

East Hampshire District Council

**FINANCIAL REPORT AND
STATEMENT OF
ACCOUNTS**

2019/20

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NARRATIVE

Introduction

The Statement of Accounts for East Hampshire District Council for the year ended 31 March 2020 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 2019/20 (“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 East Hampshire residents, Council Members, partners, other stakeholders and interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts. The deadline for completion of the accounts is 31 May for the unaudited statement of accounts and 31 July for the audited statement of accounts. The Council is required to publish unaudited accounts by the end of May and Audit Committee will need to approve audited accounts by the end of July 2020.

As a result of the global pandemic and subsequent pressures put on Local Authorities the statutory deadline of 31 May for the draft Statement of Accounts has been changed by central Government and the first draft of the statutory accounts must now be approved by 31st August with the final audited accounts published by 30th November.

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

This narrative report is structured as follows:

1. An Introduction to East Hampshire
2. Covid 19
3. Summary of Achievements
4. Governance
5. Summary of the 2019/20 Financial Performance of the Council
6. Strategic Risks
7. Liability for Pensions Costs
8. Future Plans
9. Material assets/liabilities
10. Explanation of the Financial Statements
11. Acknowledgements

1. An Introduction to East Hants

The District of East Hampshire covers approximately 514km² of the eastern part of the county of Hampshire. There are roughly 120,000 people living in the District, with more than half of the District falling within the South Downs National Park. The District is home to more than 6,000 businesses (most of which are small businesses) and is mostly rural with the largest towns being Petersfield and Alton.

East Hampshire District Council is comprised of 43 Councillors (elected every four years) and operates according to the leader and cabinet model. In 2019-20 the Council has been controlled by a Conservative majority, with two Labour Councillors, two East Hampshire Independent Group Councillors and seven Liberal Democrat Councillors.

The Councillors are supported by around 375 full time equivalent members of staff, who co-ordinate the provision of more than 70 services from the Penns Place offices on the outskirts of Petersfield. The Council’s Constitution sets out the committee structure, scheme of delegation and other important regulatory matters, and has been reviewed in 2019-20 to ensure that it remains an effective, streamlined document.

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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.

East Hampshire District Council shares its Chief Executive and senior management team with the neighbouring Havant Borough Council, and has made substantial investments in commercial property in order to fund its services and deliver value for money for its residents. The Council also understands the benefits of partnership working in enhancing people's lives and intends to develop its existing arrangements further in the years to come.

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2. Covid 19 PANDEMIC

Background

The Covid-19 pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 23rd March 2020, has meant that many of the businesses in the District have been temporarily closed – significantly impacting on the local economy, which in turn impacts on the Council's income. Furthermore, the Council has had to put considerable resources into ensuring that residents are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

Business Support

On 11 March 2020 a business grant support scheme was announced at the Budget, and the level of funding was increased in a statement from the Chancellor on 17 March 2020. Local Authorities were responsible for administering the business grant schemes which covered the Small Business Grant Fund, Retail, Hospitality and Leisure Grant fund and later the Discretionary Grant Fund. In the initial allocation, East Hampshire District Council was allocated £25,688,000 with a total of 2180 businesses identified as eligible. A further £1,319,500 was provided to allocate through the Discretionary Grant Fund. Under the Small Business Grant Fund all businesses in England in receipt of either Small Business Rates Relief or Rural Rates Relief in the business rates system were eligible for a payment of £10,000. Under the Retail, Hospitality and Leisure Grant, business in England that would have been in receipt of the Expanded Retail Discount with a rateable value of less than £51,000 were eligible for either £10,000 (rateable value up to £15,000) or £25,000 (rateable value over £15,000 and less than £51,000).

Service Impact

The Council offices were closed from 23 March 2020 with the majority of staff working from home, however services were maintained where possible in order to minimise disruption to residents. The Council identified critical priority services to maintain during the pandemic and these were drawn from the Council Business Continuity Plan, further services were added to the list of critical services, including the economic development team and community team to ensure that the Council could provide the necessary support to business and residents in light of the challenges of the pandemic.

The majority of business as usual services were maintained, for example, waste collection continued throughout the period although there were service changes such as bulky waste collections being put on hold, public toilets closed and new green waste customers not being accepted. Our Regulatory Services such as Planning and Licensing continued to provide services and all statutory Housing duties were provided. Changes in legislation allowed for Democratic meetings to be held remotely rather than in person and this allowed for continued decision making through the pandemic.

In addition to the distribution of business grants the Council sought to ensure its most vulnerable residents in the District were protected through the establishment of a Local Response Centre in order to take and make calls to vulnerable residents in the district and the Council moved to ensure that rough sleepers were placed in temporary accommodation to protect their health and to stop wider transmission of the virus. Our Neighbourhood Support team provided support and advice to businesses as well as monitoring fly tipping as a result of Waste Recycling Centres being closed. The Council has not furloughed any staff under the Government furlough scheme. Staff were redeployed, where their role could not be conducted during the lockdown, for example civil enforcement officers were redeployed to assist with the pandemic response, this included those staff working in the Local Response Center.

Financial Impact

These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The Council is expecting substantial losses across many of its largest streams of income. These include parking, licensing fees and planning fees. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's

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finances. On the expenditure front some of the key areas of additional pressure will include accommodation and support for rough sleepers. It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial – even after the Government’s emergency Covid-19 funding for local authorities is taken into account. Due to the Council’s reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has sought in recent years to build up the general fund balance to ensure the Council is financially resilient in a recession. The Council is therefore in a position to draw upon its general fund reserve balance in 2020/21 to balance its budget. Moving forward, the Council will reset its Medium Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council’s strategic objectives. The Covid-19 crisis has meant that the Council has had to review what its most critical services are and which are required to still be operational even during a global pandemic. The changing environment and “new normal” in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change going forward.

Summary

The coronavirus pandemic has had a profound impact on all aspects of life in East Hampshire. Through 2020/21 the Council will adopt a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. Anticipated impacts for example include an increased need for employment services and regeneration, homelessness prevention, and business support services.

3. Summary of Achievements

The Corporate Strategy

East Hampshire District Council sets out its strategic aims and objectives in its Corporate Strategy, which articulates its mission ‘to improve people’s lives by providing excellent public services that represent good value for money and meet our communities’ needs’ (Corporate Strategy 2014-19). The strategy is composed of five interlinked themes: economic growth, public service excellence, financial sustainability, environmental sustainability, and creativity and innovation.

During 2019-20 the Council began to develop a revised Corporate Strategy to cover the period from 2020 to 2024. This reiterates the Council’s mission to enhance the lives of our residents, businesses and visitors and is structured by the following five themes:

- Environmentally aware and cleaner District
- A safe environment, healthier and more active residents
- A thriving local economy
- A revitalised District with infrastructure that meets our ambitions
- A sustainable Council

The delivery of this new Corporate Strategy will be supported by a Corporate Action Plan which will be produced on an annual basis and will detail the objectives and commitments made for the forthcoming financial year.

The Corporate Strategy is supported by a policy and strategy framework which includes the Local Plan and provides additional operational context to our overarching strategic objectives.

The Council has achieved many of the performance targets it set for 2019/20 as well as delivering many projects and initiatives.

Environmentally aware and cleaner District

- In July 2019 the Council declared a climate emergency, committing to ensuring that council services focus on environmental issues as part of their decision making. A well-attended Let’s Talk event in February brought

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together stakeholders from across the district to discuss how the Council can contribute to the national target of net zero greenhouse gas emissions by 2050. The feedback from this event is being used to create a refreshed Climate and Environment Strategy for the Council which will expand on the commitments made as part of the climate emergency declaration

- The Council's environmental services contract (waste collection, grounds maintenance, street cleaning and public convenience cleaning) transferred to Norse SE in October 2019. In partnership with Havant Borough Council, this was an opportunity to secure a revised service agreement specifying high standards for the quality of the services to both Councils. The transfer was handled by a dedicated project team who ensured that any disruption to the waste collection service was minimal during the transition
- The preparation of the 2036 Local Plan has continued throughout the year. The large sites consultation took place in autumn 2019, for which an unexpectedly high number of responses were received and are being reviewed. . The Local Plan will see a number of environmental measures embedded within the planning process and, once approved, will be key to ensuring that future development contributes to the favourable environmental quality and sustainability of the District.

A safe environment, healthier and more active residents

- The Council's efforts to enhance residents' lives by encouraging active, healthy and safe lifestyles continued throughout 2019-20. The opening of the brand new Alton Sports Centre took place in January 2020, a milestone in our £30m programme of leisure centre improvements
- The East Hampshire Community Lottery was launched in spring 2020, raising money for good causes within the District.
- The Councillor Community Grants Scheme is one of our flagship projects for enhancing people's lives in the district. Each councillor is allocated a budget of £4,500 every year to grant to charitable and not-for-profit initiatives in or benefitting their wards. In light of the climate emergency declaration made by the Council in July 2019, at least £1,000 of the £4,500 allotted to each councillor will be spent on environmental projects in 2020-21 and a further £1,000 will be earmarked for Covid-19 related funding.
- The Housing team worked with 877 households facing housing difficulties and were able to provide sufficient intervention to keep the vast majority of these cases from homelessness, with only 9 cases accepted as homelessness. 286 affordable homes were delivered throughout the year against a target of 225, helping residents get onto the housing ladder in an area with higher house prices than the South East average.
- Our new Homelessness and Rough Sleepers Strategy (2019-2024) was approved at full Council in January 2020. Accompanied by an Action Plan which builds on the work already accomplished by the Housing team since the introduction of the Homelessness Reduction Act, the strategy focuses on early intervention and sustainable housing solutions.

A thriving local economy

- The Council completed its purchase of Rams Walk shopping District in Petersfield. East Hampshire District Council has a history of commercial property investment in order to fund the provision of its services in the face of decreased contributions from central government. Investing in property at the centre of one of the District's historic market towns means the Council can be directly involved in our thriving local economy, at the same time as providing much-needed income to assist with the financial sustainability of the Council.
- Our economic development work continues apace. Ordnance Business Park, the Council's first Invest for Growth initiative, was completed and fully let in Q1. The development in Liphook, comprising 20,000 square feet for office and light industrial usage, has now been shortlisted for the prestigious Royal Town Planning Institute awards (Excellence in Planning for a Successful Economy)
- Our regeneration ambitions have now been outlined in Enhance East Hants, a place-making strategy for the district which was adopted by the Council in September 2019. This strategy provides an overarching framework for the Council's important role in shaping the district to be a desirable place to live, work and enjoy.

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A revitalised District with infrastructure that meets our ambitions

- Our place-making work in Whitehill & Bordon has continued throughout 2019-20. This complex, collaborative £1bn regeneration programme is transforming a former military site into a green, healthy and connected town and the Council is working with a number of public and private sector partners to facilitate this ambitious vision. 2019 saw the set up of a W&B Community Steering Group with a rolling chair, and the appointment of a new chair and vice chair for Xchange (a stakeholder discussion group meeting every 6 weeks).
- The Whitehill & Bordon Healthy New Towns programme hosted a number of events, including the Spring into Health Festival which took place in April and May 2019 and included the first ever junior Parkrun, a visit from the Wellbeing Wagon which offered health and wellbeing advice and blood pressure checks, and recipe demonstrations at Café 1759 (a not-for-profit community café). Almost 1,000 residents attended the events, sampling a wide range of exercise classes and wellbeing activities, many of which were free. In June, the Healthy New Towns programme in Whitehill & Bordon was recognised with a prestigious award for excellent partnership work in the Planning Awards 2019. The remainder of the Healthy New Towns funding has now been transferred to the Communities team, who will be building on the success of the project so far to ensure that health and wellbeing continue to be embedded into the community.

A sustainable Council

- With central government funding in the form of the New Homes Bonus projected to decrease to zero over the next five years, East Hampshire District Council has continued to demonstrate its commitment to public service excellence in the face of financial pressures by taking advantage of commercial opportunities and responsible investment.
- Our venture EH Commercial Services was shortlisted in the Local Government Chronicle Awards 2020, for excellence in public authority partnerships. Established in 2017, EH Commercial Services provides ethical litter enforcement services on a not-for-profit basis to other local authorities and is representative of the Council's continuing efforts to explore alternative business models in order to continue its provision of services that add value to our communities.
- The Council is committed to providing high quality service which is accessible online. Our Digital Strategy, which has been developed throughout 2019-20, focuses on redesigning the way we communicate with and provide services to residents and businesses. With customers increasingly expecting services to be available at a time and place that is convenient to them, our digital-by-default approach will be an integral part of making Council services modern, accessible, efficient and sustainable.
- Work continues to encourage digital channel shift in communicating with residents. Our social media following has continued to increase throughout the year, as has the number of visits to our website. Our inhouse CRM team have continued to expand the options available to residents via the MyEHDC portal, which can be used to report missed bin collections, order and pay for garden waste collection and replacement bins, submit Freedom of Information requests, book planning pre-application advice and book RAPP and Get Activ8d sessions. The portal now has more than 10,000 customer accounts registered, and we plan to develop this service further to ensure that residents can continue to communicate with the Council at a time and place that is convenient to them.
- Our staff are a key asset of our Council and ongoing personal and professional development is integral to the sustainability of the organisation. All staff completed information governance e-learning courses in early 2020 to ensure that data security standards remain high. The Organisational Development team has conducted a thorough review of the HR provisions at the Council and procurement has taken place for a learning and development provider (including e-learning) which will be rolled out in 2020-21. Alongside this work, quarterly leadership conferences (Lessons in Leadership), our achievement recognition scheme You're a Star, and the use of the Staff and Leadership Competency Frameworks have continued.

Key Business Indicators

The table below contains some of our key corporate performance indicators in 2019-20, with comparison figures from 2018-19 and the average for local authorities in England.

Key Performance Indicator	2018-19	2019-20	National average
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			(source: LG Inform, 2018-19)
Business Rates collection rate	98.8%	97.9% *	98.3%
Council Tax collection rate	98.8%	98.5% *	97.2%
Major planning applications decided within 13 weeks or agreed extension	88.5%	100%	89%

*Collection rates were impacted by the emergence of the Covid-19 pandemic in March 2020 which resulted in direct debits being cancelled and enforcement action stalled.

4. Governance

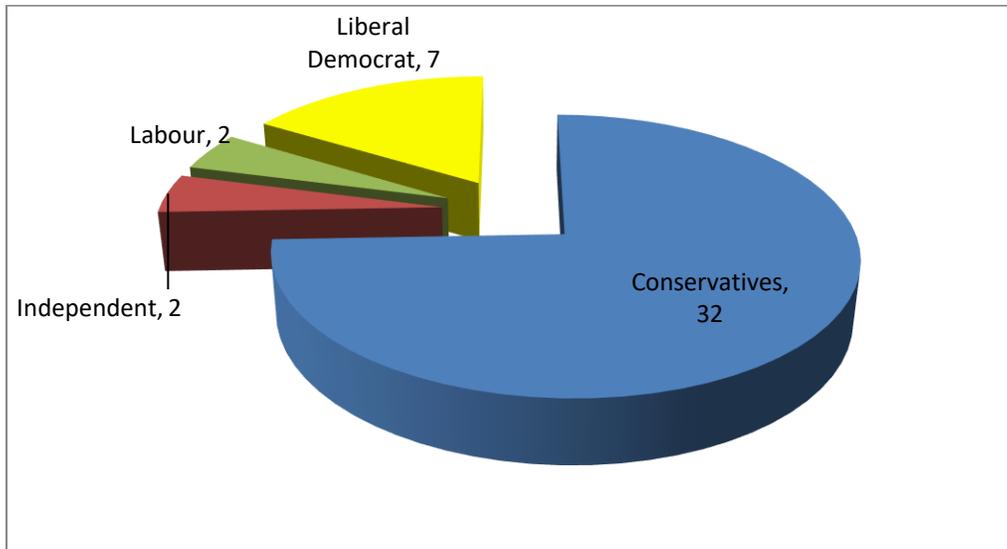
Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved. For example, the Corporate Governance Board meets on a quarterly basis to discuss internal audit, risk management, health and safety, emergency planning, information governance, and any complaints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

The Council

East Hampshire District Council is made up of 43 Councillors elected every four years. 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.

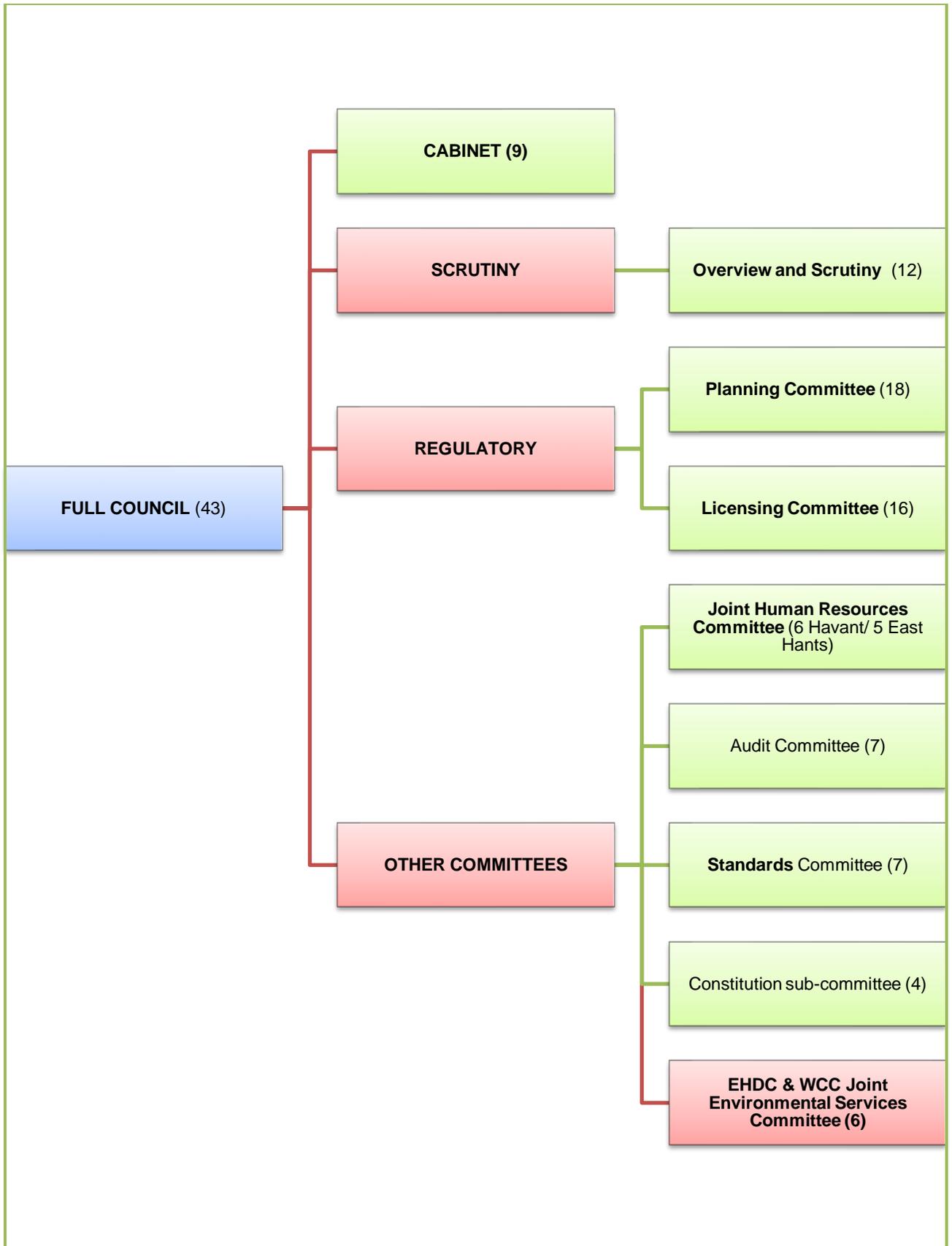
All Councillors meet together for Full Council meetings six times a year. These are held in public, and are used to decide the council's overall policies and set the budget each year.



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

All the Councillors meet together as Full Council and set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for East Hampshire District Council that were in place during 2019/20.

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Cabinet

EHDC 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 Richard Millard).

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 9 Councillors and met 4 times during the year.

The Committee has the remit to;

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

Audit Committee

The Committee is made up of 6 Councillors and met 3 times during the year.

The Committee had the remit to;

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

Planning Committee

The Committee is made up of 11 Councillors and normally meets monthly.

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

The Planning Committee's function is:

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

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

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Licensing Committee

The Committee is made up of 14 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 Standards functions are:

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

Joint HR Committee

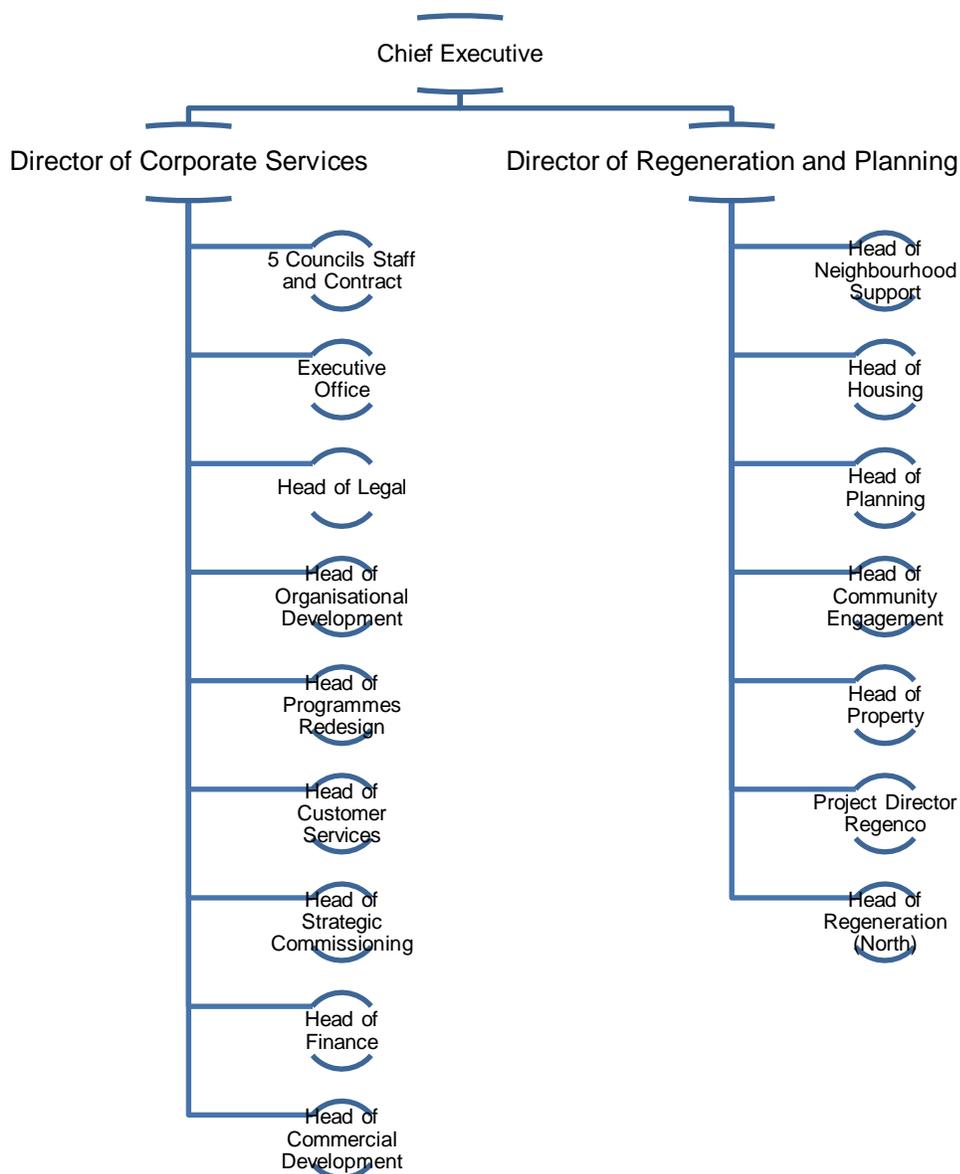
The Committee is made up of 5 Councillors from EHDC and 6 Councillors from HBC. The Committee met twice during 2019-20

Management Structure

Supporting the work of elected Members is the organisational structure of the Council headed by the Executive Team. This is comprised of East Hampshire District Council's most senior officers. 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:

During the year a revised management structure was implemented. These changes have been reflected in the financial management reports of 2019/20 and the previous year has been restated for comparison purposes.

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Staffing

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

Employees	2018/19	2019/20
Total number of current permanent full and part time employees	298	322
Total number of current temporary / fixed term employees	15	*
Total number of employees	313	322
Total number of employees expressed as full time equivalents	279	286

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*- Not available

Posts	2018/19	2019/20
Total number of permanent full and part time posts	350	365
Total number of temporary / fixed term posts	15	*
Total number of posts	365	365
Total number of posts expressed as full time equivalents	323	323

Sickness and accident statistics are shown in the table below:

	2018/19	2019/20
Short term sickness (days per FTE)	4.6	4.5
Long term sickness (days per FTE)	2.5	3.7
Overall sickness (days per FTE)	7.1	8.2

5. A Summary of the 2019/20 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.

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	Final Budget	Outturn	Variation	Variation
	£'000	£'000	£'000	%
Director of Corporate Services				
5 Councils Staff and Contract	150	78	(72)	-48.00%
Executive Office	483	482	(1)	-0.21%
Head of Legal	283	405	122	43.11%
Head of Organisational Development	1,373	1,346	(27)	-1.97%
Head of Programmes Redesign	2,653	2,548	(105)	-3.96%
Head of Customer Services	2,034	1,680	(354)	-17.40%
Head of Strategic Commissioning	3,997	2,616	(1,381)	-34.55%
Head of Finance	4006	4,523	517	12.91%
Head of Commercial Development	(121)	278	399	-329.75%
Director of Regeneration and Planning				
Head of Neighbourhood Support	(341)	(144)	197	-57.77%
Head of Housing	938	255	(683)	-72.81%
Head of Planning	1,031	2,346	1,315	127.55%
Head of Community Engagement	1,173	1,253	80	6.82%
Head of Property	(9,211)	(8,777)	434	-4.71%
Project Director Regenco	(298)	(122)	176	-59.06%
Head of Regeneration (North)	700	809	109	15.57%
Other Operating I&E (Corporate Pension Costs)	888	1,006	118	13.29%
Total Cost of Services	9738	10,582	844	8.67%
Interest from Investments	0	(63)	(63)	
MRP	1706	1,706	1,706	
Capital Expenditure Charged to Revenue	88	170	82	93.18%
Net Cost of Services	11,532	12,395	863	7.48%
Funded by:				
Parish Precepts	3,871	3,871	0	0.00%
Business Rates Retention	(2,419)	(3,434)	(1,015)	41.96%
Council Tax Demand on the Collection Fund (inc precepts)	(10,491)	(10,522)	(31)	0.30%
General Grants	0	(44)	(44)	
New Homes Bonus Grant	(2,614)	(2,614)	0	0.00%
Contributions to/(from) Earmarked Reserves	(345)	795	1,140	-330.43%
Contributions to/(from) General Fund Balance	466	(447)	(913)	-195.92%
Total Funding	(11,532)	(12,395)	(863)	7.48%
Net Cost of Services	11,532	12,395	863	
Total Funding (less reserves)	(11,653)	(12,743)	(1,090)	
Surplus	(121)	(348)	(227)	187.60%

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The General Fund Revenue Budget outturn is a surplus of £0.348 million. When the budget was originally set in February 2019 the Council estimated it would need to make a contribution of £0.121m to the General Fund and Earmarked Reserves in order to balance the budget. This therefore represents a £0.227 million variance. The main variances are detailed in the sections that follow:-

5 Councils Staff and Contract (£72,000) surplus

- (£72,000) savings on milestone payments

Head of Legal £122,000 shortfall

- £122,000 shortfall due to additional agency costs.

Head of Programmes Redesign (£105,000)

- Savings due to vacancies in team

Head of Customer Services (£333,000)

- Savings due to vacancies in team

Head of Strategic Commissioning (£1,381,000) extra income

- Additional income from the service, in particular garden waste income and agreement on handling of trade waste income (£736k).
- (£645K) due to successful transfer to the new waste contract (October 2019) allowed for staff savings from client team

Head of Finance (£517,000) shortfall

- Additional bad debt provision at year end

Head of Commercial Development £399,000 shortfall

- Shortfall due to reduced income

Head of Housing (£683,000) saving

- Council received additional flexible homelessness grant of £289K that will be used in future years to support prevention of homelessness. Remaining surplus in previous year's grant which was carried forward from 2018-19 but will now be placed in appropriate reserve for use going forward

Head of Planning £1,315,000 shortfall

- £1,000,000 adjustment to prior year CIL income
- £315,000 shortfall of income

Head of Property £434,000 shortfall

- Reduced income from investment properties as purchases did not go ahead as planned due to market conditions.

Other variations

- (£1,015) net retained income from business rates – awaiting Levy calculation once NNDR3 is complete.

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General Fund: Capital Programme

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

	2019/20 Original Budget Feb 19 £ (000)	2019/20 Outturn £ (000)	2019/20 Variance £ (000)
Housing			
Disabled Facilities Grants	1,381	1,085	(296)
Operational Land and Buildings			0
Leisure centre replacement (Alton)	5,743	9,676	3,933
Leisure centre refurbishment (Taro)	0	505	505
Leisure centre replacement (W&B)	2,170	4,849	2,679
White Hill & Bordon		500	500
Investment Property (Investment Strategy refers)	31,189	31,422	233
Property Development OSU Site	0	(55)	(55)
IT Equipment			0
Replacement of Noise Monitoring Equipment	10	0	(10)
Building Control – Software	7	33	26
CS Waste Telephony	61	23	(38)
Vehicles and Equipment			0
Car parking IT Equipment	0	25	
Environmental Health Vehicle	0	16	16
Other Capital Expenditure			0
SCF-CommunitiesCapitalGrants	0	72	72
Pinewood Village Hall	0	30	30
Other s106 funded schemes	10	2,119	2,109
Total Capital Programme	40,571	50,300	9,729
	2019/20 Original Budget Feb 19 £ (000)	2019/20 Provisional Outturn £ (000)	2019/20 Variance £ (000)
Funded By:			
REFCUS (Revenue funded as Capital under Statute)	1,381	1,085	(296)
External Grants & Contributions		2,149	2,149
Use of Specific Reserves	88	170	82
Use of Capital Receipts	0	500	500
Borrowing Requirement	39,102	46,396	7,294
Total Funding	40,571	50,300	9,729

NARRATIVE

The outturn on the General Fund Capital Programme is an overall overspend of £9.729 million. The reasons for the significant variances are as follows:

Operational Land and Buildings

- The Council has invested in three leisure centres during the year. Alton is complete and now open. The variance shown is just re-profiled spend.

Other Capital Spend

- This spend represents a variety of spend on Council And non-Council assets funded from external grants CIL and s106

6. 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.

A significant risk facing the Council during 2019-20 was the possibility of a no-deal Brexit. To help manage this risk, a Brexit response team was set up within the Council to monitor the evolving situation and a dedicated risk register was maintained with appropriate mitigations identified, including IT provision in case staff were required to work from home due to transport issues. The Brexit team were stood down in January after the Ministry of Housing, Communities and Local Government (MHCLG) deemed the risk of no-deal to have dissipated.

The coronavirus (Covid-19) pandemic which emerged towards the end of the financial year represents an unparalleled challenge to local authorities across the nation. In accordance with our business continuity plans, East Hampshire District Council has acted quickly to ensure that critical services continue to function. We have identified the key risks and developed separate workstreams to assist vulnerable people in the District, support local businesses, safeguard our staff, ensure effective communication during the pandemic (both internal and external) and enable the recovery of our residents and businesses once the immediate crisis passes.

We will continue to act in accordance with the latest guidance from MHCLG and the Local Resilience Forum as the situation evolves in the coming months. There are likely to be adverse effects of this pandemic on our major corporate projects, but we do not underestimate the effects Covid-19 will have on our District's residents and businesses and we will prioritise the most vulnerable people in our response.

The Council has significant commercial contracts in place and a significant standing risk to the Council is the risk of our contractors failing to deliver all or part of a contract, leading to potential non-delivery of services to our residents. There remains a robust process for monitoring our contracts including ensuring that our business continuity plans remain up to date and this will continue during 2020/21.

Staffing, in particular shortage of employees through loss of key staff or the inability to attract appropriately skilled employees represents a significant risk to the delivery of the Corporate Strategy. There remains regular and on-going investment in staff, for example through our ongoing leadership development programme and availability of a corporate training programme. Going forward the Council will strive to ensure that it offers staff an attractive benefits package in order to recruit and retain.

7. 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.

NARRATIVE

The Council's net Pension Liability valued on an IAS 19 basis increased from £43.693 million at 31st March 2019 to £47.079 million at 31st March 2020. It is detailed in Note 8 to the accounts. Gross liabilities have increased by £1.4 million mainly due to changes in the discount rate, and the fair value of assets has decreased by £1.9 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

8. 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 brought about by Brexit 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 2020/21 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 2020/21 to 2024/25 is set out in the table below

NARRATIVE

	2019/20 Estimate £ (000)	2020/21 Estimate £ (000)	2021/22 Estimate £ (000)	2022/23 Estimate £ (000)	2023/24 Estimate £ (000)	2024/25 Estimate £ (000)
Director of Corporate Services						
5 Councils Staff and Contract	150	258	258	258	258	258
Executive Office	483	410	410	410	410	410
Head of Legal	283	334	334	334	334	334
Head of Organisational Development	1,422	1,406	1,411	1,415	1,420	1,425
Head of Programmes Redesign	2,747	2,770	2,790	2,811	2,831	2,853
Head of Customer Services	2,050	2,046	2,046	2,046	2,046	2,046
Head of Strategic Commissioning	4,604	4,281	3,883	3,461	3,124	3,203
Head of Finance	5,766	917	767	781	795	809
Head of Commercial Development	(53)	83	79	74	70	65
Director of Regeneration and Planning						
Head of Neighbourhood Support	(355)	(449)	(507)	(561)	(616)	(673)
Head of Housing	451	211	439	439	439	439
Head of Planning	1,041	1,205	1,212	1,212	1,212	1,212
Head of Community Engagement	1,121	1,216	1,216	1,216	1,216	1,216
Head of Property	(9,194)	(4,620)	(4,915)	(4,915)	(4,915)	(4,915)
Project Director Regenco	(298)	(409)	(410)	(410)	(410)	(410)
Head of Regeneration (North)	450	1,208	797	797	797	797
Other Operating I&E (Corporate Pension Costs)	771	887	887	887	887	887
Depreciation		(986)	(986)	(986)	(986)	(986)
Total Cost of Services	11,439	10,768	9,711	9,269	8,912	8,970
Further savings to be found						
Income from further investment in property			(2,400)	(4,800)	(4,800)	(4,800)
Salary inflation			524	1,070	1,637	2,227
Interest payable on external loans			1,182	2,364	2,364	2,364
Minimum Revenue Provision			988	1,067	1,148	1,148
Capital Expenditure Charged to Revenue		296				
Net Cost of Services	11,439	11,064	10,005	8,970	9,261	9,909
Parish Precepts	3,986	4,282	4,282	4,282	4,282	4,282
Business Rates Retention	(2,418)	(1,306)	(2,116)	(1,896)	(1,896)	(1,896)
Council Tax Demand on the Collection Fund (inc precepts)	(10,491)	(11,113)	(11,320)	(11,532)	(11,751)	(11,977)
Collection Fund (Surplus)/Deficit		(118)				
General Grants						
New Homes Bonus Grant	(2,614)	(3,346)	(1,530)	(920)	0	0
Other Financing						
Contributions to/(from) Earmarked Reserves	522	537				
Contributions to/(from) General Fund Balance	(424)	0	679	1,096	104	(318)
Balance Deficit/(Surplus)	0	0	0	0	0	0

As outlined earlier in this report, the medium term plan will be revisited in light of the Covid-19 pandemic. An update on the Council's MTFs, along with an analysis of the financial impact on the Council of Covid-19 will be provided to Cabinet during the year. A new medium term plan for 2021/22 to 2025/26 will then be submitted to Cabinet and Full Council for approval in February/March 2021.

NARRATIVE

Capital Strategy 2020/21

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 2020/21 was approved by Full Council on 25th February 2020 and is available on the Council's website.

Within the capital strategy is the Capital Programme for 2020/21 to 2024/25 was prepared to mirror the 5 year timeframe of the MTFS.

	5 YEAR CAPITAL PROGRAMME				
East Hants District Council Capital Programme Summary Project	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Housing					
Disabled Facilities Grants	1,381	1,381	1,381	1,381	1,381
Operational Land and Buildings					
Leisure centre replacement (Alton)	4,583	-	-	-	-
Leisure centre refurbishment (Taro)	355				
Leisure centre replacement (W&B)	5,438				
Commercial Activity Property Investment					
Investment Property (Investment Strategy refers)	78,811	-	-	-	-
Property Development OSU Site	-	-	-	-	-
IT Equipment					
Replacement of Noise Monitoring Equipment	-	-	-	-	-
Processing and Management System	204	-	-	-	-
Asset Maintenance Management System	35	-	-	-	-
Building Control - Software	27	-	-	-	-
CS Waste Telephony	-	-	-	-	-
Vehicles and Equipment					
Environmental Health Vehicle	30	-	-	-	-
Other Capital Expenditure					
Merchistoun Hall Redevelopment					
CIL	tbc				
Other s106 funded schemes		-	-	-	-
Grand Totals	90,864	1,381	1,381	1,381	1,381
Projected Capital Financing					
REFCUS (Revenue funded as Capital under Statute)	1,381	1,381	1,381	1,381	1,381
External Grants & Contributions		-	0	0	0
Use of Specific Reserves	296	-	-	-	-
Use of Capital Receipts		-	0	0	0
Borrowing Requirement	89,187	-	-	-	-
Revenue Funding	0	0	0	0	0
Total Projected Funding	90,864	1,381	1,381	1,381	1,381

NARRATIVE

9. Material assets/liabilities

The Council purchased the following significant assets during the year as part of its economic development and regeneration strategy:

Rams Walk	£32m
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The additional of Rams Walk shopping district within Petersfield represented significant investment within the district. This new material asset has been financed by loans from the Public Works Loan Board (PWLB).

10. 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.
- **Expenditure & Funding Analysis** shows how annual expenditure is used and funded from resources, including government grants, Council Tax and Business Rates, by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorate and Service Heads. Income and expenditure, accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

11. 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.



Lydia Morrison
Chief Finance Officer
(Director of Corporate Services)

ANNUAL GOVERNANCE STATEMENT

Introduction

The Leader of the Council (Councillor Richard Millard) and Chief Executive (Gill Kneller) both recognise the importance of having good systems in place to manage and deliver services to the residents of East Hampshire. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working by assessing the previous year's activities against the Local Code of Corporate Governance and the Corporate Governance Policy. This AGS is in respect of 2019-20.

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

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. The framework brings together an underlying set of legislative requirements, good practice principles and management processes, and enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

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

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

ANNUAL GOVERNANCE STATEMENT

How do we know it is working?

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



ANNUAL GOVERNANCE STATEMENT

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 reports from the Monitoring Officer on any complaints regarding Councillors.</p> <p>The Council's Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing. A comprehensive review of the Constitution has taken place throughout 2019-20 by Audit Committee and the Monitoring Officer to ensure that it is an effective and up-to-date document.</p> <p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. Mandatory performance objectives are set for all staff which ensure compliance with data protection law, Health and Safety regulations, and the Council's Safeguarding Policy.</p> <p>There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period. Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality, and an annual register of declarations. Any declarations of interest made during meetings are recorded in the minutes.</p> <p>The Council has in place a complaints procedure including weekly reminders to relevant managers responsible.</p> <p>The Council has a shared Monitoring Officer with Havant Borough Council and as a member of the Executive Board they are kept apprised on the Council's projects and actions and are ultimately responsible for legal compliance.</p> <p>Statutory officer roles are the Head of Paid Service who is the Chief Executive, the Chief Financial (S151) Officer, who carries overall responsibility for the Council's financial administration, and the Monitoring Officer, who ensures the Council acts lawfully. All three roles are shared with Havant Borough Council.</p>	<p>Councillor Code of Conduct Staff Code of Conduct Standards Committee</p> <p>Constitution Anti Fraud & Corruption Policy including Fraud Response Plan Whistleblowing Policy</p> <p>http://easthants.moderngov.co.uk/mgMemberIndex.aspx</p> <p>http://www.easthants.gov.uk/complaints</p> <p>Management structure</p>

ANNUAL GOVERNANCE STATEMENT

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council has laid out its purpose, direction, vision and objectives in its Corporate Strategy which can be obtained either on the Council's website or from the Council's offices. The Council's Corporate Strategy is comprehensively reviewed on a regular basis. During 2020-21, the refreshed Corporate Strategy will be subject to a consultation with residents and other stakeholders and will be adopted as a 'living' document in order to best reflect our shared ideals and visions.</p>	<p>http://www.easthants.gov.uk/performance-and-strategy</p>
<p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the Government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500.</p>	<p>Freedom of Information</p>
<p>The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually.</p>	<p>Committees and Papers</p>
<p>The Council carries out the Residents' Survey every two years, the results of which are shared with Heads of Service to inform their decision making. The next Residents' Survey is due to take place in summer 2020.</p>	<p>Partners magazine EHDC Facebook Twitter Instagram YouTube</p>
<p>The publication of the residents' magazine, called 'Partners', is used to provide updates, upcoming events and contact information, and is converted into accessible formats to ensure that residents can access it. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, Twitter, LinkedIn and Instagram to get updates from and interact with the Council.</p>	<p>Town & Parish Charter http://www.easthants.gov.uk/</p>
<p>The Council has a Parish Charter which sets out how we will work with Parish and Town Councils across the District. The Council works closely with the South Downs National Park Authority and the 40 Town and Parish Councils.</p>	<p>http://www.easthants.gov.uk/accounts</p>
<p>The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax and Waste and Recycling, can be accessed quickly and easily from the homepage. Accessibility improvements have been made to the website in 2019-20 including changing the colour saturation to assist the visually impaired.</p>	<p>Let's Talk events</p>
<p>The Statement of Accounts provides a clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p>	
<p>Let's Talk events are run by the Council to allow residents to express their opinions on particular themes.</p>	

ANNUAL GOVERNANCE STATEMENT

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	
How the Council meets these principles	Where you can see Governance in action
<p>The five themes in the Council's Corporate Strategy (Financial Sustainability, Economic Growth, Environmental Sustainability, Public Service Excellence and Creativity & Innovation) are used to guide its corporate planning and decision making. A refreshed Corporate Strategy has been developed in 2019 and this will be published in 2020.</p> <p>The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Medium Term Financial Strategy is reviewed annually and forms the basis of the annual budgeting process.</p> <p>A Corporate Action Plan is prepared each year to support the delivery of the vision laid out in the Corporate Strategy, and progress against the objectives in the Corporate Action Plan is reported quarterly. Each service's Key Performance Indicators are monitored corporately and reported to the Executive Board on a quarterly basis to ensure that the objectives in the Corporate Action Plan are on target. Monthly financial forecasts are submitted to the Executive Board and quarterly to Councillors alongside the Healthcheck report.</p> <p>The Council's major contracts are overseen by client teams. The Council's environmental services (waste collection, grounds maintenance, street cleaning and public conveniences cleaning) are provided via delegation to Havant Borough Council through its joint venture partnership Norse SE. The performance of this contract is monitored by Key Performance Indicators to ensure that both a good quality service and value for money are delivered.</p> <p>The Council's budget report contains a summary of the budget and business plans that has been set for East Hampshire District Council for 2019-20, as approved by the Council on the 21 February 2019. 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.</p> <p>The Council uses evidence based insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the community.</p>	<p>http://www.easthants.gov.uk/performance-and-strategy</p> <p>Council Budget</p> <p>Residents' Survey Planning SCI (Statement of Community Involvement)</p>

ANNUAL GOVERNANCE STATEMENT

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

E. DEVELOPING THE COUNCIL'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council has a joint management team with Havant Borough Council. This management team is made up of the Chief Executive, Chief Finance Officer (S151 Officer), two Executive Directors and the Heads of Service, most of which are shared with Havant Borough Council. The costs of all shared management posts are shared between the Councils.</p> <p>A number of the Council's corporate services are delivered through the 5 Councils Partnership with Capita which is monitored via a shared Client Team.</p>	<p>Management structure</p> <p>Organisational Development Strategy</p>

ANNUAL GOVERNANCE STATEMENT

<p>The Organisational Development Strategy sets out how the Council will deliver on its vision by employing the right people with the right skills and attitude, in the right job, in the right environment, and paid the right rate.</p> <p>The Council has a performance management framework which includes a comprehensive induction programme for new starters. Performance appraisal processes for all employees include regular 1:1 meetings with line managers and assessment against the Staff Competency Framework. In 2019-20, e-learning courses on data protection and cybersecurity were undertaken by all staff, alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services.</p> <p>Following the District Council elections, all Councillors are required to undertake a comprehensive training programme which ensures that they have an understanding of the procedures and protocols of the Council. This may include training on planning and licensing matters and Councillors are not allowed to sit on the Planning, Licensing or Audit Committees until such training has been undertaken.</p> <p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme and accompanying Competency Framework, during the course of a Councillor's four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements. The Council was awarded Charter status (Charter for Elected Member Development) in 2017 and continues its commitment to excellence in Councillor training.</p>	<p>Councillor Competency Framework</p> <p>Charter status case study</p>
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F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.</p> <p>There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council Constitution.</p> <p>The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan and Key Decision notice is published on the Council website. Decisions made by Cabinet can be called in for review by the Overview & Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p> <p>Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly Healthcheck 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 Board and informally to Cabinet. Performance indicators clearly link individual services to the corporate objectives in the Corporate Strategy and include details of national and</p>	<p>Council structure</p> <p>Committee structure</p> <p>Forward Plan</p>

ANNUAL GOVERNANCE STATEMENT

<p>local performance indicators and risk. Performance indicators are reviewed annually as part of the business planning process to ensure they continue to be relevant and stretching.</p> <p>A Corporate Governance Board has been established with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This will be underpinned by the Local Code of Corporate Governance. In addition, the Corporate Governance Board is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks.</p> <p>The Council has in place a number of policies and procedures to ensure decisions made are robust. These include the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers.</p>	<p>Corporate Governance Policy</p> <p>Local Code of Corporate Governance</p> <p>Policy Hub</p>
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G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY	
How the Council meets these principles	Where you can see Governance in action
<p>The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.</p> <p>The Council has an Audit 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 Executive Board through the quarterly Healthcheck report. Risks rated as above the risk threshold are reported as part of the quarterly Healthcheck to Councillors.</p> <p>Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. Audit Committee approves the Annual Statement of Accounts.</p> <p>The Council is subject to independent external audit currently by KPMG LLP. The external audit plan outlines the work undertaken and the timing of external audit reports.</p> <p>The Council supplements this work with an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust. The Chief Internal Auditor is required to provide a written status report to the Executive Board, summarising the assurance opinions arising from the internal audit reviews carried out during the year.</p> <p>The Council has appointed the Chief Finance Officer as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs.</p>	<p>Statement of Accounts</p> <p>Audit Committee</p> <p>Full Council</p> <p>Internal audit</p>

ANNUAL GOVERNANCE STATEMENT

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the following areas:

Area	Review of effectiveness
Political leadership	<ul style="list-style-type: none"> • The combined Governance, Audit & Scrutiny Committee was reviewed during 2019-20 and split into three new committees to ensure that roles of each committee could be clearly articulated. The Overview & Scrutiny Committee is responsible for monitoring, scrutinising and holding the decision makers to account. The Audit Committee ensures that the internal and external audit reports it receives are robust and provide assurance to the Council that the governance processes in place are sufficient. The role of the Standards Committee is to monitor standards of conduct of Members and advise the Council on probity issues. The Member/Officer relations protocol is being developed further with additional training for Councillors to be rolled out in 2020. Further information about the new committee structure can be found in the next section of this document. • Following the expiration of the previous Corporate Strategy in 2019, a revised Strategy covering the period from 2020 to 2024 has been developed and will be subject to consultation with residents and other stakeholders during 2020 to ensure that it best reflects the Council's ambitions for the District in the coming years. The Corporate Strategy is a key strategic document that articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use.
Officer leadership	<ul style="list-style-type: none"> • The Council's Constitution underwent a comprehensive review in 2019-20 to ensure that it remains an effective and up-to-date document. • The Council's Monitoring Officer has a legal responsibility to report on matters of unlawfulness within the Council. In 2019-20 the Monitoring Officer continued his review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support and will be reporting on this to Full Council. • The Corporate Governance Board report to the Executive Board on a quarterly basis on governance matters covering risk, health and safety, business continuity, emergency planning, information governance and financial risk. Updates are provided to Members through the quarterly Healthcheck report. • The Council has commissioned an independent review of corporate governance, the results of which will be published in 2020-21.
Internal assessment and monitoring	<ul style="list-style-type: none"> • There are regular reporting arrangements in place regarding the financial affairs of the Council. The budget for 2019-20 was agreed by Full Council on 21 February 2019 and financial performance is reported on a quarterly basis to Members. An internal audit review of financial stability in 2019-20 provided a 'substantial' assurance with no management actions to be taken. • 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. • As part of the process of identifying any areas where governance needs to be strengthened across the organisation, the Annual Governance Questionnaire was extended to all staff in 2019-20. Staff were asked to complete an online questionnaire indicating whether their services comply with each of the criteria in the Code of Corporate Governance. The questionnaire highlighted the following: <ul style="list-style-type: none"> ○ 90% of responses said there was evidence of meeting the criteria ○ Areas of strength: <ul style="list-style-type: none"> ▪ Implementation of audit recommendations ▪ Performance appraisals and other people management policies ▪ Compliance with FOI procedure ○ Areas for improvement: <ul style="list-style-type: none"> ▪ Awareness of structure and operation of Committees ▪ Awareness of staff Code of Conduct

ANNUAL GOVERNANCE STATEMENT

	<ul style="list-style-type: none"> ▪ Using evidence-based insight in decision making <p>Areas that scored poorly in the questionnaire will be targeted with a programme of improvements throughout 2020-21.</p>
Responsibilities of Chief Finance Officer (s151)	<ul style="list-style-type: none"> • The Chief Finance Officer is the Responsible Financial Officer and is a member of the Executive Board, reporting directly to the Chief Executive. They are responsible for delivering and overseeing the financial management arrangements of the Council. East Hampshire District Council shares a Chief Finance Officer with Havant Borough Council. • They are also responsible for ensuring alignment with the Code of Practice on Local Authority Accounting for 2019-20. East Hampshire District Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016).
Internal Audit	<ul style="list-style-type: none"> • The Council's internal audit programme is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually. • Progress against the audit plan is reported quarterly to the Audit Committee. Any outstanding high risk actions are addressed as a matter of priority. • Internal audit attend Corporate Governance Board every quarter to provide an update on progress of management actions. Any outstanding actions are reported to Executive Board to ensure that these are escalated where necessary and completed within a reasonable timescale. • The Southern Internal Audit Partnership delivered 27 review areas over the course of the year ending 31 March 2020 including all carry forward reviews. The Chief Internal Auditor's opinion of East Hampshire's framework of governance, risk management and management control is 'adequate' and audit testing has demonstrated controls to be working in practice.
External Audit	<ul style="list-style-type: none"> • The Council's external audit requirement is provided by KPMG 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 external auditor KPMG LLP provided the Council with an unqualified opinion on the Council's accounts within their Audit Opinion. The opinion included an emphasis of matter paragraph to draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings and the valuation of investment properties as at 31 March 2020. Their opinion is not modified in respect of this matter. • KPMG LLP also provided an unqualified opinion of the Council's arrangements to secure Value for Money.

ANNUAL GOVERNANCE STATEMENT

Last year's key improvement areas

In the 2018-19 Annual Governance Statement, four key issues were identified for improvement. Below are the issues and actions taken during 2019-20.

Improvement area	Issue of concern	Action taken
<p>Management of major contracts:</p> <ul style="list-style-type: none"> • 5-Councils Contract/6-Councils Partnership • Waste contract • Leisure centre capital development 	<p>5-Councils Contract/6-Councils Partnership Continued issues with the service provider's business model have required significant resource to ensure that the contract performs to required standards. It was therefore decided to bring Finance and HR services back inhouse and this was completed during 2019-20. Payroll in particular was a high risk transfer so this was prioritised and was successfully brought back with no issues.</p> <p>Waste contract The new waste collection and environmental services contract went live on 30th September 2019 as the previous contract had expired. The change in service provider needed to be managed carefully to result in minimal disruption for residents and to ensure that the new contract represented value for money.</p> <p>Leisure centre capital development EHDC's leisure improvements programme is comprised of the major refurbishment of one leisure centre and construction of two new leisure centres in the District.</p>	<p>5-Councils Contract/6-Councils Partnership</p> <ul style="list-style-type: none"> • Finance and HR services were brought back inhouse with a staged process to minimise risks (HR advisory returned during September 2019 and Finance and HR admin and payroll returned from 1st April 2020). • Transition was managed by a dedicated project team and there was minimal disruption to the services provided during the return of these functions. • Management of the services still provided through the contract continues through regular review of performance via Client Team. <p>Waste contract</p> <ul style="list-style-type: none"> • Regular reporting was made to the Strategic Project Board throughout the mobilisation of the new contract. • Transition was smooth with missed bins being kept to a minimum and BAU service levels reached within 6 weeks. • An automated missed bin reporting feature was added to the CRM portal to reduce staff time spent answering and processing phone calls. • The new contract is being monitored through KPIs measuring financial savings and quality of service. Health and Safety statistics from the service provider are also being reported to the Council. • The mobilisation of the new contract received a 'substantial' assurance rating from internal audit in 2019-20. <p>Leisure centre capital development</p> <ul style="list-style-type: none"> • Programme of governance in place with regular reporting to Strategic Projects Board. • Refurbishment project was completed in autumn 2019 within budget. • Construction of first new leisure centre was completed in January 2020 within budget and ahead of schedule. • Build of second new leisure centre commenced in early 2020.

ANNUAL GOVERNANCE STATEMENT

		<ul style="list-style-type: none"> Ongoing leisure programme is being monitored via dedicated leisure contract management team.
<p>Continuous improvement in the property acquisition governance</p>	<p>The Council has a property acquisition aspiration in order to provide funds to deliver public services. Over the next few years it is anticipated that a number of commercial properties will be purchased to bring the property portfolio value to £200m.</p> <p>There is a need to ensure that appropriate governance arrangements are in place and managed accordingly as properties are identified and purchased.</p>	<p>The 2019 CIPFA peer review identified a number of actions to improve the governance of EHDC's investment property portfolio. These are being monitored through a service review.</p> <p>A Place-making and Regeneration Investment Framework has been developed to sit alongside the Commercial Property Investment Strategy to ensure that detailed business cases for property acquisition consider the Council's wider regeneration aspirations in addition to financial returns. The Strategy was approved at Full Council in February 2020 and is accompanied by a framework detailing the governance arrangements involved in the Council's property acquisition.</p>
<p>Review of the functioning of the Governance, Audit & Scrutiny Committee</p>	<p>Following a comprehensive review of the Constitution and the function of the scrutiny committee, it was decided that the previous committee structure needed to be amended to articulate clear separations between executive and non-executive functions and improve the ability of the committee(s) to contribute to good governance.</p>	<p>During the Monitoring Officer's review of the Constitution, it was decided that the combined Governance, Audit & Scrutiny Committee would be replaced by three new committees with clearly defined roles for the reasons described previously.</p> <p>These new committees were formed during summer 2019.</p> <p>A summary of the functions of each committee is below (the full terms of reference can be found in the Constitution).</p> <p>Audit Committee</p> <ul style="list-style-type: none"> Ensuring that the Council has a sound system of internal control Monitoring and reviewing all matters relating to internal and external audit Approving the Annual Statement of Accounts With the Monitoring Officer, reviewing the operation of the Constitution and propose any amendments if necessary Reviewing compliance with the Data Protection Act 2018 and GDPR <p>Overview & Scrutiny Committee</p> <ul style="list-style-type: none"> Considering and calling in decisions relating to the discharge of Cabinet and Executive functions Assisting with the development of the Budget and Policy Framework

ANNUAL GOVERNANCE STATEMENT

		<ul style="list-style-type: none"> • Conducting reviews of policy, services and aspects of services where there is an identifiable need • Reviewing the performance of the Cabinet, Cabinet Committees and appropriate Officers <p>Standards Committee</p> <ul style="list-style-type: none"> • Promoting and maintaining high standards of conduct by Members • Monitoring and advising on the operation of the Code of Conduct • Assessing any complaints regarding the conduct of Councillors <p>The separation of these three committees has provided an opportunity to articulate more clearly the roles and responsibilities of each committee and deliver specific training to the members to ensure that they can fulfil their functions effectively.</p>
<p>Services need to ensure that they have clearly communicated and embedded effective governance arrangements, policy management and performance management</p>	<p>Continued improvement of governance and communication of policies and associated guidance, including embedding new ways of working. This includes strong messages around compliance and accountability and a planned programme of work to identify and tackle areas of non-compliance.</p> <p>Review of the Performance Management Framework covering both corporate performance and personal performance.</p>	<p>Service risk registers were reintroduced during 2019-20 to ensure that services were following effective risk management practices. Risks can be escalated to the corporate risk register if necessary and this is reviewed on a quarterly basis.</p> <p>The Annual Governance Questionnaire was expanded to include all staff to emphasise that good governance is everyone's responsibility. Results indicated that the general understanding of governance framework is good, but there are still areas for improvement. These will be addressed in 2020-21.</p> <p>Information governance e-learning courses were completed by all staff in 2019-20.</p> <p>The Performance Management Framework will be comprehensively reviewed in 2020-21 to tie in with the planned overhaul of the corporate training and professional development offer.</p>

ANNUAL GOVERNANCE STATEMENT

Identified key improvement areas

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2020-21.

Issue of concern	Key improvement	Lead officer	Action required
Continuous improvement in the governance of the investment property portfolio	Following improvements made to the governance of investment property acquisition in 2019-20, the management of the existing property portfolio requires continuous improvement to ensure that it remains a sustainable form of investment and generates maximum income to help fund the Council's services.	Natalie Meagher	<p>Complete service review and finalise new roles and responsibilities.</p> <p>Embed the Place-making and Regeneration Investment Framework approved at Full Council in February 2020.</p> <p>Develop an Asset Management Strategy to ensure that appropriate governance arrangements are in place and managed accordingly.</p> <p>Understand implications of National Audit Office report on local authority investment in commercial property and review of PWLB borrowing announced in March 2020 Budget.</p>
Potential conflict of interest within partnership arrangements	East Hampshire District Council and Havant Borough Council have had a shared Chief Executive and management team for several years which has allowed both Councils to benefit from salary savings and the sharing of skills and experience. During 2019-20 a number of opportunities to renegotiate contracts have highlighted the importance of acknowledging potential conflict of interest when working across two Councils. The current conflict of interest arrangements cover conflict between corporate and personal interests, but there is no formal policy in place for managing potential conflict of interest for the shared management of the two organisations. As the partnership arrangement with Havant Borough Council continues to develop and change in the coming years, it is imperative that the individual priorities and needs of both Councils are considered as part of decision making	Gill Kneller	<p>Develop conflict of interest policy relating to shared management of the two Councils, particularly regarding contract negotiations.</p> <p>Review all shared service, shared workforce and shared values options for future direction of the partnership with this in mind.</p> <p>Ensure that shared staff understand the importance of considering potential conflict of interests between the two organisations.</p>

ANNUAL GOVERNANCE STATEMENT

	processes, especially in contract negotiations.		
Development and embedding of new Corporate Strategy	<p>Following the expiration of the previous Corporate Strategy in 2019, a revised Strategy covering the period from 2020 to 2024 has been developed and will be subject to consultation with residents and other stakeholders during 2020 to ensure that it best reflects the Council's ambitions for the District in the coming years.</p> <p>As one of the key strategic documents for the Council, the Corporate Strategy articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use.</p>	David Brown	<p>In consultation with residents and other stakeholders, finalise and publish the Corporate Strategy.</p> <p>Ensure that the new Corporate Strategy is embedded and that there are strong links between the strategy and the daily work of officers and Councillors, particularly within the Performance Management Framework.</p>
Embedding of revised Constitution including codes of conduct and structure of Council	<p>The Constitution review subcommittee will continue their work to ensure that the Constitution is modernised and streamlined in 2020-21. This will be followed by work to ensure that the revised Constitution is understood by all Councillors and staff. This will be key to ensuring that the proper procedures are followed and that the framework of corporate governance remains strong.</p>	David Brown	<p>Finish review of Constitution and produce revised version which is fit for purpose and able to be understood and used to guide decision making by all.</p> <p>Embed an improved understanding of the Constitution and its role in the Council's functioning, taking the opportunity to improve awareness of the governance framework.</p>

Opinion

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

Signed



CEO



Leader

STATEMENT OF RESPONSIBILITIES

The Council's Responsibility

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At East Hampshire District Council this officer is the Director of Corporate Services.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Director of Corporate Services (as the Chief Financial Officer) Responsibility

The Director of Corporate Services 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 Director of Corporate Services 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 Director of Corporate Services 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 41 to 108 give a true and fair view of the financial position of the Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.



Lydia Morrison
Director of Corporate Services

Approval of Accounts

The accounts were presented to the Audit Committee on the 24 November 2020 and were authorised by the Chairman of the Committee Councillor Ben Bentley.



Councillor Ben Bentley
Chairman of Audit Committee

24 November 2020

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of East Hampshire District Council ('the Authority') for the year ended 31 March 2020 which comprise the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Movement in Reserves Statement, the Authority Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter

We draw attention to note 4 to the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings and the valuation of investment properties as at 31 March 2020. As disclosed in note 4 to the financial statements a valuation exercise was carried out during the year with a revaluation date of 31 March 2020. The values determined by the valuer have been used to inform the measurement of land and buildings and investment properties in these financial statements. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020, the valuer has declared a "material valuation uncertainty" in the valuation reports. This is on the basis of market uncertainties caused by Covid-19. Our opinion is not modified in respect of this matter.

Going concern

The Chief Finance Officer has prepared the financial statements under the going concern basis of accounting in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 on the basis that the functions of the Authority will continue in operational existence for the foreseeable future. The Chief Finance Officer has also concluded that there are no material uncertainties that could cast significant doubt over the ability of the Authority to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Chief Finance Officer's conclusions we considered the inherent risks to the Authority's operations, including the impact of Brexit, and analysed how these risks might affect the Authority's financial resources, or ability to continue its operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Other information published with the financial statements

The Chief Finance Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 37, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in March 2020, we are satisfied that, in all significant respects, East Hampshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

Statutory reporting matters

INDEPENDENT AUDITOR'S REPORT

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

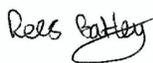
We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of East Hampshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Rees Batley
for and on behalf of KPMG LLP
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

26 November 2020

MOVEMENT IN RESERVES

2019/20	General Fund Balance	Ear-marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	(3,947)	(10,696)	(3,898)	(11,099)	(29,640)	66	(29,574)
Movement in Reserves in 2019/20							
(Surplus) deficit on the provision of services (accounting basis)	16,107	0	0	0	16,107	0	16,107
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,785)	(1,785)
Total Comprehensive Income and Expenditure	16,107	0	0	0	16,107	(1,785)	14,322
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	(16,041)	0	(727)	680	(16,088)	16,088	0
Net increase/decrease before transfers to Earmarked reserves	66	0	(727)	680	16	14,303	14,322
Transfers to/from Earmarked reserves - <i>note 11</i>	219	(219)	0	0	0	0	0
Increase/(Decrease) in Year	282	(219)	(727)	680	16	14,303	14,322
Balance at 31 March 2020	(3,662)	(10,915)	(4,625)	(10,419)	(29,621)	14,369	(15,252)

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2018/19							
Balance at 1 April 2018	(3,732)	(10,103)	(2,921)	(15,431)	(32,187)	3,939	(28,248)
Movement in Reserves in 2018/19:							
(Surplus)/ deficit on the provision of services (accounting basis)	3,020	0	0	0	3,020	0	3,020
Other Comprehensive Income and Expenditure	0	0	0	0	0	(4,346)	(4,346)
Total Comprehensive Income and Expenditure	3,020	0	0	0	3,020	(4,346)	(1,326)
Adjustments between accounting and funding basis under regulation - note 6	(3,828)	0	(977)	4,332	(473)	473	0
Net increase/decrease before transfers to Earmarked reserves	(808)	0	(977)	4,332	2,547	(3,873)	(1,326)
Transfers to/from Earmarked reserves - note 11	593	(593)	0	0	0	0	0
Increase/(Decrease) in Year	(215)	(593)	(977)	4,332	2,547	(3,873)	(1,326)
Balance at 31 March 2019	(3,947)	(10,696)	(3,898)	(11,099)	(29,640)	66	(29,574)

BALANCE SHEET

31 March
2019

31 March
2020

£'000		£'000
44,406	Property, Plant and Equipment <i>Note 14</i>	57,106
115,327	Investment Properties <i>Note 15</i>	135,196
420	Intangible Assets <i>Note 16</i>	450
0	Long Term Investments <i>Note 21</i>	0
236	Long Term Debtors <i>Note 17</i>	128
160,389	LONG TERM ASSETS	192,880
0	Assets Held for Sale	0
8,138	Short Term Debtors <i>Note 17</i>	9,335
0	Inventories	0
0	Short Term Investments	0
26,081	Cash and Cash Equivalents <i>Cash Flow</i>	16,899
34,219	CURRENT ASSETS	26,234
(17,600)	Short Term Creditors <i>Note 18</i>	(12,759)
(7)	Provisions <i>Note 19</i>	(217)
(4,807)	Short Term Borrowing	(5,438)
(22,414)	CURRENT LIABILITIES	(18,414)
(7,023)	Capital grants receipts in advance <i>Note 20</i>	(10,535)
(256)	Long Term Creditors	(255)
(1,972)	Provisions	(1,469)
(5,100)	Finance Lease <i>Note 23</i>	(5,090)
(84,577)	Long Term Borrowing <i>Note 21</i>	(121,020)
(43,693)	Net Defined Pension liability <i>Note 8</i>	(47,079)
(142,621)	LONG TERM LIABILITIES	(185,448)
29,573	NET ASSETS	15,252
(3,947)	General Fund	(3,662)
(10,696)	Earmarked Reserves <i>Note 11</i>	(10,915)
(3,897)	Capital Receipts Reserve	(4,625)
(11,099)	Capital grants and contributions	(10,419)
(29,639)	USABLE RESERVES	(29,621)
(16,717)	Revaluation Reserve	(19,573)
(28,873)	Capital Adjustment Account	(13,927)
0	Deferred capital receipts	(137)
43,486	Pensions Reserve	47,079
2,074	Collection Fund Adjustment Account	757
96	Accumulated Absences Account	170
0	Available for Sale Reserve	0
0	Pooled Investment Funds Adjustment Account	0
66	UNUSABLE RESERVES <i>Note 12</i>	14,369
(29,573)	TOTAL RESERVES	(15,252)

2018-19 RESTATED £'000	CASH FLOW STATEMENT	2019-20 £'000
(22,041)	Taxation 2018/19 Restated	(23,311)
(27,710)	Grants and Contributions	(26,729)
(17,759)	Sales of goods and rendering of services	(21,430)
(180)	Interest received	(78)
(250)	Other receipts from operating activities	(523)
(67,940)	Cash inflows generated from operating activities	(72,071)
11,745	Cash paid to and on behalf of employees	13,937
21,692	Housing benefit payments	18,230
10,745	NNDR Tariff payments 2018/19	10,911
3,673	Precepts paid	3,871
13,000	Cash paid to suppliers of goods and services	20,810
2,038	Interest paid	1,939
615	Other operating cash payments	6,628
63,508	Cash outflows generated from operating activities	76,326
(4,432)	Net cashflows from operating activities	4,255
(1,080)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,364)
57,219	Purchase of property, plant and equipment, investment property and intangible assets	45,737
0	Purchase of short-term and long-term investments	0
(15,000)	Proceeds from the sale of short-term and long-term investments	0
0	Other payments for investing activities	0
(8,000)	Other receipts from investing activities	(2,236)
33,139	Net cashflows from investing activities	42,137
(19,385)	Cash Receipts - long/short term borrowing	(42,000)
(571)	Repayments of long/short term borrowing	5,639
0	Changes in Council Tax balances held for preceptors	439
0	Changes in National Non-Domestic Rates balances held for preceptors	(1,288)
(19,956)	Net cashflows from financing activities	(37,210)
8,751	Net (Increase) / decrease in cash and cash equivalents	9,182
34,832	Cash and cash equivalents 1 April	26,081
(8,751)	Net increase / (decrease) in cash and cash equivalents	(9,182)
26,081	Cash and cash equivalents 31 March	16,899
0	Cash in hand	(1)
26,081	Call accounts and short term deposits	16,803
0	Bank balances	97
26,081	Cash and cash equivalents 31 March	16,899

A prior year adjustment has been made due to an inconsistency in the accounting treatment of Non- Domestic Rates tariff payments to Central Government. There was netting of income and expenditure in the accounts as published. The Taxation and NNDR Tariff Payments lines have both been increased by £10,745,000. The net figure is unchanged. Further details are included in note 29.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. ACCOUNTING POLICIES

Going Concern

The Code of Practice on Local Authority Accounting in the United Kingdom requires an authority's financial statements to be prepared on a going concern basis on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

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, alternative arrangements would be made by Central Government, either for the continuation of the services it provides by a successor authority or authorities, or for assistance with the recovery of a deficit over more than one financial year.

Consequently the financial statements have been prepared on a going concern basis.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2013 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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. licences) this is recognised on a cash basis.
- The new revenue recognition standard in IFRS 15 introduces a single model for income with prescribed steps to identify when control of goods or services passes to the customer together with associated revenue in the contract between the parties. An assessment was made of the income streams and the effect of IFRS 15 on the accounts which was found to be immaterial.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet. Inventories below £10,000 are considered immaterial and are expensed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

NOTES TO THE ACCOUNTING STATEMENTS

3. Accounting for Council Tax and Non Domestic Rates

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than ninety days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

6. Charges to Revenue for Non-Current Assets

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

- The liabilities of the Hampshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of other Operating Exeptions
 - 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

NOTES TO THE ACCOUNTING STATEMENTS

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.

At 31 March 2020 in order to reflect the impact of proposals by the UK Chancellor and the UK Statistic Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have been in a £12 million to £13 million increase in the Fund's liabilities since the prior year end.

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.

NOTES TO THE ACCOUNTING STATEMENTS

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:

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

10. Financial Instruments

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

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.

NOTES TO THE ACCOUNTING STATEMENTS

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 Council charges for and collects the levy, which is a planning charge. 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.

NOTES TO THE ACCOUNTING STATEMENTS

The CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the comprehensive income and expenditure statement in accordance with the accounting policy for government grants and contributions set out above. 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 Town and Parish Councils: 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

NOTES TO THE ACCOUNTING STATEMENTS

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 has a controlling interest in two Local Authority Trading Companies, which provide enforcement and consultancy services, EH Commercial Services Limited and EH Trading Services Limited. 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

NOTES TO THE ACCOUNTING STATEMENTS

- 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.

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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 2.9 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:

NOTES TO THE ACCOUNTING STATEMENTS

- 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.

The values of Land and Buildings assets individually worth less than £15,000 are not capitalised.

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. The Council has assessed that there are no assets where the components have a significant cost and need to be depreciated as components.

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

NOTES TO THE ACCOUNTING STATEMENTS

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

NOTES TO THE ACCOUNTING STATEMENTS

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.

NOTES TO THE ACCOUNTING STATEMENTS

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

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.

NOTES TO THE ACCOUNTING STATEMENTS

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

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The main items in the Council's Balance Sheet at 31 March 2020 on which such assumptions have been made are as follows:

Pensions Liability (£47.079 million at 31 March 2020)

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 (£57.106 million at 31 March 2020)

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 2020 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. In 2019/20 the Council revalued 87 out of 233 properties (37%). The remaining balance of operational properties was also reviewed to ensure values reflect current values. Valuations of property depend on various assumptions. In particular, valuers have to determine:

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

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

Investment Property (£135.196 million at 31 March 2020)

At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. However, where observable data has changed in the weeks following 31 March 2020 asset values have been reviewed and adjusted accordingly. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.

In absence of contrary indicators, it has assumed that there is no current change to asset valuations. Therefore it is no demuniation of value has been applied to investment propertiers.

Allowance for impairments of doubtful debts (£1.702 million at 31 March 2020)

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.

The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

NOTES TO THE ACCOUNTING STATEMENTS

Allowance for impact of rating appeals (£1.469 million at 31 March 2020)

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 2020.

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 listsfor the period to the end of March 2020 based on work down by Anaylse Local.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

2018-19			2019-20		
Net Expenditure Chargeable to General Fund	Re-stated Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
Director of Corporate Services					
107	6	113	78	0	78
422	69	491	482	122	604
330	40	370	405	53	458
1,222	123	1,345	1,346	163	1,509
2,578	200	2,778	2,548	314	2,862
1,084	269	1,353	1,680	427	2,107
2,963	599	3,562	2,616	4,556	7,172
624	48	672	4,523	(2,641)	1,882
133	80	213	278	103	381
Director of Regeneration and Planning					
243	(122)	121	(144)	594	450
(73)	55	(18)	255	84	339
1,309	3,393	4,702	2,184	2,507	4,691
1,139	71	1,210	1,253	133	1,386
637	77	714	(8,204)	8,814	610
93	3	96	(122)	5	(117)
595	72	667	809	1,778	2,587
(79)	1,257	1,178	1,055	(1,011)	44
13,327	6,240	19,567	11,042	16,001	27,043
(14,135)	(2,412)	(16,547)	(10,976)	40	(10,936)
(808)	3,828	3,020	66	16,041	16,107

NOTES TO THE ACCOUNTING STATEMENTS

Earmarked Reserves	General Fund	Total		Earmarked Reserves	General Fund	Total
£'000	£'000	£'000		£'000	£'000	£'000
(10,103)	(3,732)	(13,835)	Opening balances	(10,696)	(3,947)	(14,643)
0	(808)	(808)	(Surplus) or Deficit on Provision of Services	0	66	66
(593)	593	0	Transfers between General Fund and earmarked reserves	(219)	219	0
(10,696)	(3,947)	(14,643)	Closing General Fund balance	(10,915)	(3,662)	(14,577)

NOTES TO THE ACCOUNTING STATEMENTS

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2018-19					
Director of Corporate Services					
5 Councils Staff and Contract	0	5			5
Executives Office	0	70			70
Head of Legal	0	40			40
Head of Organisational Devmnt	45	78			123
Head of Programmes Redesign	112	88			200
Head of Customer Services	18	252			270
Head of Strategic Commissioning	516	83			599
Head of Finance	33	15			48
Head of Commercial Development	0	80			80
Building Maintenance/ Estates and Facilities	0	0			0
Other operating expenditure	1,257	0			1,257
					0
Director of Regeneration and Planning					0
Head of Neighbourhood Support	(434)	312			(122)
Head of Housing	0	55			55
Head of Planning	3,163	233			3,396
Head of Community Engagement	0	70			70
Head of Property	50	27			77
Project Director Regenco	0	0			0
Head of Regeneration (North)	0	72			72
Head of Environmental Health	0	0			0
Head of Development	0	0			0
Cost of Services	4,760	1,480	0	0	6,240
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,023)	1,278	333		(2,412)
Total for 2018-19	737	2,758	333	0	3,828

NOTES TO THE ACCOUNTING STATEMENTS

Financing and Accounting Adjustments

	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2019-20					
Director of Corporate Services					
5 Councils Staff and Contract	0	0	0	0	0
Executives Office	0	117	0	5	122
Head of Legal	0	51	0	2	53
Head of Organisational Devmnt	39	119	0	6	164
Head of Programmes Redesign	219	92	0	4	315
Head of Customer Services	20	393	0	13	426
Head of Strategic Commissioning	4,507	47	0	2	4,556
Head of Finance	0	8	0	(2,649)	(2,641)
Head of Commercial Development	2	98	0	2	102
Director of Regeneration and Planning					
Head of Neighbourhood Support	64	513	0	17	594
Head of Housing	0	81	0	3	84
Head of Planning	2,191	305	0	11	2,507
Head of Community Engagement	0	128	0	5	133
Head of Property	137	50	0	8,626	8,813
Project Director Regenco	0	5	0	0	5
Head of Regeneration (North)	1,534	132	0	111	1,777
Head of Environmental Health	0	0	0	0	0
Head of Development	0	0	0	0	0
Other Operating I&E	0	(1,006)	0	0	(1,006)
Cost of Services	8,713	1,133	0	6,158	16,004
Other Income and Expenditure from the Expenditure and Funding Analysis	8,249	1,065	(1,316)	(7,958)	40
Total for 2019-20	16,962	2,198	(1,316)	(1,800)	16,044

NOTES TO THE ACCOUNTING STATEMENTS

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

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2018-19					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(82)	0	0	82	0
Depreciation and impairment of non-current assets	(737)	0	0	737	0
Movements in value of Investment Properties	896	0	0	(896)	0
Disposal of non-current assets	75	0	0	(75)	0
Capital receipts to Usable Capital Receipts Reserve	1,080	(1,080)	0	0	0
Capital grants and contributions to Capital Grants Unapplied Reserve	611	0	(611)	0	0
Difference between accounting and statutory employment benefit	0	0	0	0	0
Imbalance	796	0	0	(796)	0
Difference between accounting and statutory credit for Non-Domestic Rates and Council Tax	(333)	0	0	333	0
Revenue Expenditure Financed from Capital under Statute	(3,995)	0	0	3,995	0
Difference between accounting and statutory credit for pension costs	(2,758)	0	0	2,758	0
Statutory provision for the repayment of debt	722	0	0	(722)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement	0				
Capital expenditure financed from revenue	0	0	0	0	0
Other adjustments					
Capital expenditure financed from Capital Receipts	(103)	103	0	0	0
Capital expenditure financed from Capital grants and contributions	0	0	4,943	(4,943)	0
Total for 2018-19	(3,828)	(977)	4,332	473	0

NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2019-20					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(52)	0	0	52	0
Depreciation and impairment of non-current assets	(6,471)	0	0	6,471	0
Movements in value of Investment Properties	(9,438)	0	0	9,438	0
Disposal of non-current assets	0	0	0	0	0
Capital receipts to Usable Capital Receipts Reserve	216	(1,227)	0	1,005	0
Capital grants and contributions to Capital Grants Unapplied Reserve	1,470	0	(1,470)	0	0
Difference between accounting and statutory employment benefit	(74)	0	0	74	0
Difference between accounting and statutory credit for Council Tax	78	0	0	(78)	0
Difference between accounting and statutory credit for Non-Domestic Rates	1,239	0	0	(1,239)	0
Revenue Expenditure Financed from Capital under Statute	(3,776)	0	0	3,776	0
Revenue Income to Finance Capital under Statute	1,085	0	0	(1,085)	0
Difference between accounting and statutory credit for pension costs	(2,201)	0	0	2,201	0
Minimum Revenue Provision	1,707	0	0	(1,707)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	170	0	0	(170)	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	500	0	(500)	0
Capital expenditure financed from Capital grants and contributions	0	0	2,150	(2,150)	0
Total for 2019-20	(16,041)	(727)	680	16,088	0

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

Surplus / Deficit on the Provision of Services	2018-19		Surplus / Deficit on the Provision of Services	2019-20
	RESTATED			
	£'000			£'000
	14,753	Employee benefits expenses		16,999
	51,420	Other service expenses 2018/19 Restated		49,138
	2,116	Interest payments		2,650
	819	Depreciation, amortisation, impairment etc		6,523
	3,673	Precepts and levies		3,871
	<hr/>			<hr/>
	72,781	Total Expenditure		79,181
	(16,798)	Fees, charges and other service income		(22,075)
	0	Investment Properties changes in fair value		9,438
	(181)	Interest and investment income		(63)
	(23,627)	Council Tax and Non-Domestic Rate income 2018/19 Restated		(24,141)
	(28,150)	Grants and Contributions		(26,014)
	(1,005)	Gains on the disposal of assets		(219)
	<hr/>			<hr/>
	(69,761)	Total income		(63,074)
	<hr/>			<hr/>
	3,020	Net		16,107

A prior year adjustment has been made due to an inconsistency in the accounting treatment of Non- Domestic Rates tariff payments to Central Government. There was netting of income and expenditure in the accounts as published. The service expenditure and Council Tax and Non-domestic Rate income lines have both been increased by £10,745,000. The net figure is unchanged. Further details are included in note 29

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION SCHEME

2018-19 £'000		2019-20 £'000
	Comprehensive Income and Expenditure Statement	
2,670	Current Service Cost	3,632
1,118	Curtailments	66
3,788	Cost of Services	3,698
1,106	Net interest expense	1,015
1,106	Financing and Investment Income and Expenditure	1,015
8,698	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	4,713
(5,590)	Return on plan assets, less included in interest expense	3,425
	Actuarial gains & losses:	
(5,260)	Changes in demographic assumptions	(3,312)
6,600	Changes in financial assumptions	(3,100)
230	Other	4,365
(4,020)	Remeasurement of the net defined benefit liability	1,378
4,678	Total Comprehensive Income and Expenditure Statement	6,091
	Movement in Reserves Statement	
8,698	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	4,713
(2,210)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,512)
(22)	Liability Experience	0
6,466	Total taken to Note 5	2,201
2018-19 £'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	2019-20 £'000
78,920	Value of Assets at 1 April	86,180
5,590	Interest income on plan assets	2,062
620	Contributions by Members	697
2,210	Contributions by the Employer	2,512
2,050	Return on assets excluding amounts recognised in Other Comprehensive Income	(3,425)
(3,210)	Benefits Paid	(3,768)
86,180		84,258

NOTES TO THE ACCOUNTING STATEMENTS

2018-19		2019-20
£'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	£'000
(123,660)	Value of Liabilities at 1 April	(129,680)
(2,670)	Current Service Cost	(3,632)
(3,190)	Interest Cost	(3,077)
(620)	Contribution by Members	(697)
	Actuarial Gains and (Losses):	
5,260	Change in demographic assumptions	3,312
(6,600)	Change in financial assumptions	3,100
(230)	Other experience gains and (losses)	(4,365)
(1,180)	Past Service Costs	
0	Losses on Curtailments	(66)
3,210	Benefits Paid	3,768
(193)	Other	0
<u>(129,873)</u>		<u>(131,337)</u>
<u>(43,693)</u>	Net Liability at 31st March	<u>(47,079)</u>
2018-19		2019-20
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.3	Men	23.0
26.1	Women	24.7
	Longevity at 45 for future pensioners:	
24.9	Men	25.5
27.8	Women	27.2
2018-19		2019-20
2.2%	Rate of inflation	2.0%
3.7%	Rate of increase in salaries	3.0%
2.2%	Rate of increase in pensions	2.0%
2.4%	Rate for discounting scheme liabilities	2.3%
2018-19	Management Expenses	2019-20
30	Pension scheme administration costs	29
<u>30</u>	Total	<u>29</u>

NOTES TO THE ACCOUNTING STATEMENTS

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2020 and the projected service cost for the period ending 31 March 2021 is set out below (excludes unfunded as not material)

+0.01%	Discount Rate Assumptions	-0.01%
	Present value of total obligation £M	
126.030	128.582	131.145
-2.0%	% change in present value of total obligation	+2.0%
	Projected service cost £M	
3.406	3.534	3.666
-3.6%	Approximate % change in projected service cost	3.7%
+0.01%	Rates of general increase in salaries	-0.01%
	Present value of total obligation £M	
128.799	128.582	128.328
-0.2%	% change in present value of total obligation	+0.2%
	Projected service cost £M	
3.534	3.534	3.534
0%	Approximate % change in projected service cost	0%
+0.01%	Rates of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts	-0.01%
	Present value of total obligation £M	
130.924	128.582	126.250
-1.8%	% change in present value of total obligation	+1.8%
	Projected service cost £M	
3.666	3.534	3.406
3.7%	Approximate % change in projected service cost	-3.6%
+0.01%	Post retirement mortality assumptions	-0.01%
	Present value of total obligation £M	
132.614	128.582	124.543
3.2%	% change in present value of total obligation	-3.1%
	Projected service cost £M	
3.668	3.534	3.401
3.8%	Approximate % change in projected service cost	-3.8%

NOTES TO THE ACCOUNTING STATEMENTS

Fair value of employer assets

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

31 March 2019				31 March 2020		
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	Asset Category	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
%	%	%		%	%	%
54.00%	6.40%	60.40%	Equities	44.10%	8.60%	52.70%
22.60%	0.10%	22.70%	Government Bonds	21.80%	0.00%	21.80%
1.10%	4.10%	5.20%	Corporate Bonds	0.00%	0.00%	0.00%
0.70%	6.90%	7.60%	Property	0.80%	6.50%	7.30%
2.30%	0.00%	2.30%	Cash	2.00%	0.00%	2.00%
0.10%	1.70%	1.80%	Others	14.10%	2.10%	16.20%
80.80%	19.20%	100.00%	Totals	82.80%	17.20%	100.00%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Aon, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

Impact on the Council's Cash Flows

The Council anticipates paying £1,756,000 of contributions to the scheme in 2020/21.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

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

2018-19 £'000		2019-20 £'000
(21,505)	DWP benefits grants	(18,361)
(225)	Benefits Administration Grant	(271)
0	Grants for revenue financed from capital under statute	(1,085)
(2,557)	Other Grants and Contributions	(126)
(24,287)	Total within Cost of Services	(19,843)
0	Revenue Support Grant	0
0	New Burden Grant	
0	Benefits Administration Grant	
(2,422)	New Homes Bonus	(2,614)
(809)	Disabled Facilities Grant	0
0	Business Rates grant	(2,043)
0	Local Services Support Grant	
0	Community Housing Fund	
(21)	Other non-specific grant	(44)
(611)	Grants and contributions towards capital expenditure	(1,470)
(3,863)	Total within Taxation and non-specific grant income	(6,171)
(28,150)	Total income from grants and contributions	(26,014)

NOTE 10. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Council purchased the following significant assets during the year as part of its economic development and regeneration strategy:

Rams Walk (A shopping area within the district) £32m

This significant new material asset has been financed by loans from the Public Works Loan Board (PWLb).

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 11. EARMARKED RESERVES

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

	Balance at 31 March 2018	Transfers out	Transfers in	Balance at 31 March 2019	Transfers out	Transfers in	Balance at 31 March 2020
	£'000	£'000		£'000	£'000		£'000
Asset Management Fund	1,082	(35)	0	1,047	0	0	1,047
Externally Funded Reserve	1,434	(71)	243	1,606	(1,210)	425	821
Financial Management Reserve	687	0	0	687	0	0	687
Corporate Planning Reserve	4,395	0	0	4,395	0	0	4,395
Service Management Reserve	2,070	(302)	0	1,768	(582)	212	1,398
Financial Stability Reserve	435	0	758	1,193	(1,376)	1,401	1,218
Welfare Fund Reserve	0	0	0	0	0	500	500
Community Grant Fund Reserve	0	0	0	0	(151)	1,000	849
Total	10,103	(408)	1,001	10,696	(3,319)	3,538	10,915

The purposes of these reserves are set out below:

Asset Management Fund	To fund repairs and maintenance to our assets such as buildings and/or car parks
Externally Funded Reserve	These are all external contributions which are committed to specific projects.
Financial Management reserve	To meet any potential future financial liabilities that may arise (for example insurance claims)
Corporate Planning Reserve	To cover any future transformation and staff improvement programmes
Service Management Reserve	To cover specific service projects which may arise in the future (e.g. economic development work or Local Plan work)
Financial Stability reserve	To provide financial resilience in the event of significant service disruption and/or economic impacts
Property Financial Resilience Reserve	To provide financial resilience for our commercial property portfolio in the event of economic downturn
Environmental Initiatives Reserve	A fund to cover future environmental projects aligned to the declared Climate Change emergency
Welfare Fund	A fund to cover our future work on launching welfare initiatives across the District
Regeneration Investment Framework	A fund to cover our work to deliver the Enhance East Hants Place Making Strategy launched in 2019/20
Community Grant Fund	A fund established to cover our 3 year programme of community grants which launched in 2019/20

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 12. UNUSABLE RESERVES

Revaluation Reserve

2018-19 £000		2019-20 £000
(16,770)	Balance 1 April	(16,717)
	Comprehensive Income & Expenditure:	
(326)	Gain on revaluation of assets	(3,180)
	Accounting / Financing Adjustments:	
379	Depreciation charged to Revaluation Reserve	324
(16,717)	Balance 31 March	(19,573)

Capital Adjustment Account

2018-19 £000		2019-20 £000
(25,877)	Balance 1 April	(28,873)
	Accounting / Financing Adjustments:	
82	Write down Intangible Assets	52
737	Depreciation and impairment of non-current assets	6,471
(896)	Movements in value of Investment Properties	9,438
75	Gain or (loss) on sale of non-current assets	1,145
3,995	Revenue Expenditure Financed from Capital under Statute	2,691
0	Capital expenditure financed from revenue	(170)
(103)	Capital expenditure financed from Capital Receipts	(500)
(5,786)	Capital expenditure financed from Capital grants and contributions	(30)
	Minimum Revenue Provision	(1,707)
	Use of Capital grants in year to fund Capital spend	(2,120)
(722)	Statutory provision for the financing of capital investment charged against the general fund	
(378)	Depreciation charged to Revaluation Reserve	(324)
(28,873)	Balance 31 March	(13,927)

NOTES TO THE ACCOUNTING STATEMENTS

Deferred Capital Receipts Reserve

2018-19 £000		2019-20 £000
0	Balance 1 b/f	0
0	Sale of asset	(137)
0		
0	Balance 31 March	(137)

Pensions Reserve

2018-19 £000		2019-20 £000
44,749	Balance 1 April	43,500
Comprehensive Income & Expenditure:		
(4,020)	Remeasurement of the net defined benefit liability	1,378
Accounting / Financing Adjustments:		
Difference between accounting and statutory credit for		
2,758	pension costs	2,201
13	Other	0
43,500	Balance 31 March	47,079

Collection Fund Adjustment Account

2018-19 £000		2019-20 £000
1,741	Balance 1 April	2,074
Difference between accounting and statutory credit for		
(102)	Council Tax	(78)
Difference between accounting and statutory credit for Non-		
435	Domestic Rates	(1,239)
2,074	Balance 31 March	757

NOTES TO THE ACCOUNTING STATEMENTS

Accumulated Absences Account

2018-19 £000		2019-20 £000
95	Balance 1 April	95
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory employment	
0	benefit	74
95	Balance 31 March	169

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.

2018-19 £'000		2019-20 £'000
56,230	Opening Capital Financing Requirement 1 April	114,566
	<i>Capital Investment</i>	
13,021	Property, Plant and Equipment	15,576
44,108	Investment Properties	31,367
89	Intangible assets	81
3,994	Revenue Expenditure Funded from Capital under Statute (REFCUS)	3,276
	<i>Sources of finance</i>	
(103)	Capital receipts	(500)
(809)	Government grants and other contributions	(2,149)
0	Sums set aside from revenue and reserves	(170)
(3,186)	Grants and contributions towards REFCUS	(1,085)
	Minimum Revenue provision	(1,710)
1222	Other	0
114,566	Closing Capital Financing Requirement 31 March	159,252

NOTES TO THE ACCOUNTING STATEMENTS

31 March 2019		31 March 2020
£'000		£'000
44,406	Property, Plant and Equipment	57,106
115,327	Investment Properties	135,196
420	Intangible Assets	450
0	Assets Held for Sale	0
(16,717)	Revaluation Reserve	(19,573)
(28,873)	Capital Adjustment Account	(13,927)
3	Rounding	0
114,566		159,252

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

2018/19	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2018	26,993	5,593	0	0	2,866	0	35,452
Additions	2,243	149	0	0	10,630	0	13,022
Disposals	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0
Reclassifications	3,710	0	0	0	(3,710)	0	0
Revaluations	300	0	0	0	0	0	300
Value 31 March 2019	33,246	5,742	0	0	9,786	0	48,774
Cumulative Depreciation:							
Opening value 1 April 2018	(570)	(3,087)	0	0	0	0	(3,657)
Charge for the year	(524)	(213)	0	0	0	0	(737)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations	26	0	0	0	0	0	26
Balance 31 March 2019	(1,068)	(3,300)	0	0	0	0	(4,368)
Net book value 31 March 2019	32,178	2,442	0	0	9,786	0	44,406

NOTES TO THE ACCOUNTING STATEMENTS

2019/20	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2019	33,246	5,742	0	0	9,786	0	48,774
Additions	535	16	0	0	15,120	0	15,670
Disposals	(37)	(858)	0	0	0	0	(895)
Impairment losses	(4,802)	(372)	0	0	(149)	0	(5,323)
Reclassifications	18,658	(436)	0	439	(17,816)	0	845
Revaluations	2,326	(1,550)	0	0	0	0	776
Value 31 March 2020	49,926	2,542	0	439	6,941	0	59,847
Cumulative Depreciation:							
Opening value 1 April 2019	(1,068)	(3,300)	0	0	0	0	(4,368)
Charge for the year	(700)	(448)	0	0	0	0	(1,148)
Disposals	37	858	0	0	0	0	895
Reclassifications	95	40	0	(65)	0	0	70
Revaluations	1,360	450	0	0	0	0	1,810
Balance 31 March 2020	(276)	(2,400)	0	(65)	0	0	(2,741)
Net book value 31 March 2020	49,650	142	0	374	6,941	0	57,106

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.

The Council's surplus property is the old Alton sports centre which at the balance sheet date was surplus to operational requirements, and not demolished. There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year.

The Impairment losses in year mainly relate to the impairment on two assets where the valuation of the new property was more than the total costs of construction. These are technical adjustments only for proper accounting practice, and do not effect the Council overall reserves.

The main impairment are the opening of new leisure centre in Alton (£3.600 million) and a business park in Liphook (£1.411 million).

Capital Commitments

At 31 March 2020, the authority was still in contract for the construction of Leisure Centres at Petersfield Taro centre, Whitehill and Bordon which were due to be completed in 1920. Project delays mean the centres are not yet complete. Commitments to complete the Leisure Centres total £10.376M. Similarly, at 31 March 2020 there were no other material capital commitments outstanding

At 31 March 2020 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 15. INVESTMENT PROPERTIES

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

2018-19		2019-20
	£'000	£'000
(6,125)	Rental income from investment property	(9,531)
863	Direct operating expenses arising from investment property	798
(896)	Net (gains)/losses from fair value adjustments	9,438
(6,158)	Total	705

Balance Sheet movements in Investment Properties during the year:

	£'000	£'000
70,322	Balance at start of the year	115,327
44,108	Additions	31,367
0	Disposals	(1,145)
897	Net gains/(losses) from fair value adjustments	(9,438)
0	Assets reclassified to Property Plant & Equipment	(915)
115,327	Balance at end of the year	135,196

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

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 16. INTANGIBLE ASSETS

2018-19		2019-20
£'000		£'000
511	Gross Carrying Amount 1 April 2019	493
(24)	Accumulated Amortisation 1 April 2019	(73)
487	Net Net Carrying Amount at start of year	420
89	Additions	82
0	Disposals	0
(107)	Impairment	
(49)	Amortisation	(51)
493	Gross Carrying Amount 31 March 2019	502
(73)	Accumulated Amortisation 31 March 2019	(51)
420	Total	451

NOTE 17. DEBTORS

31 March 2019		31 March 2020
£'000		£'000
	Amounts falling due within one year:	
313	Central government bodies	114
0	Other Local Authorities & Public Bodies	160
0	NHS	0
7,824	All other bodies	9,061
8,137	Total short term debtors	9,335
236	Amounts falling due after one year (all other bodies)	128
8,373	Total Debtors	9,463

NOTE 18. CREDITORS

31 March 2019		31 March 2020
£'000		£'000
	Amounts falling due within one year:	
(695)	Central government bodies	(3,839)
(444)	Other Local Authorities & Public Bodies	(1,364)
0	Public Corporations	0
(16,459)	All other bodies	(7,496)
(17,598)	Total short term creditors	(12,699)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 19. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

The Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision decreased from £1,971,000 to £1,468,700 during 2019/20.

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 2020 East Hampshire's share of the liability amounted to £210,000.

Contingent Liabilities

None identified in the year.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 20. CAPITAL GRANTS RECEIPTS IN ADVANCE

31 March 2019		31 March 2020
£'000		£'000
	Amounts falling due after one year (all other bodies)	
(2,835)	Other	(2,835)
(4,188)	S106	(7,700)
<hr/>		<hr/>
(7,023)	Total long term capital grants received in advance	(10,535)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 21. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

31 March 2019			31 March 2020	
Book Value	Fair Value		Book Value	Fair Value
£,000	£,000		£,000	£,000
235	235	Loans and Receivables	-	-
-	-	Financial assets at amortised Cost	98	98
<u>235</u>	<u>235</u>	Long term Assets	<u>98</u>	<u>98</u>
1,792	1,792	Short Term Debtors	581	581
3,109	3,109	Trade accounts receivable	1,988	1,988
26,081	26,081	Bank deposits less than 3 months	16,803	16,803
-	0	Cash and bank accounts	96	96
<u>30,982</u>	<u>30,982</u>	Other financial assets at amortised cost	<u>19,468</u>	<u>19,468</u>
<u>31,217</u>	<u>31,217</u>	Total Financial Assets	<u>19,565</u>	<u>19,565</u>

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

NOTES TO THE ACCOUNTING STATEMENTS

31 March 2019			31 March 2020	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
(17,600)	(17,600)	Short Term Creditors	(6,475)	(6,475)
(4,807)	(4,807)	Public Works Loan Board	(5,438)	(5,387)
(131)	(131)	Finance Lease		
<hr/>		Short Term Financial liabilities at amortised cost	<hr/>	
(22,538)	(22,538)		(11,913)	(11,862)
(84,578)	(84,578)	Public Works Loan Board	(121,020)	(121,704)
(5,100)	(5,100)	Finance Lease	(5,090)	(5,090)
<hr/>		LongTerm Liabilities at amortised cost	<hr/>	
(89,678)	(89,678)		(126,110)	(126,794)
<hr/>		Total Financial Liabilities	<hr/>	
(112,216)	(112,216)		(138,023)	(138,656)

NOTES TO THE ACCOUNTING STATEMENTS

Valuation Techniques for Fair Values

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

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

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

Nature and Extent of Risks arising from Financial instruments

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

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

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

Credit Risk

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

The credit criteria in respect of the financial assets held by the Council at 31 March 2020 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

NOTES TO THE ACCOUNTING STATEMENTS

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 2019/20 of past experience:

The council does not generally allow credit for customers such that £504,000 is past due for payment. The past due not impaired is analysed as follows'

31 March 2019 £'000		31 March 2020 £'000
1,432	0-30 days	2,594
176	31-90 days	33
490	91-180 days	66
1,012	Over 180 days	979
<u>3,110</u>	Total	<u>3,672</u>

Debtors include trade receivables of £3,672,000 as at 31 March 2020 (£3,110,000 as at 31 March 2019).. The Council has provided £1,702,000 (31 March 2019 £1,317,000) as a general impairment allowance for non-collection of this debt.

Liquidity Risk

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

31 March 2019 £'000	PWLB	31 March 2020 £'000
3,600	Less than one year	1,776
0	Between one and two years	1,787
0	Between two and five years	5,621
10,000	Maturing in five to ten years	35,361
<u>75,222</u>	Maturing in more than ten years	<u>81,841</u>
<u>88,822</u>	Total	<u>126,386</u>

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 1.15%.

If interest rates had been 1% higher as at 31 March 2020 with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	168

NOTES TO THE ACCOUNTING STATEMENTS

Impact on Surplus/Deficit on Provision of Services

168

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 22. AGENCY SERVICES

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

NOTE 23. 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 entered into a lease with Liverpool Victoria in the late 1970s. Under the arrangement, the Authority leased land at Woolmer Way, Bordon to Liverpool Victoria, who built industrial units on the site and leased the land and buildings back to the Authority. The lease has subsequently transferred to the current lessor, K. S Hampshire. The buildings element of this lease is considered to be a Finance Lease under International Financial Reporting Standards adopted in 2010/11.

The Authority jointly procured the provision of Environmental Services with Winchester City Council. The contract arrangements include an embedded lease within the contract for the provision of vehicles, specifically refuse freighters for the collection of refuse and recycling, and vehicles used in the provision of grass cutting and street maintenance. The embedded leases have been classified as finance leases. This lease ended in September 2019 and a new contract started with Norse in October 2019

The assets acquired under these leases are carried as Investment Properties and Plant & Equipment in the Balance Sheet at the following net amounts:

NOTES TO THE ACCOUNTING STATEMENTS

31 March 2019		31 March 2020
£'000		£'000
4,969	Investment Propety	5,090
131	Vehicles, Plant and Equipment	0
<hr/>		<hr/>
5,100		5,090

NOTES TO THE ACCOUNTING STATEMENTS

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

31 March 2019		31 March 2020
	£'000	£'000
123	Not later than one year	9
5,100	Later than one year	5,090
13,059	Finance Costs payable in future years	12,885
18,282	Total Minimum Lease payments	17,984

The minimum lease payments will be payable over the following periods. The minimum lease payments do not include rents that are contingent on events taking place over time (such as periodic rent reviews).

31 March 2019		31 March 2020
	£'000	£'000
427	Not later than one year	305
1,219	Later than one year and not later than five years	1,219
16,766	Over 5 years	16,460
18,412	Minimum Lease payments	17,984

31 March 2019		31 March 2020
	£'000	£'000
131	Not later than one year	10
42	Later than one year and not later than five years	44
5,059	Over 5 years	5,047
5,232	Finance Lease Liabilities	5,101

The Authority sub-lets individual units held under the investment property Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £7.2m at 31st March 2020 (£0.6m at 31st March 2019).

Authority as Lessee: Operating Leases

The authority has also acquired a number of assets under operating lease arrangements. Examples include buildings and equipment. The future minimum lease payments due under non-cancellable leases was £76,000. £58,533 of this is included in assets that are sublet

NOTES TO THE ACCOUNTING STATEMENTS

Minimum Lease Payments under non cancellable leases:

31 March 2019		31 March 2020
£'000		£'000
2	Not later than one year	5
3	Later than one year and not later than five years	21
0	Over 5 years	50
<hr/>		<hr/>
5	Total	76

Authority as Lessor: Finance Leases

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

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 2019		31 March 2020
£'000		£'000
6,987	Not later than one year	7,726
27,229	Later than one year and not later than five years	26,197
28,997	Over 5 years	22,858
<hr/>		<hr/>
63,213		56,781

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 24. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2018-19 £'000		2019-20 £'000
231	Members Allowances	287
106	Special Responsibilities Allowances	61
11	Travelling Expenses	0
<u>348</u>		<u>348</u>

NOTE 25. 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) £	Expense Allowance £	Com- pen- sation for loss of office £	Pension Con- tributions** £	Net cost to Havant £	Net cost to East Hants £	Total Remun- eration £
Financial Year: 2018-19							
Chief Executive (until December 2018)	101,030	0	0	16,170	58,600	58,600	117,200
Chief Executive (from January 2018)	31,586	0	0	4,770	18,178	18,178	36,356
Executive Director - Operations (until November 2018)	84,150	0	0	12,642	48,396	48,396	96,792
Executive Director - Place (until December 2018)	78,878	0	0	11,910	45,394	45,394	90,788
Chief Finance Officer (s151)	88,005	0	0	13,289	50,647	50,647	101,294
Service Director - Operations (from January 2019)	17,763	0	0	2,483	10,123	10,123	20,246
Service Director - Place (from January 2019)	22,740	0	0	3,398	13,069	13,069	26,138
TOTAL COST	424,152			64,662	244,407	244,407	488,814

NOTES TO THE ACCOUNTING STATEMENTS

Post holder information (Post title)	Salary (Inc. fees & Allow- ances) £	Expense Allowance £	Com- pensation for loss of office £	Pension Con- tributions** £	Net cost to Havant £	Net cost to East Hants £	Total Remun- eration £
Financial Year: 2019-20							
Chief Executive	134,959	0	0	21,715	78,337	78,337	156,674
Director for Regeneration & Place	100,481	0	0	15,976	58,228	58,228	116,457
Director for Corporate Services & Chief Finance Officer	102,000	0	0	16,422	59,211	59,211	118,422
Director for Operations & Neighbourhood Support (Until August 2019)	28,900	0	0	4,654	16,777	16,777	33,554
TOTAL COST	366,340			58,767	212,553	212,553	425,107

Salaries over £50,000

2018-19		2019-20
13	£50,000 - 54,999	18
5	£55,000 - 59,999	5
3	£60,000 - 64,999	6
2	£65,000 - 69,999	2
2	£70,000 - 74,999	2
1	£75,000 - 79,999	5
	£80,000 - 84,999	
	£85,000 - 89,999	1
	£90,000 - £94,999	
	£95,000 - £99,999	
	£100,000 - £104,999	
	£105,000 - £109,999	
	£110,000 - £114,999	
	£115,000 - £119,999	
	£120,000 - £124,999	
	£125,000 - £129,999	
	£130,000 - £134,999	
1	£130,000 - £134,999	
<u>27</u>		<u>39</u>

NOTES TO THE ACCOUNTING STATEMENTS

Exit Packages

2018-19				Banding	2019-20			
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	5	£0 - 20,000	2	0	2	20
0	0	0	0	£20,001 - 40,000	1	0	1	35
1	0	1	41	£40,001 - 60,000	0	0	0	0
1	0	1	85	£80,001 - 100,000	2	0	2	174
3	0	3	131		5	0	5	229

NOTE 26. EXTERNAL AUDIT COSTS

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

2018-19 £'000		2019-20 £'000
66	External audit services	56
12	Other services	9
78		65

NOTE 27. 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 2019/20 is shown in Note 24. During 2019/20, 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

NOTES TO THE ACCOUNTING STATEMENTS

There was no known material related party transaction with officers for 2018/19 or for 2019/20.

A Joint Management structure is established with Havant Borough Council. Details of the transactions with Havant Borough Council can be found in Note 25 Officers' remuneration.

Entities controlled or Significantly influenced by the Authority

The Council has direct control over its trading companies, East Hampshire Trading Services Ltd (EHTS) and East Hampshire Commercial Services Ltd (EHCS). Gill Kneller (Chief Executive) is named as the only director for EHTS following James Hassett (Head of Operations) resigning as a Director for EHTS in August 2018. Dawn Adey (Client Relationship Director), Christopher Bradley (Head of Commercial Development) and Gill Kneller are named as directors for EHCS, due to their representation of Council interests through the Management Boards of the companies.

NOTE 28. INTERESTS IN OTHER ENTITIES

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

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

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

- East Hampshire Trading Services Ltd and East Hampshire Commercial Services Ltd
- The Council has a controlling interest in two Local Authority Trading Companies, which provide enforcement and consultancy services. Group Accounts have not been prepared on the grounds of materiality. However, the following information is disclosed to aid understanding of the nature of the relationship of the arrangement.
- The registered names of the companies are East Hampshire Trading Services Ltd (EHTS) and East Hampshire Commercial Services Ltd (EHCS)
- The principal activities of the two companies are primarily enforcement work (EHCS) and consultancy work (EHTS)
- The immediate and ultimate parent undertaking is East Hampshire District Council
- The Council holds 100% ownership of the company
- Payments made to EHCS and EHTS relate to the provision of a loan
- Details of financial performance are set out below.
- EHCS Ltd Income & Expenditure

NOTES TO THE ACCOUNTING STATEMENTS

EHCS Ltd Income & Expenditure

	2018/19	2019/20
	£	£
- Gross revenue		
- Cost of Sales	460,333	510,999
	(279,453)	(31,172)
- Gross Profit	180,880	479,827
- Administration Expenses	(172,212)	(495,150)
- Operating Profit/(Loss)	8,668	(15,323)
- Financing Costs	(3,918)	(3,959)
- Profit/(Loss) for the Financial Year	4,750	(19,282)

NOTES TO THE ACCOUNTING STATEMENTS

- EHCS Ltd Balance Sheet

-	2018/19	2019/20
-	£	£
- Non Current Assets	13,267	7,545
- Inventories		
- Trade Receivables	50,526	39,071
- Prepayments	7,010	8,540
- Called-up Share Capital not paid	100	100
- Cash	32,223	46,208
- Total Current Assets	89,859	93,919
- Total Assets	103,126	101,464
- Current Liabilities		
- Long Term Liabilities	(62,494)	(80,113)
- Total Liabilities	(58,767)	(58,767)
- Net Liabilities	(121,261)	(138,880)
- Retained Earnings	(18,135)	(37,416)

NOTES TO THE ACCOUNTING STATEMENTS

EHTS Ltd Income & Expenditure

	2018/19 £	2019/20 £
- Gross revenue	-	-
- Cost of Sales	-	-
- Gross Profit	-	-
- Administration Expenses	- (600)	-
- Operating Profit/(Loss)	- (600)	-
- Financing Costs	-	-
- Profit/(Loss) for the Financial Year	- (600)	-

NOTES TO THE ACCOUNTING STATEMENTS

EHTS Ltd Balance Sheet

	2018/19	2019/20
	£	£
Non Current Assets		-
Trade Receivables	100	100
Cash	-	-
Total Current Assets	100	100
Total Assets	100	100
Current Liabilities	(1,200)	(600)
Total Liabilities	(1,200)	(600)
Net Liabilities	(1,100)	(500)
Retained Earnings	(1,100)	(500)

NOTE 29. PRIOR YEAR ADJUSTMENT

During the preparation of the 2019/20 accounts it was identified that there was an inconsistency in the accounting treatment of National Non-Domestic Rate tariff payments to Central Government.

There was a netting between income and expenditure. The value of the adjustment is £10,745,000. This adjustment does not affect the overall net figures in the accounts.

The adjustment affects the following reports and these have been amended to reflect this change:

- Comprehensive Income and Expenditure Statement
- Cash Flow Statement
- Note 7. Expenditure and Income Analysed by Nature.

NOTES TO THE ACCOUNTING STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE

The effect of the prior year adjustment is as follows:

	2018/19			2018/19			2018/19		
	Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	PUBLISHED	PUBLISHED		AMENDMENT	AMENDMENT		RESTATED	RESTATED	
Council Tax Income	0	(10,246)	(10,246)			0	0	(10,246)	(10,246)
Non Domestic Rates 2018/19 Restated	1,206	(3,843)	(2,637)	10,745	(10,745)	0	11,951	(14,588)	(2,637)
Non-ringfenced government grants	0	(2,638)	(2,638)			0	0	(2,638)	(2,638)
Capital grants and contributions	0	(611)	(611)			0	0	(611)	(611)
Taxation and non-specific grant income and expenditure	1,206	(17,338)	(16,132)	10,745	(10,745)	0	11,951	(28,083)	(16,132)
(Surplus) or Deficit on Provision of Services	62,035	(59,015)	3,020	10,745	(10,745)	0	72,780	(69,760)	3,020

NOTES TO THE ACCOUNTING STATEMENTS

CASH FLOW STATEMENT

The effect of the prior year adjustment is as follows:

	2018-19	2018-19	2018-19
	PUBLISHED	AMENDMENT	RESTATED
	£'000	£'000	£'000
Taxation 2018/19 Restated	(11,296)	(10,745)	(22,041)
Grants and Contributions	(27,710)		(27,710)
Sales of goods and rendering of services	(17,759)		(17,759)
Interest received	(180)		(180)
Other receipts from operating activities	(250)		(250)
Cash inflows generated from operating activities	(57,195)	(10,745)	(67,940)
Cash paid to and on behalf of employees	11,745		11,745
Housing benefit payments	21,692		21,692
NNDR Tariff payments 2018/19	0	10,745	10,745
Precepts paid	3,673		3,673
Cash paid to suppliers of goods and services	13,000		13,000
Interest paid	2,038		2,038
Other operating cash payments	615		615
Cash outflows generated from operating activities	52,763	10,745	63,508
Net cashflows from operating activities	(4,432)	0	(4,432)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

The effect of the prior year adjustment is as follows:

	2018-19 Surplus / Deficit on the Provision of Services	2018-19 Surplus / Deficit on the Provision of Services	2018-19 Surplus / Deficit on the Provision of Services
	PUBLISHED	AMENDMENT	RESTATED
	£'000	£'000	£'000
Employee benefits expenses	14,753		14,753
Other service expenses 2018/19 Restated	40,675	10,745	51,420
Interest payments	2,116		2,116
Depreciation, amortisation, impairment etc	819		819
Precepts and levies	3,673		3,673
Total Expenditure	62,036	10,745	72,781
Fees, charges and other service income	(16,798)		(16,798)
Investment Properties changes in fair value	0		0
Interest and investment income	(181)		(181)
Council Tax and Non-Domestic Rate income 2018/19 Restated	(12,882)	(10,745)	(23,627)
Grants and Contributions	(28,150)		(28,150)
Gains on the disposal of assets	(1,005)		(1,005)
Total income	(59,016)	(10,745)	(69,761)
Net	3,020	0	3,020

COLLECTION FUND STATEMENT AND NOTES

2018-19		2019-20
£'000		£'000
	<u>Council Tax</u>	
	INCOME	
(82,437)	Income from Council Taxpayers	(87,659)
	Section 13A relief	(51)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
59,399	Hampshire County Council	62,415
8,777	Police and Crime Commissioner	10,166
3,251	Hampshire Fire Authority	3,417
10,168	East Hampshire District Council	10,487
	Apportionments of previous year surplus	
(134)	Hampshire County Council	209
(19)	Police and Crime Commissioner	31
(7)	Hampshire Fire Authority	11
(24)	East Hampshire District Council	36
	Bad & Doubtful Debts	
	Write offs of uncollectable income	173
194	Provision for uncollectable income-addition / (reduction)	118
81,605		87,063
(832)	Movement on Fund Balance - (surplus)/deficit	(647)
	FUND BALANCE FOR COUNCIL TAX	
115	Balance brought forward	(717)
(832)	Surplus for year	(647)
(717)	Balance - (surplus)/deficit carried forward	(1,364)

COLLECTION FUND STATEMENT AND NOTES

2018-19		2019-20
£'000		£'000
	<u>Non-Domestic Rates</u>	
	INCOME	
(31,264)	Income from Ratepayers	(32,253)
	Apportionments of previous year deficit	
	Government	(1,380)
	Hampshire County Council	(248)
	Hampshire Fire Authority	(28)
	East Hampshire District Council	(1,105)
	Transitional relief	(578)
(31,264)	Total	(35,592)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
16,841	Government	16,676
3,031	Hampshire County Council	3,005
337	Hampshire Fire Authority	334
13,473	East Hampshire District Council	13,399
	Apportionments of previous year surplus	
(932)	Government	0
(168)	Hampshire County Council	0
(18)	Hampshire Fire Authority	0
(746)	East Hampshire District Council	0
(957)	Transitional Relief	0
	Bad & Doubtful Debts	
	Write offs of uncollectable income	(77)
282	Provision for uncollectable income	(44)
	Impairments resulting from appeals	
0	Write offs of uncollectable income	448
1,117	Provision for uncollectable income	(1,705)
155	Transfer to General Fund - Cost of Collection Allowance	158
32,415		32,194
1,151	Movement on Fund Balance - (surplus) / deficit	(3,398)
	FUND BALANCE FOR NON-DOMESTIC RATES	
4,250	Balance brought forward	5,401
1,151	(Surplus) / deficit for year	(3,398)
5,401	Balance - (surplus) / deficit carried forward	2,003
	COLLECTION FUND BALANCE	
4,365	Balances brought forward	4,684
319	(Surplus) / deficit for year	(4,045)
4,684	Balance - (surplus) carried forward	639

COLLECTION FUND STATEMENT AND NOTES

NOTE 1. GENERAL

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

NOTE 2. COUNCIL TAX

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

The Council Tax Base, as shown in the final column above, assumes a collection rate of 98.75% of the numbers of properties adjusted for discounts.

Band & Value	Number of Chargeable Dwellings	Relationship to Band D	Band D Equivalent
	Total		£
Band A - up to £40,000 (disabled)	4	5/9	2
Band A - up to £40,000	1,396	6/9	1,092
Band B - over £40,000 up to £52,000	3,841	7/9	2,955
Band C - over £52,000 up to £68,000	10,323	8/9	9,227
Band D - over £68,000 up to £88,000	10,046	-	9,696
Band E - over £88,000 up to £120,000	10,078	11/9	9,964
Band F - over £120,000 up to £160,000	8,674	13/9	8,628
Band G - over £160,000 up to £320,000	7,726	15/9	7,695
Band H - over £320,000	1,204	18/9	1,203
	53,292		50,462

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 2019/20 were:

- 49.1p for qualifying Small Businesses (48.0p in 2018/19)
- 50.4p for other businesses (49.3p in 2018/19) – the standard multiplier

The rateable value as at the 31st March 2020 was £86,612,495 (£86,855,105 as at 31 March 2019).

GLOSSARY

ACCRUALS

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

ACTUARIAL GAINS & LOSSES

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

AMORTISATION

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets.

CASH EQUIVALENTS

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

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

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

COMMUNITY ASSETS

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

CONTINGENCY

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

CREDITORS

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

DEBTORS

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

DEFINED BENEFIT SCHEME

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

DEPRECIATION

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

GLOSSARY

EARMARKED RESERVES

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

EXCEPTIONAL ITEMS

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

FAIR VALUE

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

FINANCIAL INSTRUMENTS

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

GENERAL FUND

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

GOVERNMENT GRANTS

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

Identifiable non-monetary assets such as software licences.

INVESTMENT PROPERTIES

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

LEASE

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

PAST SERVICE COST

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

PRECEPT

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

PROPERTY, PLANT & EQUIPMENT (PPE)

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

PROVISIONS

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

GLOSSARY

PUBLIC WORKS LOAN BOARD (PWLB)

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT

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

SURPLUS ASSETS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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