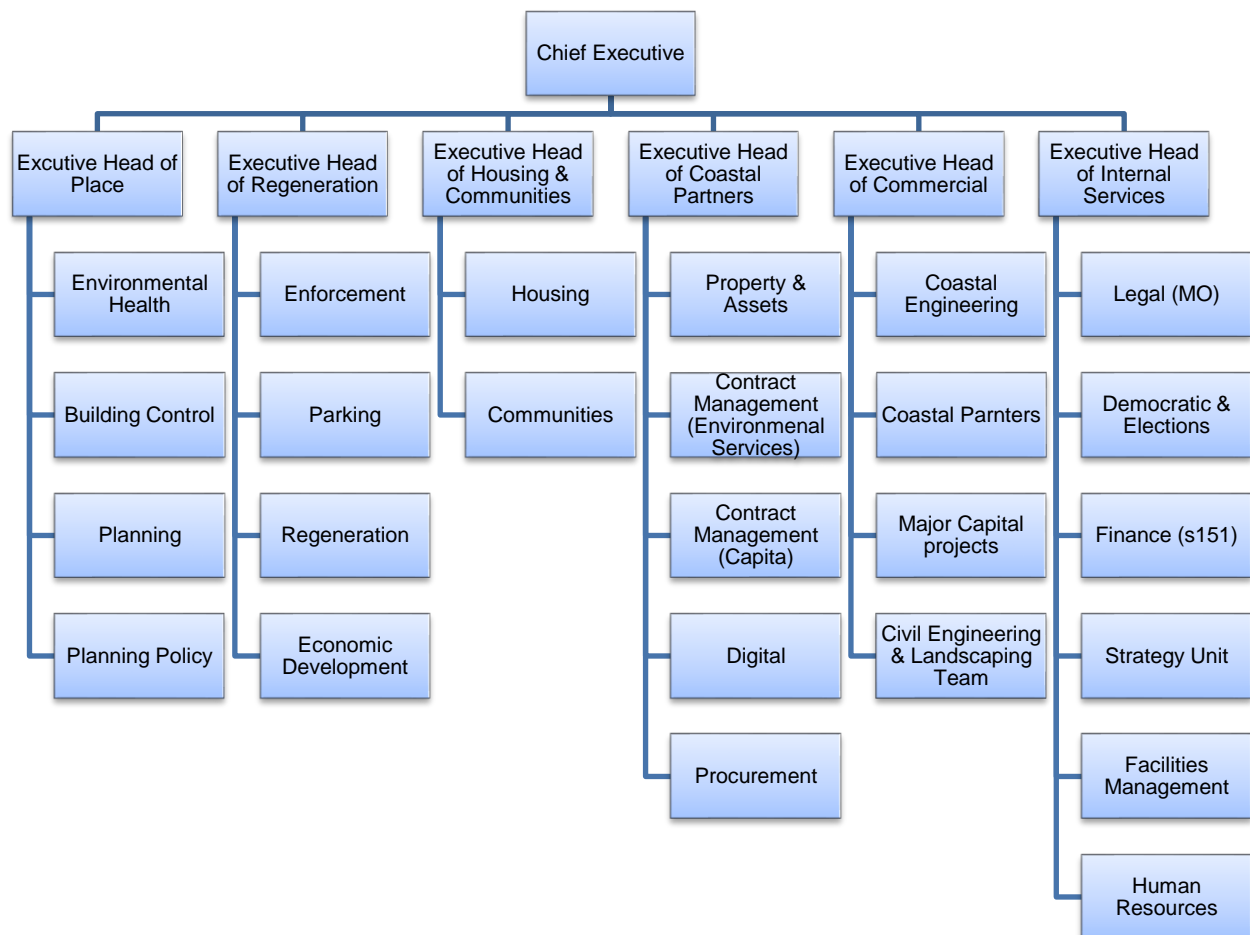
In addition to the above, there are various sub-committees including, Shareholders and Licensing sub-committee which met as required during the year.

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 Leadership 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.



## Staffing

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

Employees	2021/22	2022/23
Total number of current permanent full and part time employees	257	267
Total number of current temporary / fixed term employees	*	39
<b>Total number of employees</b>	<b>257</b>	<b>306</b>
Total number of employees expressed as full time equivalents	230	243

Posts	2021/22	2022/23
Total number of permanent full and part time posts	279	346
Total number of temporary / fixed term posts	*	0
<b>Total number of posts</b>	<b>279</b>	<b>346</b>
Total number of posts expressed as full time equivalents	252	322

\* Not available

Sickness and accident statistics are shown in the table below:

	2021/22	2022/23
Short term sickness (days per FTE)	1.29	2.3
Long term sickness (days per FTE)	4.1	4.19
Overall sickness (days per FTE)	5.4	6.49

#### 4. A Summary of the 2022/23 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.

The General Fund Revenue Budget outturn is a deficit of £583k. The main variances are detailed in the sections that follow:-

Directorate	Service Head	Variance YTD £000	Reasons Variances >100k
<b>Coastal Partnership</b>	Coastal Partners	-115	Vacancies in the year
<b>Commercial</b>	5 Councils Staff and Contract	-404	Vacancies in the year
<b>Commercial</b>	Environmental Services	219	Domestic refuse & recycling income underachieved in the year
<b>Commercial</b>	Property	547	main variance is due to Gas & Electric price increase, agency costs
<b>Internal Services</b>	Executive Office	-373	Exec costs in year covered by transformation reserve
<b>Place</b>	Environmental Health	-134	Vacancies in the year
<b>Regeneration and Communities</b>	Housing	1,033	main overspend due to homelessness/ B&B costs
<b>Regeneration and Communities</b>	Parking	401	Car park income underachieved by 205k and increase in spend on Repairs and Maintenance
<b>Regeneration and Communities</b>	Regeneration & Economic	-553	Transformation monies used to cover project costs

## General Fund: Capital Programme

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

Capital Programme Summary	2022/23 Revised Budget	2022/23 Provisional Outturn	2022/23 Variance (Surplus)/Deficit
	£ (000)	£ (000)	£ (000)
<b>Executive Head of Regeneration and Communities</b>			
Refurbishment of HBC equipped play areas	140	87	(53)
Springwood Play Area	85	0	(85)
Tennis Courts	0	72	72
Hayling Skatepark	200	202	2
Havant Lorry Park	0	494	494
Two Saints	0	71	71
<b>Executive Head of Commercial</b>			
Asset Maintenance Management System	60	0	(60)
UKSPF	25	27	2
<b>Executive Head of Place</b>			0
Disabled Facilities Grant	1,628	1,132	(496)
Nutrient Neutrality Mitigation	250	6	(244)
<b>Executive Head of Coastal Partners</b>			
Warblington Footbridge	300	139	(161)
Hayling Island Beach Management Activities	500	367	(133)
Langstone FCERM	437	430	(7)
Hayling Island Strategy	225	188	(37)
CELT CIL/ S106 Funded Activities	0	124	124
<b>Total Capital Programme</b>	<b>3,850</b>	<b>3,339</b>	<b>(511)</b>
	<b>2022/23 Revised Budget</b>	<b>2022/23 Provisional Outturn</b>	<b>2022/23 Variance</b>
	£ (000)	£ (000)	£ (000)
Funded By:			
External Grants & Contributions	3,720	2,766	(954)
Use of Specific Reserves	130	573	443
Use of Capital Receipts	0	0	0
Borrowing Requirement	0	0	0
<b>Total Funding</b>	<b>3,850</b>	<b>3,339</b>	<b>(511)</b>

## 5. 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. Strategic risks are reported quarterly to the Audit & Finance Committee.

## **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 £36.495 million at 31st March 2022 to £10.439million at 31st March 2023. It is detailed in Note 8 to the accounts. Gross liabilities have decreased by £24.657 million mainly due to changes in the financial assumptions, and the fair value of assets has decreased by £9.735 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](http://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:-



**General Fund Summary**  
**2023/24 to 2025/26 Medium Term Financial Strategy**

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s
<b>Expenditure</b>					
Head of Coastal Partnership	436	436	436	436	436
Head of Commercial	7,009	5,969	5,919	5,919	5,919
Head of Internal Services	4,500	5,000	5,000	5,000	5,000
Head of Place	1,899	1,704	1,704	1,704	1,704
Head of Regeneration & Communities	750	550	500	450	450
Management Team	1,039	1,039	1,039	1,039	1,039
<b>Total Cost of Services</b>	<b>15,633</b>	<b>14,698</b>	<b>14,598</b>	<b>14,548</b>	<b>14,548</b>
Salary Inflation	-	496	1,007	1,533	2,059
	2				
<b>Total Cost for Services</b>	<b>15,633</b>	<b>15,194</b>	<b>15,605</b>	<b>16,081</b>	<b>16,607</b>
<b>Funding</b>					
Business Rates Retention	(4,900)	(5,200)	(5,300)	(5,500)	(5,700)
Council Tax	(9,591)	(9,783)	(9,978)	(10,178)	(10,382)
New Homes Bonus	(405)				
Service Grant	(130)				
Core Spending Power	(300)				
Other Grants	(151)	(151)	(151)	(151)	(151)
Revenue Support Grant	(156)				
<b>Total Income</b>	<b>(15,633)</b>	<b>(15,134)</b>	<b>(15,429)</b>	<b>(15,829)</b>	<b>(16,233)</b>
<b>Total deficit/(Surplus)</b>	<b>0</b>	<b>60</b>	<b>176</b>	<b>252</b>	<b>374</b>

## Capital Strategy 2023/24

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 2023/24 was approved by Full Council in February 2023 and is available on the Council's website. The Capital Programme for 2023/24 to 2027/28 was prepared to mirror the 5 year timeframe of the MTFs.

[HBC capital programme 2324.xlsx \(modern.gov.co.uk\)](#)

## 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.

**Steven Pink**

**Chief Finance Officer (S151 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  
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### Introduction

The Leader of the Council (Councillor Alex Rennie) and Chief Executive (Steve Jordan) 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 the 2022-23 financial year.

### 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 aims and aspirations 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 aspirations, 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 strategic aims and aspirations 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 Executive Leadership Team which comprises the Chief Executive, Executive Heads, Chief Finance Officer (Section 151 Officer) and the Monitoring Officer. The Executive Leadership Team is further supported and provided with assurance by:

- a) the Corporate Governance Board, which provides oversight of decision reports going forward to Cabinet, Council and committees through peer review, problem solving and check against strategic fit.
- b) the Information Governance Steering Group, chaired by the Senior Information Risk Officer, which provides oversight on data protection, information security and information risk.

### Governance during the transition from shared management to a standalone Council

Towards the end of 2021-22 Havant Borough Council agreed with East Hampshire District Council to end their 12 year partnership and establish their own management teams so they could focus on their different strategic priorities and deliver outcomes for their communities

# ANNUAL GOVERNANCE STATEMENT

more quickly. 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 remained in post for the remainder of 2022-23.

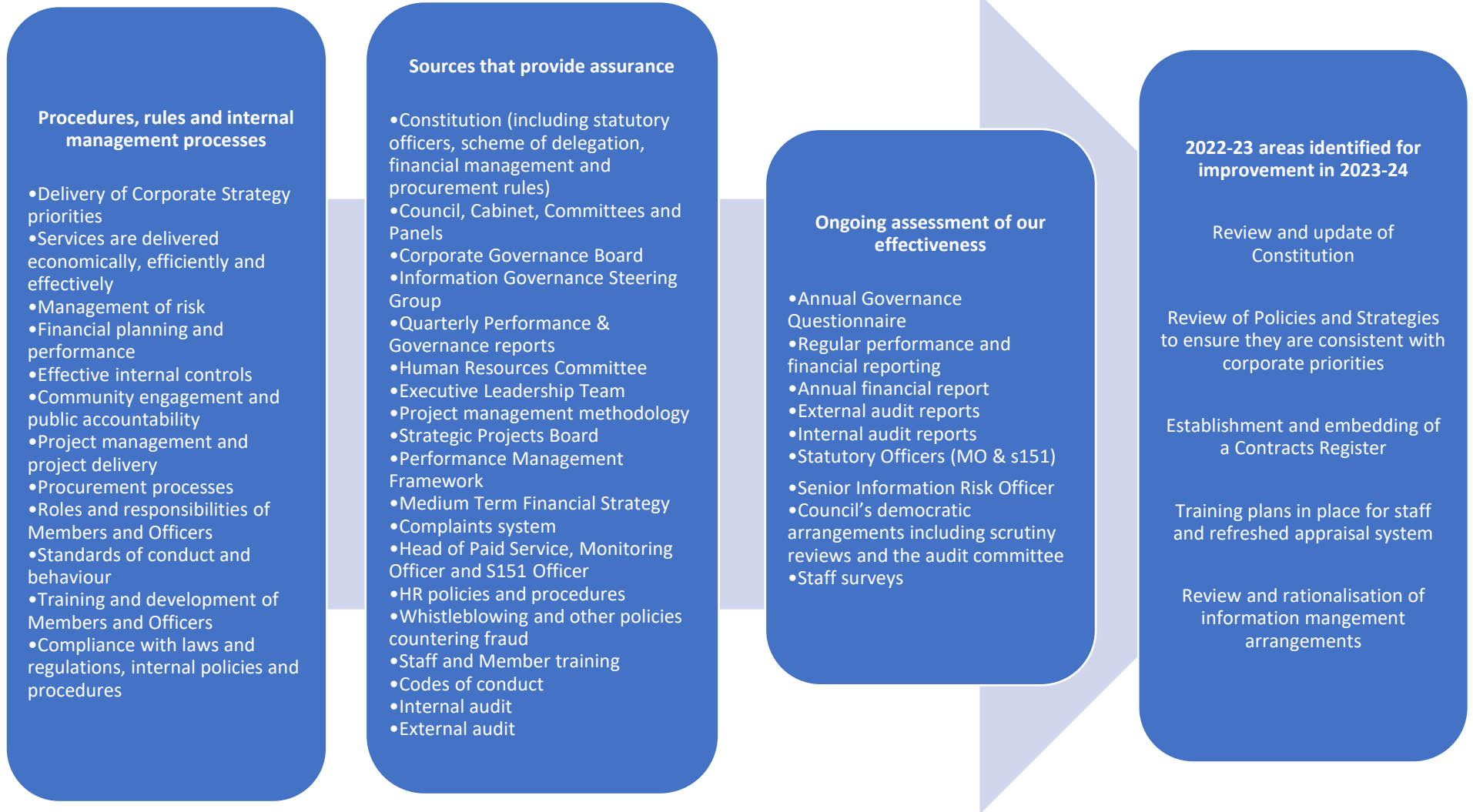
Following the formal decision in late March, work was undertaken to progress the transition to ensure the ending of shared management arrangements and the establishment of a new management structure which was put in place during the course of 2022/23. In the 2021-22 AGS, an area for improvement was identified as the management of the transition, ensuring the right governance process was in place for a smooth transition.

A project team was put in place to manage the transition with three workstreams covering process (finance, policy/governance and ways of working), technology and people. Regular updates were provided to Managers who were leading on transition for their areas and all staff through the staff Intranet (The Fountain). Tools and checklists were produced for managers to work through and a HR managed process was put in place for staff transitioning from shared roles alongside an updated policy on redeployment. A timeline was produced for staff transitioning from each service area into the new structure and this was shared with staff.

The Joint Management Team Agreement (JMTA) was formally ended on 31<sup>st</sup> December 2022, there were some areas of work that remained shared post 31<sup>st</sup> December 2022. These areas have been agreed and managed through separate Inter Authority Agreements for each one and will be reviewed on an ongoing case by case basis as to whether sharing is the most appropriate mechanism.

## How do we know it is working?

The annual process that we use to maintain and review effectiveness of our governance arrangements is outlined below:



## 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><a href="#">Councillor Code of Conduct</a>  <a href="#">Staff Code of Conduct</a></p> <p><a href="#">Standards Committee</a></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. The Constitution will be reviewed and updated to reflect the Council operations and structure during 2023-24.</p>	<p><a href="#">Audit &amp; Finance Committee</a></p> <p><a href="#">Constitution</a></p>
<p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions.</p>	<p><a href="#">Anti Fraud &amp; Corruption Policy including Fraud Response Plan</a>  <a href="#">Whistleblowing Policy</a></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><a href="#">Declarations of interest</a></p>
<p>The Council has in place a complaints procedure including weekly reminders to relevant managers responsible, on the progress of cases. The ultimate arbiter of complaints for Local Government is the Local Government Ombudsman. This body reports performance annually.</p>	<p><a href="#">Complaints procedure</a></p> <p><a href="#">Havant Borough Council - Local Government and Social Care Ombudsman</a></p>
<p>The Council has a Monitoring Officer who is a member of the Executive Leadership 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.</p>	<p><a href="#">Management structure</a></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 UK GDPR legislation.

## B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

### How the Council meets these principles

### Where you can see Governance in action

The Council has laid out its purpose, strategic aims and aspirations 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 2022-23 the Corporate Strategy received a comprehensive refresh and a new, updated Strategy was produced and approved by full Council.

[Corporate Strategy](#)

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.

[Freedom of Information](#)

[havant.gov.uk/publication-scheme/transparency](http://havant.gov.uk/publication-scheme/transparency)

[Committees and Papers](#)

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. Meetings are held face to face and are livestreamed for the public to view.

[Resident Views](#)

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 2023-24. The Council has an online panel of residents who volunteer to take part in questionnaires and polls to express their views on council services and the local area.

[HBC Facebook](#)  
[Twitter](#)  
[Instagram](#)

In addition, 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.

<http://www.havant.gov.uk/>

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. The website will be reviewed and upgraded during 2023-24.

<http://www.havant.gov.uk/accounts>

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.

<http://norsesoutheast.co.uk/>

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 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.

### C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<p>A new Corporate Strategy has been developed and was approved in February 2023; the new Corporate Strategy contains the following themes:</p> <ul style="list-style-type: none"> <li>• Wellbeing – the health of our communities</li> <li>• Pride in Place – creating a great place to live, work and enjoy</li> <li>• Growth – building our future</li> </ul> <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. The Council is committed to moving towards a Software-as-a-Service (SaaS) solution for business IT systems as they markedly reduce the maintenance required by Council staff and ensure that staff have access to the latest features and functionality. SaaS products also help reduce the service deliverability risk in business continuity planning for wider infrastructure disruption scenarios.</p> <p>The Council takes an annual approach to strategic planning, business planning and budget setting, underpinned by 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 the</p>	<p><a href="#">Corporate Strategy</a></p> <p><a href="#">Digital Strategy</a></p> <p><a href="#">Council Budget</a></p>

<p>aspiration, aims, initiatives and benefits are listed under each theme. Each service's Key Performance Indicators are monitored corporately and reported to the Executive Leadership Team on a quarterly basis to ensure that the objectives in the Corporate Strategy are on target. Financial forecasts are submitted to the Executive Leadership Team and quarterly to Councillors alongside the quarterly performance report. We monitor and track performance through our Corporate Performance Scorecard which is published on our website</p>	<a href="#">Corporate Performance</a>
<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. For example through our online residents panel.</p>	<a href="#">Resident Views</a>

**D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<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>	<a href="#">Medium Term Financial Strategy</a>
<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 Cabinet lead. This process has been significantly improved in recent years to increase the robustness of decision making.</p>	<a href="#">Council Decisions</a>
<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>	<a href="#">Complaints procedure</a>
<p>The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p>	<a href="#">Internal audit</a>
<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>	<a href="#">Overview &amp; Scrutiny Committee</a>

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.

Our Corporate Strategy considers the outcomes of our priorities and this is shown in both the strategy and our corporate performance reporting.

#### 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

During 2022-23 the Council moved away from its shared management arrangements with East Hampshire District Council. The result was that Havant Borough Council put in place a new organisational structure and recruited a new senior team. The new Executive Leadership Team was recruited throughout 2022-23 and an acting Chief Executive was in place for the full year prior to the new Chief Executive joining.

[Management structure](#)

In addition, a new set of values and behaviours for the Council was established and these are referenced in the new Corporate Strategy. The values and behaviours were used as a basis for recruitment to the new Executive Leadership team and will be used going forward for both recruitment and as part of objective setting for staff.

The Council has a performance management framework which includes a comprehensive induction programme for new starters. Performance appraisal processes for all employees include objective setting, regular 1:1 meetings and all staff must complete an end of year appraisal discussion. In 2022-23 mandatory e-learning courses were introduced for all staff (including health and safety, equality and diversity and GDPR), alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services. In 22/23, elements of this, relating to objective setting and use of the MyView tool, were paused to allow teams to focus on exit from the partnership with East Hampshire District Council, maintaining service stability and completing transition activities. All processes, including year end reviews, have been reinstated, though in amended form. This will be embedded over the course of 23/24.

[Councillor Competency Framework](#)

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 includes 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.

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 term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.

## 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

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.

[Council structure](#)

There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out its 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.

[Committee structure](#)

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.

[Forward Plan](#)

Risk is considered and recorded 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 Executive Leadership Team and to Cabinet. Performance indicators clearly link individual services to the corporate objectives and include details of national and local performance indicators and risk. Performance indicators are reviewed annually to ensure they continue to be relevant and stretching.

[Corporate Risk Policy](#)

The Council's budget report contains a summary of the budget that was set for Havant Borough Council for 2022-23, as approved by the Council on the 23rd February 2022. 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. 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. A refreshed budget and updated Medium Term Financial Strategy was approved by full Council in mid 2022. The refreshed Medium Term Financial Strategy resulted in a more balanced position going forward than had previously been the case and this was as a result of the work that was completed by the Budget Working Group. The most recent budget for year 2023-24 was approved by the Council on the 22nd February 2023.

Procurement frameworks are in place for the purchase of goods and services and to ensure all contracts are appropriately procured and managed. Details on procurement are published on our website as well as data about the contracts that the council has with external suppliers.

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 is 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 were reviewed in 2022-23 with a particular focus on reviewing Council papers going forward for decision to ensure they were robust and provided the necessary information for Councillors to make an informed decision.

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. In addition, a Policy Register was prepared during the year in order to provide oversight of all policies at the Council.

[Procurement | Havant Borough Council](#)

[Governance | Havant Borough Council](#)

[Local Code of Corporate Governance](#)

[Policy Hub](#)

## 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

The Council complies with data protection legislation, which includes UK GDPR (UK General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This ensures that such processing is carried out

[Data Protection](#)

fairly, lawfully, and transparently. The Council reviews and supplements its policies, and also keeps its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued from time to time by the Information Commissioner.

The Council ensures that officers handling personal data are trained to an appropriate level in the use and control of personal data. It is made clear that all staff and Members are personally accountable for using the Council's information responsibly and appropriately. All staff must undertake protecting information e-learning training, and this forms part of the induction process for new staff. Data protection also forms part of the induction programme for new Members and new staff.

The council believes in the importance of publishing as much data as possible and as part of our transparency we routinely publish and keep updated information on apprenticeships, business rates, contract spend, property assets, parking income and expenditure, monthly payments over £500.

Information Governance is overseen by the Information Governance Steering Group chaired by the Executive Head of Internal Services who is the Senior Information Risk Officer for the Council (SIRO).

The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.

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 Executive Leadership Team through the quarterly governance report. Risks rated as above the risk threshold are reported as part of the quarterly performance report to Councillors at the Audit & Finance Committee.

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. The Audit and Finance Committee approves the Statement of Accounts.

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.

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

[Transparency | Havant Borough Council](#)

[Statement of Accounts](#)

[Audit and Finance Committee](#)

[Full Council](#)

[Internal audit](#)

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.

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.

## 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
<b>Political leadership</b>	<ul style="list-style-type: none"> <li>A new Corporate Strategy covering the period from 2022 to 2026 was developed and approved during 2022-23, 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, aims and aspirations of the organisation and provides a framework for putting the Council's resources to best use.</li> <li>During the year the Overview &amp; Scrutiny Committee considered numerous items, including the Climate Environment Action Plan, paperless meetings, business grants during Covid-19, Housing Development strategy, Regeneration Strategy, Future ICT infrastructure provision, the annual budget and Southern Water discharges.</li> </ul>
<b>Officer leadership</b>	<ul style="list-style-type: none"> <li>During the year officers worked with Councillors on the development of the new Corporate Strategy in addition to considerable work on development of a new set of values and behaviours for the organisation.</li> <li>A new organisational structure was put in place to reflect the move away from shared management and a new Executive Leadership team was recruited.</li> <li>Updates are provided to Audit and Finance Committee through the quarterly performance and governance reports which have undergone significant improvements during 2022-23 both in format (through the use of PowerBi) and content, with an extended range of quantitative performance indicators now being included.</li> <li>The Corporate Governance Board Terms of Reference were reviewed to reflect the new management arrangements in place during 2022-23 and to act as a final point of review for any decision making papers going forward.</li> </ul>
<b>Internal assessment and monitoring</b>	<ul style="list-style-type: none"> <li>There are regular reporting arrangements in place regarding the financial affairs of the Council with financial performance being reported on a quarterly basis to Members.</li> <li>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.</li> <li>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</li> <li>The results of the questionnaire highlighted the following:</li> </ul>

- 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:
  - Regular meetings between managers and staff
  - Compliance with FOI procedure
  - Welcoming peer challenge, audit review and implementing recommendations
- Areas for improvement:
  - Training plans in place for all staff
  - Completion of mandatory e-learning
  - Awareness of structure of the council
  - Induction of new staff
- These are likely to have been influenced by the split from EHDC and the subsequent need to re-establish a standalone HR function.
- Compared to previous years there are several areas which have improved, and these are; engaging with members (46% to 62%), use of evidence based decision making (27% to 43%), welcoming peer challenge (42% to 62%) and seeking feedback from stakeholders (29% to 46%).
- In addition, due to the work on values and behaviours, 100% of respondents said they feel able to raise any issues of improper or unethical behaviour.

Areas that scored poorly in the questionnaire will be targeted with a programme of improvements throughout 2023-24 and the questionnaire will be repeated to see if any trends can be identified.

**Chief Finance Officer (s151)**

The Chief Finance Officer (S151) is the Responsible Financial Officer and is a member of the Executive Leadership Team. They are responsible for delivering and overseeing the financial management arrangements of the Council.

The main channels used by the s151, to ensure and assure effectiveness over 22/23 were:

- Active participation in the Transition Programme overseeing exit from arrangements with East Hampshire District Council, with specific focus on ensuring the Council was in a strong financial position on separation.
- Reviewing and resetting the budget for 22/23 to reflect the move to a standalone council
- Working with the Budget Working Group to reset the Medium Term Financial Strategy to ensure the Council was in a stronger financial position going forward
- Setting the new structure and recruitment to the new finance team as well as recruitment of the new s151.

**Chief Legal Officer (MO)**

The Chief Legal Officer (Monitoring Officer) is a member of the Executive Leadership Team whose role in the organisation is to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and to be responsible for the operation of the council's constitution.

The main channels used by the s151, to ensure and assure effectiveness over 22/23 were:

- Active participation in the Transition Programme overseeing exit from arrangements with East Hampshire District Council.
- Establishment of a new Legal Partnership with Southampton City Council to provide legal services to the Council
- Resetting of the Corporate Governance Board to ensure decision papers going forward were robust and considerate of all relevant issues



- Introduced a new decision making process 'Say, Write, Decide' to provide clarity to the organisation on how decisions are made
- Recruitment of the new MO

**Senior Information Risk Owner (SIRO)**

The Senior Information Risk Officer for the Authority is the Executive Head of Internal Services. This role is supported by deputies, nominated from time to time. The role of the SIRO includes the following:

- Lead and foster a culture that values and protects information, and ensures its use for public good.
- Ensure there is a plan to achieve and monitor the right culture across the organisation. Takes step to ensure that plan is delivered.
- Ensures that the organisation has key staff in place, who are skilled and supported.
- Oversees effective responses to security incidents.
- Own the information risk policy and risk assessment process, ensuring regular update and review of the risk register.

The main channels used by the SIRO, to ensure and assure effectiveness over 22/23, were:

- Completion of formal training in the role
- Close working with key roles such as the Governance Manager, Data Protection Officer and Information Governance Team, and the Digital Services Manager (on cyber security).
- Active participation in the Transition Programme overseeing exit from arrangements with East Hampshire District Council, with specific focus on data protection, information security, information management and post transition agreements in this space.
- Monitoring of risks and information governance performance, via formal Authority mechanisms for these areas.
- Establishment and promotion of a new Information Governance Steering Group, who members include the Monitoring Officer, the Data Protection Officer, the Chief Policy Officer and IT. This met for the first time in April 2023, and is focussing on a new work plan for the coming year.
- Participation as a standing member and attendee of the Executive Leadership Team and Cabinet Briefing, ensure that information risk items can be, and are, tabled at the highest governance levels in the Authority. This ensures that the SIRO is a 'Board' level officer, as needed.

**Internal audit**

- 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.
- Any outstanding management actions are reported to the Executive Leadership Team to ensure that these are escalated where necessary and completed within a reasonable timescale.
- The Southern Internal Audit Partnership delivered 9 internal audit opinions over the course of the year ending 31 March 2023 with 2 'substantial' assurance reports, 6 'reasonable' assurance reports, 1 '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**

- 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.

## Last year's key improvement areas

In the 2021-22 Annual Governance Statement, three key issues were identified for improvement. Below are the issues and actions taken during 2022-23.

Improvement area	Issue of concern	Objective and actions taken
<b>Ensure a smooth transition to a standalone Council with appropriate governance in place</b>	<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>	<p>New structure was established and put in place and recruitment completed to those teams where vacancies existed.</p> <p>Workstreams were put in place to ensure people, processes and technology were reviewed and necessary action taken as part of the transition</p> <p>The vast majority of services were operating as standalone in time for the ending of the JMTA in December 2022 and work on the transfer of data continues.</p> <p>A small number of services continue to be shared into 2023, pending further decision and transition arrangements – these are covered by separate Inter Authority Agreements. Project closure documentation was completed and transition risk removed from Corporate Risk Register</p>
<b>Review of the 2022/23 budget and MTFS</b>	<p>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.</p>	<p>The MTFS Budget Working Group concluded its work with a report to Full Council on 16 November 2022 and a new rebased budget and updated MTFS which provided a much stronger base for the Council to operate. The budget was further reviewed and updated as part of the annual budget setting in February 2023.</p> <p>The overall risk on the MTFS has been reduced on the Corporate Risk Register and will be reviewed regularly in line with financial reporting.</p> <p>Internal Audit reviewed the Financial Stability of the Council during 2022-23 and gave a 'substantial' assurance with no management actions identified</p>
<b>Establishment of corporate governance arrangements</b>	<p>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.</p>	<p>Corporate Governance Board met fortnightly to discuss reports coming forward for decision.</p> <p>Rigorous recruitment process undertaken to appoint to Executive Leadership team completed during the year.</p> <p>Constitution review work was not completed and would be taken forward during 2023-24</p> <p>Internal audit reviewed governance arrangements during 2022-23 and gave a 'substantial' assurance rating and no management actions identified.</p>

Progress of the above actions was monitored during the year with quarterly reporting to Executive Leadership Team and Audit & Finance Committee.

## 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 2023-24.

Issue of concern	Key improvement	Lead officer	Action required
<b>Review and update of Constitution</b>	The Constitution is required to be updated and reviewed as a result of the ending of the JMTA with East Hampshire District Council and the need to provide greater clarity to officers around the Scheme of Delegation in place for decision making.	Chief Legal Officer (MO)	Review of Constitution Updated Scheme of Delegation Training for officers and members on the new Constitution Clear guidance provided on decision making process
<b>Review of policies and strategies to ensure they are consistent with corporate priorities</b>	There are a number of policies and strategies which have not been updated for a number of years and need to be reviewed. A robust Policy Register needs to be fully embedded across the organisation to capture those policies/strategies which require review.	Chief Policy Officer and Chief HR Officer	Policy Register in place and being maintained Review of critical policies and strategies that need updating Update of internal HR policies
<b>Establishment and embedding of a Contracts Register</b>	The Council has identified the need to put in place a more robust system for monitoring and review contracts when they are due for renewal.	Executive Head of Commercial	Contracts Register in place and being maintained Appropriate reporting of Contracts coming up for renewal
<b>Training plans in place for staff and refreshed appraisal system</b>	Highlighted within the AGS questionnaire as an area for improvement was to ensuring appropriate training plans are in place for officers. In addition, there is a requirement to ensure that officers have a clear link with our corporate priorities and their objectives through a refreshed appraisal system is required.	Chief HR Officer	Training plans discussed with all staff and training needs highlighted Refreshed appraisal system rolled out to all staff Monitoring of completion of objective setting, mid-year reviews and end of year reviews.
<b>Review and rationalisation of information</b>	This is has two drivers:	Executive Heads of Internal	Review and reinforcement of retention schedules. A physical document review and clear out.

<b>management arrangements</b>	<ul style="list-style-type: none"> <li>• To address issues identified following the transition exercise, in regard to the volume, location and form of information held.</li> <li>• To prepare the ground for re-procurement of the IT solution, and a firm move to further cloud based solutions.</li> </ul>	Services & Commercial	Generation of an appropriate, cloud based, information management and document management structure.
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## Annual Governance Statement (contd)

### 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

Steve Jordan  
Chief Executive - HBC

Alex Rennie  
Council Leader - HBC

**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 36 to 98 give a true and fair view of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

**Steven Pink**

**Chief Finance Officer (S151 Officer)**

### **Approval of Accounts**

The accounts will be presented to the Audit and Finance Committee on the 30<sup>th</sup> October 2023 and when approved will be authorised by the Chairman of the Committee Councillor Diamond.



**Comprehensive Income and Expenditure Statement**

2021-22			2022-22			
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Director of Corporate Services</b>			
475	-418	57	5 Councils Staff and Contract	288	-50	238
820	-75	745	Executive Office	2,866	-1,159	1,707
1,411	-359	1,052	Head of Legal	1,167	-124	1,043
764	-107	657	Head of Organisational Development	782	-46	736
3,793	-420	3,372	Head of Programmes Redesign	3,371	-184	3,187
30,249	-26,087	4,162	Head of Customer Services	26,079	-23,249	2,830
12,268	-7,444	4,824	Head of Strategic Commissioning	12,958	-7,126	5,833
1,670	-297	1,374	Head of Finance	1,579	-349	1,230
			<b>Director of Regeneration and Planning</b>			
4,977	-3,913	1,064	Head of Coastal Partnerships	5,516	-4,557	959
3,181	-3,075	105	Head of Neighbourhood Support	3,266	-2,990	276
3,006	-1,566	1,441	Head of Housing	3,844	-1,887	1,957
2,403	-1,352	1,051	Head of Planning	2,924	-1,230	1,694
1,243	-507	735	Head of Community Engagement	1,109	-205	905
1,374	-1,377	-3	Head of Property	2,215	-1,420	794
770	-283	487	Head of Regeneration (South)	1,645	-1,027	619
21	0	21	Other Operating I&E	22	0	22
<b>68,424</b>	<b>-47,280</b>	<b>21,144</b>	<b>Cost of Services</b>	<b>69,633</b>	<b>-45,603</b>	<b>24,031</b>
0	0	0	Loss/(Gains) on the disposal of assets	0	0	0
0	0	0	<b>Other Operating Expenditure</b>	0	0	0
1,026	0	1,026	Net interest on defined pension liabilities	930	0	930
0	-35	-35	Interest receivable and similar income	0	-700	-700
144	0	144	Interest payable and similar expensesd	126	0	126
0	-4,204	-4,204	Changes in fair value of investment properties	0	-956	-956
174	-1,437	-1,263	Income and expenditure in relation to investment properties	159	-1,448	-1,290
<b>1,344</b>	<b>-5,676</b>	<b>-4,333</b>	<b>Financing and Investment Income and Expenditure</b>	<b>1,215</b>	<b>-3,105</b>	<b>-1,890</b>
0	-9,298	-9,298	Council Tax Income	66	-8,753	-8,687
9,720	-10,166	-446	Non Domestic Rates	0	-1,278	-1,278
0	-6,236	-6,236	Non-ringfenced government grants	0	-3,913	-3,913
0	-6,374	-6,374	Capital grants and contributions	-4,145	0	-4,145
<b>9,720</b>	<b>-32,075</b>	<b>-22,355</b>	<b>Taxation and non-specific grant income and expenditure</b>	<b>-4,079</b>	<b>-13,944</b>	<b>-18,023</b>
<b>79,487</b>	<b>-85,031</b>	<b>-5,543</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>66,769</b>	<b>-62,652</b>	<b>4,117</b>
		-2,962	Surplus on revaluation of non-current assets.			-1,970
		-15,317	Remeasurement of the net defined benefit pension liability			-29,082
		<b>-18,279</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-31,052</b>
		<b>-23,822</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-26,935</b>

## Movement in Reserves

2021/22	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
Balance at 1 April 2021	-3,510	-19,798	-10,319	-15,876	-49,503	-25,608	-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 - note 6	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 - note 11	-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	<b>-3,356</b>	<b>-13,426</b>	<b>-10,319</b>	<b>-20,530</b>	<b>-47,631</b>	<b>-51,311</b>	<b>-98,942</b>

2022/23	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
Balance at 1 April 2022	-3,356	-13,426	-10,319	-20,530	-47,632	-51,311	-98,942
Movement in Reserves in 2022/23:							
Surplus (deficit) on the provision of services (accounting basis)	4,117	0	0	0	4,117	0	4,117
Other Comprehensive Income and Expenditure	0	0	0	0	0	-31,052	-31,052
Total Comprehensive Income and Expenditure	4,117	0	0	0	4,117	-31,052	-26,935
Adjustments between accounting and funding basis under regulation - note 6	2,799	0	0	-2,506	293	-293	0
Net increase/decrease before transfers to Earmarked reserves	6,916	0	0	-2,506	4,410	-31,345	-26,935
Transfers to/from Earmarked reserves - note 11	-5,816	5,816	0	0	0	0	0
Increase/(Decrease) in Year	1,100	5,816	0	-2,506	4,410	-31,345	-26,935
Balance at 31 March 2023	<b>-2,256</b>	<b>-7,610</b>	<b>-10,319</b>	<b>-23,036</b>	<b>-43,222</b>	<b>-82,656</b>	<b>-125,877</b>

<b>Balance Sheet</b>			
31-Mar-22	Balance Sheet		31-Mar-23
£'000			£'000
67,814	Property, Plant and Equipment	<i>Note 14</i>	68,878
36,625	Investment Properties	<i>Note 15</i>	38,076
24	Intangible Assets		16
0	Long Term Investments		8,593
0	Investment in Associate		0
629	Long Term Debtors	<i>Note 16</i>	54
<b>105,092</b>	<b>LONG TERM ASSETS</b>		<b>115,617</b>
0	Assets Held for Sale		0
16,984	Short Term Debtors	<i>Note 16</i>	9,791
0	Inventories		0
0	Short Term Investments	<i>Note 20</i>	30,259
54,489	Cash and Cash Equivalents		9,346
<b>71,473</b>	<b>CURRENT ASSETS</b>		<b>49,396</b>
-29,335	Short Term Creditors	<i>Note 17</i>	-15,142
0	Bank Overdraft		0
-726	Provisions	<i>Note 18</i>	-646
-237	Short Term Borrowing	<i>Note 20</i>	-231
-379	Capital grants receipts in advance	<i>Note 19</i>	-2,115
<b>-30,677</b>	<b>CURRENT LIABILITIES</b>		<b>-18,134</b>
-6,092	Capital grants receipts in advance	<i>Note 19</i>	-6,222
0	Long Term Creditors		0
-1,438	Provisions		-1,522
0	Finance Lease		0
-2,921	Long Term Borrowing	<i>Note 20</i>	-2,821
-36,495	Net Defined Pension liability	<i>Note 8</i>	-10,439
<b>-46,946</b>	<b>LONG TERM LIABILITIES</b>		<b>-21,004</b>
<b>98,942</b>	<b>NET ASSETS</b>		<b>125,875</b>
-3,354	General Fund		-2,255
-13,425	Earmarked Reserves	<i>Note 11</i>	-7,609
-10,320	Capital Receipts Reserve		-10,320
-20,531	Capital grants and contributions		-23,036
<b>-47,630</b>	<b>USABLE RESERVES</b>		<b>-43,220</b>
-40,277	Revaluation Reserve		-40,962
-51,067	Capital Adjustment Account		-53,123
0	Deferred capital receipts		0
36,495	Pensions Reserve		10,439

3,331	Collection Fund Adjustment Account		837
206	Accumulated Absences Account		154
0	Share of Associate		0
<b>-51,312</b>	<b>UNUSABLE RESERVES</b>	<i>Note 12</i>	<b>-82,655</b>
<b>-98,942</b>	<b>TOTAL RESERVES</b>		<b>-125,875</b>

## Cash Flow Statement

2021-22	Cash flow	2022-23
£'000		£'000
-18,438	Taxation	-10,201
-34,448	Grants and Contributions	-27,302
-19,448	Sales of goods and rendering of services	-20,521
-35	Interest received	-440
-42	Other receipts from operating activities	-639
<b>-72,411</b>	<b>Cash inflows generated from operating activities</b>	<b>-59,103</b>
11,337	Cash paid to and on behalf of employees	12,511
21,169	Housing benefit payments	19,810
9,720	NNDR Tariff payments	0
25,960	Cash paid to suppliers of goods and services	33,183
139	Interest paid	127
4,314	Other operating cash payments	3,559
<b>72,639</b>	<b>Cash outflows generated from operating activities</b>	<b>69,190</b>
<b>228</b>	<b>Net cashflows from operating activities</b>	<b>10,087</b>
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
1,635	Purchase of property, plant and equipment, investment property and intangible assets	1,874
0	Purchase of short-term and long-term investments	38,593
0	Proceeds from the sale of short-term and long-term investments	0
0	Other payments for investing activities	0
-7,193	Other receipts from investing activities	-7,127
<b>-5,558</b>	<b>Net cashflows from investing activities</b>	<b>33,340</b>
0	Cash Receipts - long/short term borrowing	0
334	Repayments of long/short term borrowing	105
946	Changes in Council Tax balances held for preceptors	-1,240
-4,908	Changes in National Non-Domestic Rates balances held for preceptors	2,850
<b>-3,628</b>	<b>Net cashflows from financing activities</b>	<b>1,715</b>
<b>-8,958</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>45,142</b>

45,532	Cash and cash equivalents 1 April	54,490
0	Adjust bank overdraft	0
8,958	Net increase / (decrease) in cash and cash equivalents	-45,142
<b>54,490</b>	<b>Cash and cash equivalents 31 March</b>	<b>9,348</b>
5,049	Call accounts and short term deposits	5,096
49,441	Bank balances	4,250
<b>54,490</b>	<b>Cash and cash equivalents 31 March</b>	<b>9,346</b>

## Notes to the Financial 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.

#### General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/22 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 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.

## 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.

## **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 – 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.

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:

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

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;

- 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 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**

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:

- 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.

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
  - 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 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.

## 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 2023 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 (EUUV). 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 £3.8M.

### **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 2023.

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 2023 based on work down by Anaylse Local.

## Note 5. Expenditure and Funding Analysis

2021-22			2022-23			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Expenditure and Funding Analysis	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
			<b>Director of Corporate Services</b>			
-14	71	57	5 Councils Staff and Contract	444	-206	238
713	32	745	Executive Office	473	1,234	1,707
988	64	1,052	Head of Legal	983	60	1,043
600	57	657	Head of Organisational Development	685	51	736
3,036	336	3,372	Head of Programmes Redesign	2,926	261	3,187
4,017	145	4,162	Head of Customer Services	2,539	291	2,830
3,582	1,242	4,824	Head of Strategic Commissioning	4,547	1,286	5,833
1,329	45	1,374	Head of Finance	1,101	129	1,230
			<b>Director of Regeneration and Planning</b>			
314	750	1,064	Head of Coastal Partnerships	290	669	959
-104	209	105	Head of Neighbourhood Support	1,582	-1,306	276
1,327	114	1,441	Head of Housing	1,860	97	1,957
600	451	1,051	Head of Planning	750	944	1,694
463	272	735	Head of Community Engagement	428	477	905
-889	886	-3	Head of Property	-1,071	1,865	794
407	80	487	Head of Regeneration (South)	89	530	619

21	0	21	Other Operating I&E	22	0	22
<b>16,390</b>	<b>4,754</b>	<b>21,144</b>	<b>Cost of Services</b>	<b>17,648</b>	<b>6,383</b>	<b>24,031</b>
<b>-9,860</b>	<b>-16,827</b>	<b>-26,687</b>	Other Income and Expenditure	-5,924	-13,989	-19,913
<b>6,530</b>	<b>-12,073</b>	<b>-5,543</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>11,724</b>	<b>-7,607</b>	<b>4,117</b>
<b>Earmarked Reserves</b>	<b>General Fund</b>	<b>Total</b>		<b>Earmarked Reserves</b>	<b>General Fund</b>	<b>Total</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
-19,797	-3,510	-23,307	Opening balances	-13,425	-3,352	-16,777
0	6,530	6,530	(Surplus) or Deficit on Provision of Services	0	11,724	11,724
6,372	-6,372		Transfers between General Fund and earmarked reserves	5,816	-5,816	0
<b>-13,425</b>	<b>-3,352</b>	<b>-16,777</b>	<b>Closing General Fund balance</b>	<b>-7,609</b>	<b>2,556</b>	<b>-5,053</b>

### Financing and Accounting Adjustments:

Financing and Accounting Adjustments					
2021-22	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
Director of Corporate Services					
5 Councils Staff and Contract	0	75	0	-4	71
Head of Legal	0	32	0	0	32
Head of Organisational Development	1	58	0	5	64
Head of Programmes Redesign	0	62	0	-5	57
Head of Customer Services	66	277	0	-6	336
Head of Strategic Commissioning	0	150	0	-5	145
Head of Finance	1,361	5	0	-2	1,365
Head of Commercial Development	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
<b>Cost of Services</b>	<b>2,138</b>	<b>2,461</b>	<b>0</b>	<b>833</b>	<b>5,432</b>

<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>-2,170</b>	<b>0</b>	<b>-6,031</b>	<b>-218</b>	<b>-8,420</b>
<b>Total for 2021-22</b>	<b>-33</b>	<b>2,461</b>	<b>-6,031</b>	<b>615</b>	<b>-2,988</b>

2022-23	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
Director of Corporate Services					
5 Councils Staff and Contract	0	45	0	-251	-206
Executive Directors	0	80	0	1,155	1,234
Head of Legal	0	61	0	-1	60
Head of Organisational Development	0	51	0	0	51
Head of Programmes Redesign	66	200	0	-4	261
Head of Customer Services	0	105	0	186	291
Head of Strategic Commissioning	1,262	20	0	4	1,286
Head of Finance	0	129	0	0	129
Director of Regeneration and Planning					
Head of Coastal Partnerships	5	678	0	-14	669
Head of Neighbourhood Support	26	237	0	-1,569	-1,306
Head of Housing	0	95	0	1	97
Head of Planning	447	257	0	241	944
Head of Community Engagement	244	68	0	165	477
Head of Property	573	20	0	1,273	1,865
Head of Regeneration (South)	7	51	0	471	530
Other Operating I&E	0	0	0	0	0
Cost of Services	2,629	2,096	0	1,657	6,383
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>-5,101</b>	<b>930</b>	<b>-2,495</b>	<b>-7,323</b>	<b>-13,989</b>
<b>Total for 2022-23</b>	<b>-2,472</b>	<b>3,026</b>	<b>-2,495</b>	<b>-5,666</b>	<b>-7,607</b>

**Note 6. Adjustments between accounting basis and funding basis under regulations**

2021-22	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	
Amortise Intangible Assets	-9	0	0	9	0
Depreciation and impairment of non-current assets	-1,950	0	0	1,950	0
Movements in value of Investment Properties	4,204	0	0	-4,204	0
Disposal of non-current assets	0	0	0	0	0
Capital receipts to Usable Capital Receipts Reserve	0	0	0	0	0
Capital grants and contributions to Capital Grants Unapplied Reserve	6,374	0	-6,374	0	0
Difference between accounting and statutory employment benefit	75	0	0	-75	0
Difference between accounting and statutory credit for Council Tax	296	0	0	-296	0
Difference between accounting and statutory credit for Non-Domestic Rates	5,735	0	0	-5,735	0
Revenue Expenditure Financed from Capital under Statute	-1,307	0	0	1,307	0
Difference between accounting and statutory credit for pension costs	-3,487	0	0	3,487	0
REFCUS income	1,129	0	0	-1,129	0
Revaluation losses on PPE	677	0	0	-677	0
Capital Grants and Contributions applied	0	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement	99	0	0	-99	
Capital expenditure financed from revenue	243	0	0	-243	0
Statutory Charge MRP	0	0	0	0	0
Capital expenditure financed from Capital Receipts	0	0	0	0	0
Capital expenditure financed from Capital grants and contributions	0	0	1,720	-1,720	0
<b>Total for 2021-22</b>	<b>12,079</b>	<b>0</b>	<b>-4,654</b>	<b>-7,425</b>	<b>0</b>



2022-23	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	-8			8	0
Depreciation and impairment of non-current assets	-2,286			2,286	0
Movements in value of Investment Properties	956			-956	0
Disposal of non-current assets	0				0
Capital receipts to Usable Capital Receipts Reserve					0
Capital grants and contributions to Capital Grants Unapplied Reserve	4,145		-4,145		0
Difference between accounting and statutory employment benefit	52			-52	0
Difference between accounting and statutory credit for Council Tax					0
Difference between accounting and statutory credit for Non-Domestic Rates	2,495			-2,495	0
Revenue Expenditure Financed from Capital under Statute	-1,468			1,468	0
Difference between accounting and statutory credit for pension costs	-3,026			3,026	0
REFCUS income	1,133			-1,133	0
Revaluation losses on PPE					0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	570			-570	0
Statutory Charge MRP	236			-236	0
Other adjustments					
Capital expenditure financed from Capital Receipts					0
Capital expenditure financed from Capital grants and contributions			1,639	-1,639	0
<b>Total for 2022-23</b>	<b>2,799</b>	<b>0</b>	<b>-2,506</b>	<b>-293</b>	<b>0</b>

**Note 7. Expenditure and Income analysed by nature**

2021-22		2022-23
Surplus / Deficit on the Provision of Services	Expenditure and Income analysed by nature	Surplus / Deficit on the Provision of Services
£'000		£'000
15,257	Employee benefits expenses	16,611
62,804	Other service expenses	51,780
144	Interest payments	126
1,282	Depreciation, amortisation, impairment etc	2,297
0	Precepts and levies	0
0	Gains on the disposal of assets	0
<b>79,487</b>	<b>Total Expenditure</b>	<b>70,814</b>
-20,836	Fees, charges and other service income	-23,587
-4,204	Investment Properties changes in fair value	-956
-35	Interest income	-700
0	Investment income	0
-19,464	Council Tax and Non-Domestic Rate income	-9,966
-40,491	Grants and Contributions	-31,488
0	Gains on the disposal of assets	0
<b>-85,030</b>	<b>Total income</b>	<b>-66,697</b>
<b>-5,543</b>	<b>Net Expenditure and Income</b>	<b>4,117</b>

**Note 8. Defined benefit pension Scheme**

2021-22		2022-23
<b>£'000</b>	<b>Comprehensive Income and Expenditure Statement</b>	<b>£'000</b>
3,877	Current Service Cost	3,587
0	Curtailments	0
<b>3,877</b>	<b>Cost of Services</b>	<b>3,587</b>
988	Net interest expense	930
<b>988</b>	<b>Financing and Investment Income and Expenditure</b>	<b>930</b>
<b>4,865</b>	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>4,517</b>
-5,753	Return on plan assets, less included in interest expense	9,914
0	Actuarial gains & losses:	0
-2,103	Changes in demographic assumptions	7
-8,869	Changes in financial assumptions	-49,546
9	Other	11,942
<b>-16,716</b>	<b>Remeasurement of the net defined benefit liability</b>	<b>-27,683</b>
<b>-11,851</b>	<b>Total Comprehensive Income and Expenditure Statement</b>	<b>-23,166</b>

2021-22		2022-23
	Movement in Reserves Statement	
4,865	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	4,517
-1,378	Employer's pension contributions and direct payments to pensioners payable in the year	-1,491
<b>3,487</b>	<b>Total taken to Note 5</b>	<b>3,026</b>
<b>£'000</b>	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	<b>£'000</b>
112,438	Value of Assets at 1 April	117,166
2,323	Interest income on plan assets	3,122
585	Contributions by Members	587
1,378	Contributions by the Employer	1,491
5,753	Return on assets excluding amounts recognised in Other Comprehensive Income	-9,914
-5,311	Benefits Paid	-5,021
<b>117,166</b>		<b>107,431</b>

2021-22		2022-23
£'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	£'000
-160,763	Value of Liabilities at 1 April	-152,262
-3,877	Current Service Cost	-3,587
-3,311	Interest Cost	-4,052
-585	Contribution by Members	-587
	Actuarial Gains and (Losses):	
2,103	Change in demographic assumptions	-7
8,869	Change in financial assumptions	49,546
-9	Other experience gains and (losses)	-11,942
0	Losses on Curtailments	0
5,311	Benefits Paid	5,021
<b>-152,262</b>		<b>-117,870</b>
<b>-35,096</b>	<b>Net Liability at 31st March</b>	<b>-10,439</b>

2021-22		2022-23
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.9	Men	23.3
25.4	Women	25.7
	Longevity at 45 for future pensioners:	
24.7	Men	23.8
27.1	Women	26.7
<b>2021-22</b>		<b>2022-23</b>
3.0%	Rate of inflation (CPI)	2.7%
4.0%	Rate of increase in salaries	3.7%
3.0%	Rate of increase in pensions	2.7%
2.7%	Rate for discounting scheme liabilities	4.7%

## Fair value of employer assets

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

31 March 2022			Asset Category	31 March 2023		
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total		Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
%	%	%		%	%	%
45.80%	11.10%	56.90%	<b>Equities</b>	42.00%	15.60%	57.60%
0.90%	6.00%	6.90%	<b>Property</b>	1.40%	5.40%	6.80%
17.20%	0.00%	17.20%	<b>Government Bonds</b>	16.50%	0.00%	16.50%
0.00%	0.00%	0.00%	<b>Corporate Bonds</b>	0.00%	0.00%	0.00%
0.90%	0.00%	0.90%	<b>Cash</b>	1.10%	0.00%	1.10%
14.60%	3.50%	18.10%	<b>Other</b>	0.00%	18.00%	18.00%
<b>79.40%</b>	<b>20.60%</b>	<b>100.00%</b>	<b>Totals</b>	<b>61.00%</b>	<b>39.00%</b>	<b>100.00%</b>

## 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 2022.

## 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.

## Note 9. Income from grants and contributions

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

2021/22		2022/23
£'000		£'000
(20,940)	DWP benefits grants	(20,152)
(1,129)	Grants for revenue financed from capital under statute	(1,133)
0	Council tax hardship	0
(5,815)	Other Grants and Contributions	(2,146)
<b>(27,884)</b>	<b>Total within Cost of Services</b>	<b>(23,431)</b>
(185)	Sales fees and Charges	0
(743)	Covid LA Support Grant	0
(347)	New Homes Bonus	(474)
(3,766)	Business Rate Grants	0
(1,193)	Other non-specific grant	(3,439)
(6,374)	Grants and contributions towards capital expenditure	(4,145)
<b>(12,608)</b>	<b>Total within Taxation and non-specific grant income</b>	<b>(8,058)</b>
<b>(40,492)</b>	<b>Total income from grants and contributions</b>	<b>(31,489)</b>

## Note 10. Material items of income and expenditure

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

### 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 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31 March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund - earmarked	-23	0	0	-23			-23
S31 Grant Reserve	-8,623	5,237	0	-3,386	3,386		0
Insurance Reserve	-653	0	0	-653			-653
Capital Reserve	0	0	0	0			0
Restructuring Reserve	-418	0	0	-418			-418
Financial Management Reserve	-3,867	0	-789	-4,656			-4,656
Externally funded Reserve - earmarked reserve	0	0	0	0			0
Service Support Reserve	-1,304	1,135		-169		-20	-189
Regeneration Reserve	-990	0	0	-990	293		-697
Regeneration Investment Framework Reserve	-950	0	0	-950			-950
Covid Financial Resilience Reserve	-2,180	0	0	-2,180	2,180		0
Transformation Reserve	0	0	0	0	2,157	-2,180	-23
Pensions Resilience Reserve	-789	789	0	0			0
<b>Total</b>	<b>-19,797</b>	<b>7,161</b>	<b>-789</b>	<b>-13,425</b>	<b>8,016</b>	<b>-2,200</b>	<b>-7,609</b>

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.
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 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
<b>Total for 2021-22</b>	<b>(25,608)</b>	<b>(18,279)</b>	<b>(7,427)</b>	<b>(51,314)</b>
	Balance 1 April 2022	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2023
	£'000	£'000	£'000	£'000
Revaluation Reserve	(40,279)	(1,969)	1,285	(40,963)
Capital Adjustment Account	(51,067)	0	(2,056)	(53,123)
Pensions Reserve	36,495	(29,082)	3,026	10,439
Collection Fund Adjustment Account	3,331	0	(2,496)	835
Accumulated Absences Account	206	0	(53)	153
<b>Total for 2022-23</b>	<b>(51,314)</b>	<b>(31,051)</b>	<b>(294)</b>	<b>(82,659)</b>



### Capital Adjustment Account

2021-22		2022-23
£000		£000
(38,510)	Balance 1 April	(40,279)
	Comprehensive Income & Expenditure:	
(2,962)	Gain on revaluation of assets	(1,969)
	Accounting / Financing Adjustments:	
1,193	Depreciation charged to Revaluation Reserve	1,285
<b>(40,279)</b>	<b>Balance 31 March</b>	<b>(40,963)</b>

### Revaluation Reserve

2021-22		2022-23
£000		£000
<b>(45,069)</b>	<b>Balance 1 April</b>	<b>(51,067)</b>
	Accounting / Financing Adjustments:	
9	Write down Intangible Assets	8
1,274	Depreciation and impairment of non-current assets	2,286
(4,204)	Movements in value of Investment Properties	(956)
0	Gain or (loss) on sale of non-current assets	0
1,307	Revenue Expenditure Financed from Capital under Statute	1,468
(1,129)	Revenue Expenditure Financed from Capital under Statute - Income	(1,133)
(99)	Capital expenditure financed from revenue	(570)
0	Capital expenditure financed from Capital Receipts	0
(1,720)	Capital expenditure financed from Capital grants and contributions	(1,639)
(243)	MRP	(236)
(1,193)	Depreciation charged to Revaluation Reserve	(1,284)
<b>(51,067)</b>	<b>Balance 31 March</b>	<b>(53,123)</b>

### Pensions Reserve

2021-22		2022-23
£000		£000
<b>48,325</b>	Balance 1 April	<b>36,495</b>
	Comprehensive Income & Expenditure:	
(15,317)	Remeasurement of the net defined benefit liability	(29,082)
	Accounting / Financing Adjustments:	
3,487	Difference between accounting and statutory credit for pension costs	3,026
<b>36,495</b>	<b>Balance 31 March</b>	<b>10,439</b>

### Collection Fund Adjustment Account

2021-22		2022-23
£000		£000
9,364	Balance 1 April	3,333
	Accounting / Financing Adjustments:	
(296)	Difference between accounting and statutory credit for Council Tax	414
(5,735)	Difference between accounting and statutory credit for Non-Domestic Rates	(2,910)
<b>3,333</b>	<b>Balance 31 March</b>	<b>837</b>

### Accumulated Absences Account

2021-22		2022-23
£000		£000
<b>282</b>	Balance 1 April	207
	Accounting / Financing Adjustments:	
(75)	Difference between accounting and statutory employment benefit	(53)
<b>207</b>	<b>Balance 31 March</b>	<b>154</b>

### 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.

2021-22		2022-23
£'000		£'000
<b>13,368</b>	<b>Opening Capital Financing Requirement 1 April</b>	<b>13,120</b>
	<b>Capital Investment</b>	
1,635	Property, Plant and Equipment	1,379
0	Investment properties	494
0	Intangible assets	0
1,307	Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,468
	<b>Sources of finance</b>	
0	Capital receipts	0
-1,719	Government grants and other contributions	-1,639
-99	Sums set aside from revenue and reserves	-569
-1,129	Grants and contributions towards REFCUS	-1,133
-243	MRP	-236
<b>13,120</b>	<b>Closing Capital Financing Requirement 31 March</b>	<b>12,884</b>
<b>31-Mar-22</b>		<b>31-Mar-23</b>
£'000		£'000
67,814	Property, Plant and Equipment	68,878
36,625	Investment Properties	38,076
24	Intangible Assets	16
0	Assets Held for Sale	0
-40,277	Revaluation Reserve	-40,962
-51,067	Capital Adjustment Account	-53,123
<b>13,119</b>		<b>12,885</b>

**Note 14. Property plant and equipment**

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>							
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	0	-261	0	-2	0	0	-263
Impairment losses	-68	0	0	0	0	0	-68
Reclassifications	745	0	0	0	0	0	745
Revaluations	1,679	0	0	0	0	0	1,679
<b>Value 31 March 2022</b>	<b>63,634</b>	<b>6,162</b>	<b>2,976</b>	<b>2,934</b>	<b>340</b>	<b>0</b>	<b>76,046</b>
Cumulative Depreciation:							
Opening value 1 April 2021	-823	-5,578	-239	-1,189	0	0	-7,829
Charge for the year	-1,790	-72	-64	-23	0	0	-1,949
Disposals	0	261	0	2	0	0	263
Reclassifications	0	0	0	0	0	0	0
Revaluations	1,282	0	0	0	0	0	1,282
<b>Balance 31 March 2022</b>	<b>-1,331</b>	<b>-5,389</b>	<b>-303</b>	<b>-1,210</b>	<b>0</b>	<b>0</b>	<b>-8,233</b>
<b>Net book value 31 March 2022</b>	<b>62,303</b>	<b>773</b>	<b>2,673</b>	<b>1,724</b>	<b>340</b>	<b>0</b>	<b>67,814</b>

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>							
Opening value 1 April 2022	63,536	5,966	2,976	2,934	340	0	75,752
Additions	0	389	985	0	6	0	1,380
Disposals	0	0	0	0	0	0	0
Impairment losses	-111	0	0	0	0	0	-111
Reclassifications	0	0	0	0	0	0	0
Revaluations	225	0	0	0	0	0	225
<b>Value 31 March 2023</b>	<b>63,650</b>	<b>6,355</b>	<b>3,961</b>	<b>2,934</b>	<b>346</b>	<b>0</b>	<b>77,246</b>
<b>Cumulative Depreciation:</b>							
Opening value 1 April 2022	-1,231	-5,194	-303	-1,210	0	0	-7,938
Charge for the year	-1,962	-87	-106	-20	0	0	-2,175
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations	1,745	0	0	0	0	0	1,745
<b>Balance 31 March 2023</b>	<b>-1,448</b>	<b>-5,281</b>	<b>-409</b>	<b>-1,230</b>	<b>0</b>	<b>0</b>	<b>-8,368</b>
<b>Net book value 31 March 2023</b>	<b>62,202</b>	<b>1,074</b>	<b>3,551</b>	<b>1,704</b>	<b>346</b>	<b>0</b>	<b>68,877</b>

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 1 of the Fair Value hierarchy (see Note 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
<b>Carried at historical cost:</b>		<b>6,355</b>	<b>3,961</b>	<b>2,934</b>	<b>13,250</b>
<b>Carried at fair value as at:</b>					
31-Mar-23	42,959				42,959
31-Mar-22	10,224				10,224
31-Mar-21	4,296				4,296
31-Mar-20	2,541				2,541
31-Mar-19	2,630				2,630
<b>Total cost or valuation</b>	<b>62,650</b>	<b>6,355</b>	<b>3,961</b>	<b>2,934</b>	<b>75,900</b>

### Capital Commitments

At 31 March 2023 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

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

### 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:

2021-22		2022-23
£'000		£'000
-1,437	Rental income from investment property	-1,448
174	Direct operating expenses arising from investment property	159
-4,204	Net gains from fair value adjustments	-956
<b>-5,467</b>	<b>Total</b>	<b>-2,246</b>

Balance Sheet movements in Investment Properties during the year:

2021-22		2022-23
£'000		£'000
<b>32,367</b>	Balance at start of the year	<b>36,626</b>
55	Additions	494
4,204	Net gains from fair value adjustments	956
0	Assets reclassified to Property Plant & Equipment	0
<b>36,626</b>	Balance at end of the year	<b>38,076</b>

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 1 of the Fair Value hierarchy (see Note 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.

**Note 16. Debtors**

31-Mar-22		31-Mar-23
£'000		£'000
	Amounts falling due within one year:	
600	Central government bodies	597
2,807	Central Government bodies - Business rates	-1,334
8,140	Other Local Authorities & Public Bodies	5,288
561	Other Local Authorities & Public Bodies - business rates	0
15	NHS	0
8,985	All other bodies	9,502
0	Less allowances for expected credit losses	
-1,143	General Fund debtors	-1,387
-2,361	Housing benefit Overpayments	-2,103
-236	Council Tax Arrears	-408
-384	Business Rates Arrears	-364
16,984	Total short term debtors	9,791
629	Amounts falling due after one year (all other bodies)	54
17,613	Total Debtors	9,845

**Note 17. Creditors**

31-Mar-22		31-Mar-23
£'000		£'000
	<b>Amounts falling due within one year:</b>	
-13,758	Central government bodies	-4,750
-2,513	Other Local Authorities & Public Bodies	-1,671
3	Public Corporations	2
-206	Accumulated Abscences	-154
-12,861	All other bodies	-8,569
-29,335	Total short term creditors	-15,142
0	Amounts falling due after one year (all other bodies)	0
-29,335	Total Creditors	-15,142



## Note 18. Provisions and contingent liabilities

### Provisions

	Insurance Fund	Milestone Payments	Business Rates Backdated Appeals	Municipal Mutual Insurance	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance outstanding at 1 April 2022</b>	-49	-676	-1,429	-9	-2,164
Additional provisions made during the year		-67	-5,825		-5,892
Amounts used in the year	2	145	5,741		5,888
Balance outstanding at 31 March 2023	-47	-598	-1,513	-9	-2,168
Under 1 year	-47	-598			-646
1 year and over			-1,513	-9	-1,522
<b>Balance outstanding at 31 March 2023</b>	<b>-47</b>	<b>-598</b>	<b>-1,513</b>	<b>-9</b>	<b>-2,168</b>

The Council has a liability for its share of refunds of rate income arising from successful appeals, check and challenges against rateable values. The provision increased to £1.513m in 2022/23.

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 2023 Havant's share of the liability amounted to £598k.

### Contingent Liabilities

There are no contingent liabilities as at 31 March 2023.

**Note 19. Capital grants receipts in advance**

31-Mar-22		31-Mar-23
£'000		£'000
	Amounts falling due within one year:	
0	S106	0
-379	Other	-2,115
-379	<b>Total short term capital grants received in advance</b>	<b>-2,115</b>
	Amounts falling due after one year (all other bodies)	
-4,610	S106	-4,817
-1,482	Other	-1,405
<b>-6,092</b>	<b>Total long term capital grants received in advance</b>	<b>-6,222</b>

**Note 20. Financial Instruments**
**Categories of Financial Instruments**

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

31-Mar-22			31-Mar-23	
<u>Book Value</u>	<u>Fair Value</u>		<u>Book Value</u>	<u>Fair Value</u>
£,000	£,000		£,000	£,000
629	629	Financial assets at amortised Cost	54	54
629	629	Long term Assets	54	54
2,093	2,093	Short Term Debtors	1,472	1,472
54,490	54,490	Cash and bank accounts	9,346	9,346
56,582	56,582	Other financial assets at amortised cost	10,818	10,818
<b>57,212</b>	<b>57,212</b>	<b>Total Financial Assets</b>	<b>10,872</b>	<b>10,872</b>
31-Mar-21			31-Mar-22	
<u>Book Value</u>	<u>Fair Value</u>		<u>Book Value</u>	<u>Fair Value</u>
£,000	£,000		£,000	£,000
-237	-106	Public Works Loan Board	-231	-106
-5,987	-5,987	Short Term Creditors	-7,430	-7,430
-6,224	-6,093	Short Term Financial liabilities at amortised cost	-7,661	-7,536
-2,921	-3,530	Public Works Loan Board	-2,821	-3,530
-2,921	-3,530	LongTerm Liabilities at amortised cost	-2,821	-3,530
<b>-9,144</b>	<b>-9,623</b>	<b>Total Financial Liabilities</b>	<b>-10,482</b>	<b>-11,066</b>

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.

### **Valuation Techniques for Fair Values**

The fair values valuations have been provided by the Council's Treasury Management advisor, Arlingclose. 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.

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-Mar-22		31-Mar-23
£'000		£'000
2,006	0-30 days	3,608
29	31-90 days	40
36	91-180 days	91
751	Over 180 days	1,020
<b>2,822</b>	<b>Total</b>	<b>4,760</b>

Debtors include trade receivables of £4.760 as at 31 March 2023 (£2.822m as at 31 March 2022). The Council has provided £1.049 (31 March 2021 £0.870m) 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-Mar-22	PWLB	31-Mar-23
£'000		£'000
105	Less than one year	110
109	Between one and two years	114
355	Between two and five years	370
696	Maturing in five to ten years	724
1,887	Maturing in more than ten years	1,730
<b>3,152</b>	<b>Total</b>	<b>3,048</b>

## 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 2023 with all other variables held constant, the financial effect would be:

	£'000
<b>Increase in interest receivable on variable rate investments</b>	<b>93</b>
<b>Impact on Surplus/Deficit on Provision of Services</b>	<b>93</b>

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 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	B//f	Income	Expenditure	Repayment of Excess	Total to be re-paid
	£'000	£'000	£'000	£'000	£'000
<b>Financial Year: 2022-23</b>					
Local Restrictions Support Grant (Closed) Addendum	4	0	0	0	4
Local Restrictions Support Grant (Open)	0	0	0	0	0
Local Restrictions Support Grant (Closed) 5 Jan 21 onwards	(10)	0	0	0	(10)
Business Grants	0	0	0	0	0
Closed Business Support Payment	(6)	0	0	0	(6)
Christmas Support Grants	0	0	0	0	0
Restart Grants	(1,039)	0	0	1,025	(14)
Omricon Business Grants	(460)	0	0	460	0
Household Support	(140)	0	0	0	(140)
Test & Trace	(227)	0	0	0	(227)
EBSS Grant	0	(835)	401	0	(434)
<b>TOTAL</b>	<b>(2,713)</b>	<b>(835)</b>	<b>401</b>	<b>1,485</b>	<b>(827)</b>

## 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 2022		31 March 2023
£'000		£'000
1,888	Not later than one year	1,715
6,828	Later than one year and not later than five years	6,589
70,362	Over 5 years	52,615
<b>79,078</b>	<b>Total</b>	<b>60,919</b>

**Note 23. Members allowances**

Allowances and expenses paid to Councillors during the year were:

2021-22		2022-23
£'000		£'000
319	Members Allowances	367
1	Expenses	2
320		369

**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 & Allow-ances)	Pension Cont-ributions**	Net cost to Havant	Net cost to East Hants	Total Remun-eration
	£	£			£
<b>Financial Year: 2021-22</b>					
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
<b>TOTAL COST</b>	454,283	60,193	62,597	62,597	514,476

Post holder information (Post title)	Salary (Inc. fees & Allow-ances)	Pension Cont-ributions**	Total Remun-eration
	£	£	£
<b>Financial Year: 2022-23</b>			
Chief Finance Officer *	80,000	13,840	93,840
<b>TOTAL COST</b>	80,000	13,840	93,840

The Chief Finance Officer was in post with effect from 22/03/23



**Salaries over £50,000**

2021-22		2022-23
12	£50,000 - £54,999	21
4	£55,000 - £59,999	8
2	£60,000 - £64,999	2
0	£65,000 - £69,999	3
1	£70,000 - £74,999	1
2	£75,000 - £79,999	0
0	£80,000 - £84,999	1
0	£85,000 - £89,999	1
1	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	1
1	£105,000 - £109,999	0
<b>23</b>	<b>Total count</b>	<b>38</b>

**Exit Packages**

2021/22				Banding	2022/23			
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					£'000
1	0	1	3	£0 - £20,000	0	0	0	0
1	0	1	21	£20,001 - £40,000	0	0	0	0
0	0	0	0	£40,001 - £60,000	0	0	0	0
0	0	0	0	£60,001 - £80,000	0	0	0	0
0	0	0	0	£80,001 - £100,000	0	0	0	0
0	0	0	0	£100,001 - £150,000	0	0	0	0
<b>2</b>	<b>0</b>	<b>2</b>	<b>24</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 25 External audit costs**

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

2021-22		2022-23
£'000		£'000
<b>38</b>	External audit services*	<b>45</b>
<b>0</b>	Other services	<b>0</b>
<b>38</b>		<b>45</b>

\*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.

### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 23. During 2022/23, 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**

There was no known material related party transaction with officers for 2021/22 or for 2022/23.

### **Entities Controlled or Significantly influenced by the Authority**

There were no known entities controlled or significantly influenced by the Authority in 2022/23.

## Note 27. Interest 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

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 £2,500,201 (£2,437,092 in 2021/22).

During 2022/23 the Council received £170,000 from the Portchester Crematorium Joint Committee (£180,000 in 2021/22) being its share of the distributable surpluses.

**Collection Fund Statement and Notes:**

2021-22		2022-23
£'000		£'000
	<b>Council Tax</b>	
	<b>INCOME</b>	
<b>(77,995)</b>	Income from Council Taxpayers	<b>(81,185)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
55,973	Hampshire County Council	58,098
9,386	Hampshire Police & Crime Commissioner	9,877
2,919	Hampshire Fire & Rescue Authority	3,151
8,890	Havant Borough Council	9,168
	Apportionments of previous year surplus	
693	Hampshire County Council	(408)
114	Hampshire Police & Crime Commissioner	(68)
37	Hampshire Fire & Rescue Authority	(22)
113	Havant Borough Council	(66)
	Bad & Doubtful Debts	
138	Write offs of uncollectable income	375
204	Provision for uncollectable income-addition / (reduction)	1,582
<b>78,467</b>		<b>81,687</b>
472	Movement on Fund Balance - (surplus)/deficit	503
	<b>FUND BALANCE FOR COUNCIL TAX</b>	
<b>(1,348)</b>	Balance brought forward	<b>(876)</b>
<b>472</b>	Surplus for year	<b>503</b>
<b>(876)</b>	Balance - (surplus)/deficit carried forward	<b>(373)</b>

2021-22		2022-23
£'000		£'000
	<b>Non-Domestic Rates</b>	
	<b>INCOME</b>	
(27,023)	Income from Ratepayers	(28,456)
(65)	Transitional Relief	(205)
	Apportionments of previous year deficit	
(11,253)	Central Government	(4,638)
(2,026)	Hampshire County Council	(835)
(225)	Hampshire Fire & Rescue Authority	(93)
(9,003)	Havant Borough Council	(3,711)
(49,595)	Total	(37,938)
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
17,578	Central Government	15,185
3,164	Hampshire County Council	2,733
352	Hampshire Fire & Rescue Authority	304
14,062	Havant Borough Council	12,148
	Bad & Doubtful Debts	
0	Write offs of uncollectable income	0
343	Bad Debt Contribution	(50)
	Impairments resulting from appeals	
0	Settled reductions for Rateable loss	(3,472)
(376)	Contribution to provision for Rateable Loss	3,683
133	Transfer to General Fund - Cost of Collection Allowance	133
<b>35,256</b>		<b>30,664</b>
<b>(14,339)</b>	Movement on Fund Balance - (surplus) / deficit	<b>(7,273)</b>
	<b>FUND BALANCE FOR NON-DOMESTIC RATES</b>	
<b>23,794</b>	Balance brought forward	<b>9,455</b>
<b>(14,339)</b>	(Surplus) / deficit for year	<b>(7,273)</b>
<b>9,455</b>	Balance - (surplus) / deficit carried forward	<b>2,182</b>
	<b>COLLECTION FUND BALANCE</b>	
<b>22,446</b>	Balances brought forward	<b>8,579</b>
<b>(13,867)</b>	(Surplus) / deficit for year	<b>(6,771)</b>
<b>8,579</b>	Balance - (surplus) / deficit carried forward	<b>1,808</b>

## 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).

	Number of Chargeable Dwellings	Relationship to Band D	Band D Equivalent
	Total		£
<b>Band &amp; Value</b>			
Band A - up to £40,000 (disabled)	0	5/9	4.50
Band A - up to £40,000	8,399	6/9	3,097.60
Band B - over £40,000 up to £52,000	14,453	7/9	8,505.40
Band C - over £52,000 up to £68,000	13,164	8/9	9,887.40
Band D - over £68,000 up to £88,000	10,064	-	9,003.80
Band E - over £88,000 up to £120,000	5,756	11/9	6,484.00
Band F - over £120,000 up to £160,000	2,501	13/9	3,418.00
Band G - over £160,000 up to £320,000	952	15/9	1,481.60
Band H - over £320,000	42	18/9	55.50
	<b>55,331</b>		<b>41,937.80</b>
<b>MOD adjustment</b>			43.40
<b>Tax Base</b>			<b>43.40</b>

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 2022/23 were:

- 49.9p for qualifying Small Businesses (49.9p in 2021/22)
- 51.2p for other businesses (51.2p in 2021/22) – the standard multiplier

The rateable value as at the 31st March 2023 was £84,207,409 (£83,403,402 as at 31 March 2022).

## **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.

## **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.

## **PUBLIC WORKS LOAN BOARD (PWL B)**

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.

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