

**East Hampshire District Council  
Annual Report and Statement of Accounts**

**2020/2021**

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# ANNUAL REPORT - NARRATIVE

## Director of Finance's Narrative Report

### Introduction

The Statement of Accounts for East Hampshire District Council for the year ended 31 March 2021 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 2020/21 ("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 for 2020/21 is 1<sup>st</sup> August for the unaudited statement of accounts and 30 September for the audited statement of accounts. This is a revised deadline for 2020/21 due to global pandemic and subsequent pressures put on Local Authorities. The Council is required to publish unaudited accounts by the 1<sup>st</sup> August and Audit Committee will need to approve the audited accounts.

As the financial statements demonstrate, the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and 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 2020/21 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 514km<sup>2</sup> of the eastern part of the county of Hampshire. There are roughly 120,000 people living in the district, which benefits from being part of 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 2020-21 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 thoroughly reviewed during 2020-21 with a revised Constitution approved by Full Council during the year. The new Constitution has been revised to ensure that it remains an effective, streamlined document.

The Council's income comes from a variety of sources. Against a backdrop of decreasing funding from central government, the Council has worked hard to continue delivering efficient and effective services to residents and

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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.

## 2. Covid 19 PANDEMIC

### *Background*

The Covid-19 pandemic has had a considerable impact on the Council. On 30 January 2020, the World Health Organisation (WHO) declared the outbreak of coronavirus a 'public health emergency of international concern'. On 31 January 2020 the first confirmed cases of Covid-19 were recorded in the UK. The Government's lockdown, announced on 23rd March 2020, meant that many of the businesses in the District were forced to close – significantly impacting on the local economy, which in turn impacts on the Council's income. Following the first nationwide lockdown the Government did ease some restrictions and introduced a new tiered based system to contain the virus. However, further nationwide lockdowns were required towards the end of the financial year which further impacted on the Council. 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. In addition, throughout the period the Council has been providing support to local businesses through the timely and effective distribution of business grants as requested by central Government. The overall impact of Covid-19 on the Council has been not only a reduction of income but also additional cost pressures and while central Government has provided financial support there has been considerable pressure on the Council.

### *Community Support*

The Council, supported by partners such as Community First, has provided support to vulnerable residents throughout the pandemic either through signposting to support available and by ensuring referrals are made to appropriate support networks. The focus has been to protect the 'clinically extremely vulnerable, identified by the NHS (those on the shielded list) but also those not on the shielded list who could potentially be vulnerable due to their age or circumstances such as facing financial hardship. A virtual call centre was established, known as the Local Response Centre (LRC) and staff in the organisation were redeployed to answer calls seven days per week. The shared resource (with Havant Borough Council) was to assist with any support needs such as delivery of food parcels or medicine to those who requested them. All residents in the area received a newsletter advertising the contact details of the call centre and all vulnerable residents on the shielded list received a call from the Council to check whether they needed any assistance. A food hub was also established to ensure food banks were appropriately stocked in the area with Civil Enforcement Officers redeployed to deliver emergency food packages. Following a request by central Government, anyone presenting as homeless during the lockdown was provided with temporary accommodation regardless of whether there was a legal duty owed to them. To ensure vacancies were available the Council block booked accommodation to ensure space was available and has since been working on plans to ensure people do not return to the streets. In addition, gypsies and travellers are designated as being in a vulnerable group and as such the Council has worked to ensure any temporary sites are available should they be required.

The Council has also supported the establishment of testing centres either run by external parties or most recently establishing a community testing centre manned by Council staff ensuring the effective distribution of rapid lateral flow tests. Further to this the Council has administered the Test and Trace grant scheme providing financial support to residents who have been instructed to isolate as a result of a positive test. Test and Trace support payments have been provided to ensure those residents isolating do not lose out financially or feel they need to stop isolating in order to work. A Council Tax Support Scheme has also been in place for those residents requiring additional financial support as a result of hardship during the pandemic

- Test & Trace grant (mandatory scheme):
- Test & Trace grant (discretionary scheme):
- Council Tax Hardship Support grant: £0.516 million

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## *Business Support*

During the year the Council has been instrumental in ensuring that local businesses are supported through the processing and distribution of grants. The pandemic has had and will continue to have a significant impact on businesses and the economy with the nature and scale of the event being unprecedented. Government has released a package of support which has been developed and implemented quickly. The Government package includes a range of initiatives including loans, grants, extended business rates reliefs and business support tools. An expanded business rates relief scheme has increased the amount of business rate relief to 100% for 2020-21 and broadens the eligibility to include leisure, hospitality, estate and letting agencies and certain gambling establishments. Eligible nurseries also received 100% business rate relief.

In total the Council administered 12 grant schemes as detailed below and gave out over £38.8 million to over 1400 local businesses during 2020-21 across the business grant schemes.

- Small Business Rate Relief Grant
- Retail, Hospitality and Leisure Grant (£10k)
- Retail, Hospitality and Leisure Grant (£25k)
- Local Authority Discretionary Grant
- Local Restrictions Support Grant (Closed) Addendum
- Additional Restrictions Grant
- Christmas Pub Grant
- Local Restrictions Grant (Open)
- Local Restrictions Grant (Closed)
- Local Restrictions Support Grant (Closed) Tier 4
- Local Restrictions Support Grant (Closed) January 2021
- Closed Business Support

A business support taskforce of Council officers was established who took forward a number of proactive steps to ensure businesses were supported including contacting all businesses directly by email and/or phone, writing directly to all business premises, an intensive communications campaign including electronic e-bulletins and using our network of business contacts, local Councillors and MPs.

In addition, the Council, through the use of Covid marshals and Environmental Health officers has provided support and advice to businesses on Covid restrictions and required social distancing measures, ensuring that businesses were operating in compliance with Covid laws, lockdowns and the tiered system.

## *Financial Impact*

The Council has had considerable financial pressure as a result of the pandemic and potentially will impact on the longer-term financial sustainability of the Council which will become clearer during the recovery period post pandemic. The combination of additional expenditure, lost income and economic uncertainty is a significant challenge and officers have undertaken a programme of work to assess the likely impacts in developing our response. The Council has completed regular returns to central Government detailing the financial impact of the pandemic both on lost income and additional expenditure.

Central Government has provided a number of financial grants that have allowed the Council to mitigate the financial impact of the pandemic as below:

- Covid (unringfenced) grant: £1.5 million
- Reopening High Streets grant: £0.108 million
- Compliance and Enforcement grant: £0.044 million
- Emergency Assistance grant (Defra): £0.077 million
- Rough Sleepers emergency funding: £0.002 million
- Contain Outbreak Management fund: £0.122 million
- Clinically Extremely Vulnerable fund: £0.051 million
- National Leisure Recovery fund: £0.235 million
- Sales, Fees and Charges compensation scheme: £2.056 million

The Council has suffered substantial losses across many of its largest streams of income. These include parking, leisure, and property. However, the Council has continued to run services throughout the pandemic including, for

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example, regulatory services such as Planning and Building Control and this has helped to mitigate the financial impact. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances. On the expenditure front some of the key areas of additional pressure have included accommodation and support for rough sleepers, support for our community and support for our leisure services, and again these have been partially mitigated through the use of grant funding. 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. Moving forward, the Council has reset its Medium-Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's strategic objectives and set a balanced budget for 2021-22. 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 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.

*Service Impact*

Covid-19 has changed the way the Council works in a very short space of time and the focus during the pandemic has been are making sure officers are able to work from home safely, supported in adapting to the changing working conditions and ensuring that resources are used most effectively by identifying opportunities for redeployment to those service areas that need it most.

Corporately, the majority of staff have been home based for the financial year with only a small selection of staff who cannot be home based working in the Council offices in a covid secure environment. Increased communications with staff through virtual meetings have been held as well as wellbeing support available for staff to be able to access. Service delivery has continued throughout the pandemic with all our statutory services continuing to operate. Service changes within Environmental Services were initiated during the lockdowns to ensure that essential elements of waste collection continued. While the Council offices have been closed for the year, Customer Services has remained available via phone and/or email. Regulatory services (Planning, Licensing, Building Control) have been maintained with the utilisation of virtual site visits where necessary. Staff were redeployed, where necessary, to support the Council response to the pandemic, for example, supporting the Local Resource Centre or delivering food parcels. Through the use of virtual Council meetings all Council business could be conducted remotely, and residents had the option to join the meetings virtually which has resulted in increased participation and numbers attending. Going forward, while entirely virtual meetings would need additional, new legislation it is hoped that meetings being held in a hybrid form (in person and virtual) will increase participation in local democracy.

## *Summary*

The coronavirus pandemic has had a profound impact on all aspects of life in East Hampshire. Through 2020/21 the Council has adopted a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. Going forward the Council will move into a recovery phase and will seek to continue to provide support to residents, businesses, and officers to ensure that the area recovers as soon as possible from this once in a generation global event.

## **3. Summary of Achievements**

### ***The Corporate Strategy***

East Hampshire District Council sets out its strategic aims and objectives in its Corporate Strategy, which articulates its mission 'enhance the lives of our residents, businesses and visitors'. The strategy, approved during 2020-21, is composed of four interlinked themes:

- A fit for purpose Council
- A safer, healthier, and more active East Hampshire
- A thriving economy with infrastructure to support our ambitions
- An environmentally aware and cleaner East Hampshire.

The delivery of this new Corporate Strategy is supported by a Corporate Action Plan which detail the key corporate 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 2020/21 as well as delivering many projects and initiatives and this is alongside the Council response to the pandemic as detailed above.

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## ***A fit for purpose Council***

During 2020/21:

- Approved a new Constitution to support the council's operations and ensuring efficient governance. The new Constitution provides a clear set of guiding principles for the council allowing the authority to be more agile, cost effective and able to respond to the needs of the community.
- The new Corporate Strategy to cover the period 2020-2024 was approved by Full Council, setting out how we will aim to improve the lives of residents, businesses and visitors in the next five years.
- Embarked on the 'Shaping our Future' transformation programme which will enable the Council to achieve its objectives and deliver its new strategies and priorities going forward.

## ***A safe environment, healthier and more active East Hampshire***

During 2020/21:

- The Council's efforts to enhance residents' lives by encouraging active, healthy and safe lifestyles continued throughout 2020-21. The opening of the brand new Whitehill & Bordon Sports Centre took place during the year, a milestone in our £30m programme of leisure centre improvements and the new centre is in addition to the new centre at Alton and refurbished Taro centre in Petersfield.
- A new Welfare & Wellbeing Strategy was approved with the vision of improved the welfare and wellbeing of residents across East Hampshire and improving the lives of our vulnerable people living in our communities.

## ***A thriving economy with infrastructure to support our ambitions***

During 2020/21:

- Supported our local businesses through the timely distribution of government grants and provided business advice to employers throughout the Covid pandemic, including running various campaigns such 'Shop Local' and 'Free After Three'.
- Our place-making work in Whitehill & Bordon has continued throughout 2020-21 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.

## ***An environmentally aware and cleaner East Hampshire***

During 2020/21:

- Following the Council declaring a climate emergency, during the year a new Climate and Environment Strategy was approved by Full Council. The new strategy, shaped by stakeholder engagement from across the district embraces how the Council will work with residents, communities and businesses to meet climate, environment and sustainability challenges and make the council carbon neutral.

## ***Key Business Indicators***

The table below contains some of our key corporate performance indicators in 2020-21, with comparison figures from 2019-20 and the average for local authorities in England. In addition, we have sought to improve our performance reporting by adding further key performance measures which we now monitor during the year.

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Key Performance Indicator	2019-20	2020-21	National average (source: LG Inform, 2018-19)
Business Rates collection rate	97.9%*	95.83%*	98.3%
Council Tax collection rate	98.5%*	98.1%*	97.2%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	100%	96.9%	89%
Minor planning applications decided within 13 weeks or agreed extension (over 65%)		90.3%	
All planning applications decided within 26 weeks (above 98%)		99.2%	
Food establishments in the area receiving rating of 2 or lower	new	0.90%	
Pollution service requests resolved within 90 days	new	76%	
Private sector housing service requests resolved within 90 days	new	60%	
Homelessness interventions (above 600 for the year)		849	
Customer satisfaction with service centre (above 97%)		99.3%	
Freedom of Information requests responded within statutory deadline (above 95%)		96.1%	

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

#### 4. Governance

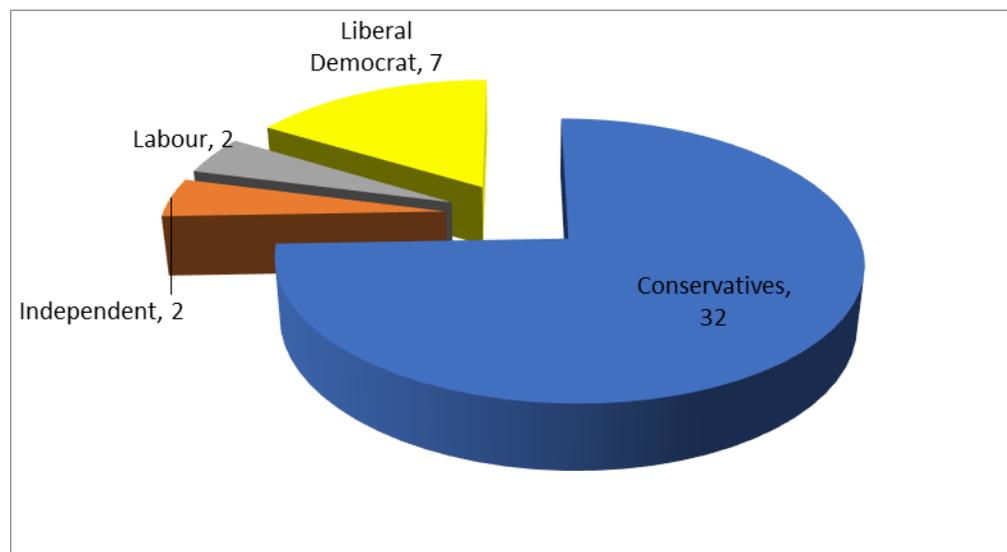
Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved. For example, the Corporate Governance Board meets on a quarterly basis to discuss internal audit, risk management, health and safety, emergency planning, information governance, and any complaints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

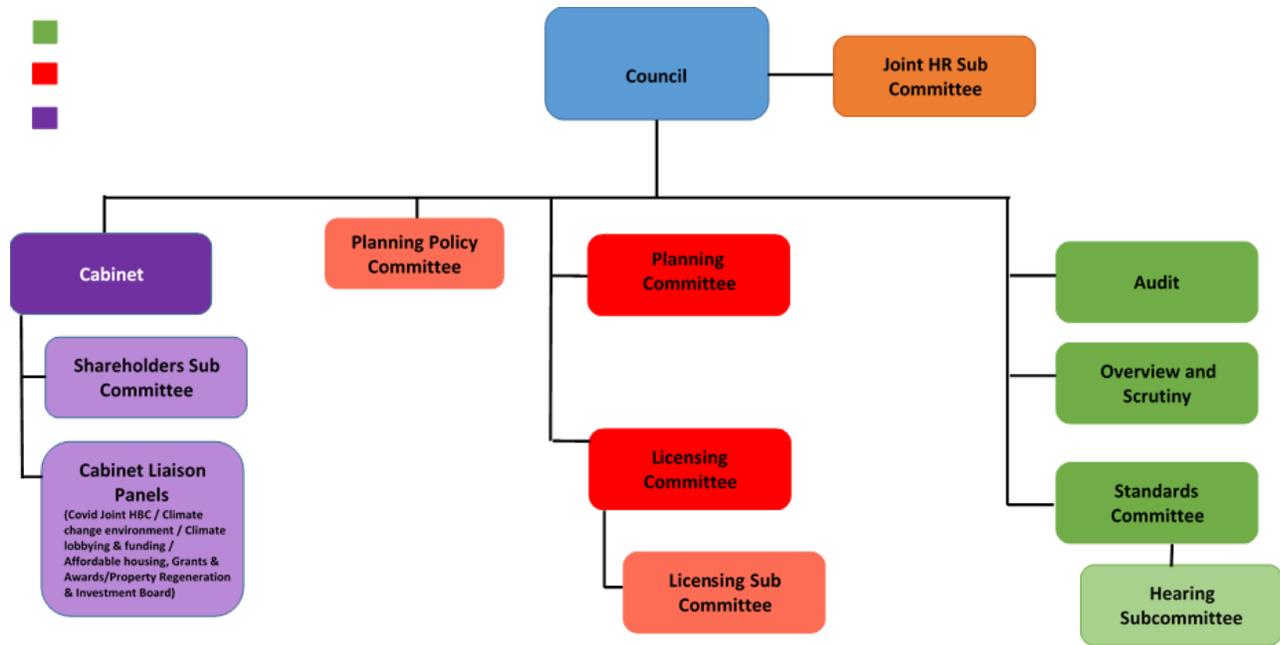
All councillors meet together for Full Council meetings six times a year. These are held in public and are used to decide the council's overall policies and set the budget each year.



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

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All the Councillors meet 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 2020/21.



## **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 10 Councillors and met 7 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 6 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;

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- 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 13 Councillors and normally meets monthly.

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

The Planning Committee's function is:

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

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

## ***Licensing Committee***

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

The Standards functions are:

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

## ***Planning Policy Committee***

The Committee is made up of 10 Councillors and met once during the year.

The Planning Policy Committee functions are:

- to agree the emerging content of the East Hampshire District Council Local plan throughout its preparation
- to agree the draft East Hampshire District Council Local Plan for public consultation (Reg 18)
- to recommend to Council the proposed submission East Hampshire District Council Local Plan for public consultation (Reg 19) and any modifications necessary through to adoption.
- to agree the draft East Hampshire District Council Community Infrastructure Levy (CIL) charging schedule and draft spending protocol.

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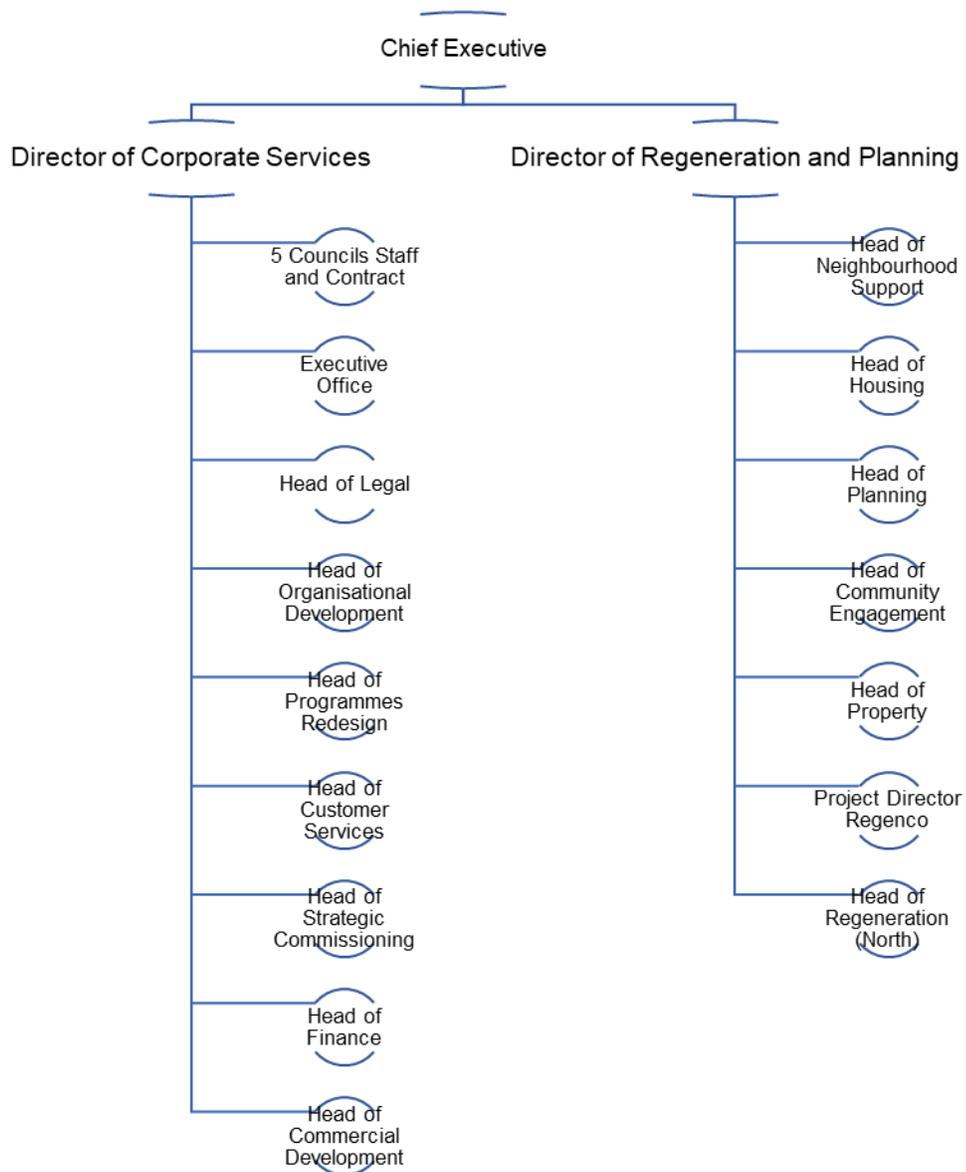
## Joint HR Committee

The Committee is made up of 5 Councillors from EHDC and 5 Councillors from HBC. The Committee met 3 times during 2020-21.

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

## 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:



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## Staffing

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

<b>Employees</b>	<b>2019/20</b>	<b>2020/21</b>
Total number of current permanent full and part time employees	322	318
Total number of current temporary / fixed term employees	*	*
<b>Total number of employees</b>	<b>322</b>	<b>318</b>
Total number of employees expressed as full-time equivalents	286	283

<b>Posts</b>	<b>2019/20</b>	<b>2020/21</b>
Total number of permanent full and part time posts	365	337
Total number of temporary / fixed term posts	*	*
<b>Total number of posts</b>	<b>365</b>	<b>337</b>
Total number of posts expressed as full-time equivalents	323	310

\*- Not available

Sickness and accident statistics are shown in the table below:

	<b>2019/20</b>	<b>2020/21</b>
Short term sickness (days per FTE)	4.5	1.5
Long term sickness (days per FTE)	3.7	2.6
Overall sickness (days per FTE)	8.2	4.1

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## 5. A Summary of the 2020/21 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.

	2020/2021		
	Final Budget	Outturn	Variance
	£000	£000	£000
<b>Director of Corporate Services</b>			
5 Councils Staff and Contract	258	258	0
Executive Office	406	444	38
Head of Legal	859	790	(69)
Head of Organisational Development	816	586	(230)
Head of Programmes Redesign	3,032	3,056	24
Head of Customer Services	2,026	1,789	(237)
Head of Strategic Commissioning	3,029	3,357	328
Head of Finance	2,095	715	(1,380)
Head of Commercial Development	(3)	121	124
<b>Director of Regeneration and Planning</b>			
Head of Neighbourhood Support	(481)	809	1,290
Head of Housing	209	579	370
Head of Planning	1,134	1,572	438
Head of Community Engagement	1,162	1,348	186
Head of Property	(7,252)	(5,920)	1,332
Project Director Regenco	(416)	(16)	400
Head of Regeneration (North)	1,142	910	(232)
<b>Total Cost of Services</b>	8,016	10,398	2,382
Other Operating I&E (Corporate Pension Costs)	887	743	(144)
Covid Income Support	0	(2,056)	(2,056)
Interest from Investments	0	0	0
Interest payments	2,699	2,933	234
<b>Net Cost of Services</b>	11,602	12,018	416
<b>Funded by:</b>			
Parish precepts	4,282	4,282	0
Business rates Retention	(1,307)	(1,307)	0
Council Tax Demand on the Collection Fund (inc precepts)	(11,231)	(11,232)	(1)
Collection Fund (Surplus)/Deficit	0	3	3
General Grants	0	(251)	(251)
New Homes Bonus Grant	(3,346)	(3,345)	1
<b>Total Funding</b>	(11,602)	(11,850)	(248)
<b>Net (Surplus)/Deficit</b>	0	168	168

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The main variances are detailed in the sections that follow:-

Service Area	Variance to budget (£000)	Reasons
Organisational Development	(230)	Reduction in expenditure across the service as a result of focus on Covid-19 pandemic and therefore reduced spend on planned activities for 2020-21. Reduced recruitment activity within Human Resources as a result of recruitment freeze during first lockdown period and overall reduced recruitment for the remaining year.
Customer Services	(237)	Reduced expenditure across the service as a result of focus on administration of government grant schemes. Grant schemes were administered in-house and utilised additional government grants for use on the distribution of grants. Salary savings have been achieved within the service as a result of reduced recruitment activity and additional income received within the Land Charges service due to increase in the housing market as a result of the stamp duty holiday.
Strategic Commissioning	328	Increased expenditure and support have been provided to our leisure provided (SLM) during the pandemic as a result of the closure of leisure facilities. This has included additional management payments made to SLM and no recovery of the leisure management income from the provider. The leisure management income has been partially recovered through the government lost sales fees and charges scheme. Additional loss of income across waste collection (MRF income) has been mitigated through additional garden waste income.
Finance	(1,380)	Covid-19 related savings contained within this budget which were identified at the start of the pandemic (0.642 million) and utilised to offset the additional expenditure within services.
Commercial Development	124	Reduction in income back to the Authority as a result of EH Commercial Services work being on hold for much of the year due to lockdowns. Enforcement agents were assigned to assist with Covid-19 response as Covid Marshalls which has mitigated some of the income loss
Neighbourhood Support	1,290	Reduction in income across the service in particular parking income (£1.470 million) across parking income streams against a budgeted income of just of £2.394 million. This income lost (up to 75%) has been mitigated through the government lost sales fees and charges income scheme.
Housing	370	Additional expenditure within the service of ensuring that those at risk of homelessness were placed in accommodation (B&B) during Covid lockdowns, partially mitigated by recovery from benefits
Planning	438	Fee income for large planning applications significantly reduced for the year, while householder applications have been relatively strong this results in limited fee income. The reduction reflects the downturn in the construction market during the pandemic. The loss of income has been partially recovered through the government lost, sales fees and charges scheme.
Community Engagement	186	The service has been focussed on providing additional support to communities during the pandemic, including the establishment of the Local Resource Centre and community support for Food Banks. Activities during the pandemic have resulted in additional expenditure as well as reduced income (inability to run the RAPP service during lockdowns).
Property	1,332	Whilst collection rates have remained strong (over 90%)

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		there has still be a reduction in income and inability to increase yield as a result of the Covid-19 pandemic
Regenco	400	Significant reduction in consultancy work due to clients postponing contracts as a result of Covid-19 pandemic and increased staffing costs as external officers used for contract work as opposed to internal officers who have been focused on Covid-19 pandemic work
Regeneration (North)	(232)	Reduction in planned activities (Enhance East Hants Strategy work) due to focus on Covid-19 business support work

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## General Fund: Capital Programme

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

### East Hants District Council

Capital Programme Summary

	2020/21 Original Budget Feb 20 £ (000)	2020/21 Outturn £ (000)	2020/21 Variance £ (000)
<b>Housing</b>			
Disabled Facilities Grants	1,381	556	(825)
Accessible Housing	0	26	26
<b>Operational Land and Buildings</b>			
Leisure centre replacement (Alton)	4,583	2,589	(1,994)
Leisure centre refurbishment (Taro)	355	0	(355)
Leisure centre replacement (W&B)	5,438	3,017	(2,421)
White Hill & Bordon	0	89	89
Investment Property (Investment Strategy refers)	78,811	0	(78,811)
Station regeneration	0	11	11
<b>IT Equipment</b>			
Processing and Management System	204	0	(204)
Asset Maintenance Management System	35	0	(35)
Building Control Software	27	0	(27)
<b>Vehicles and Equipment</b>			
Environmental Health Vehicle	30	19	(11)
<b>Other Capital Expenditure</b>			
SCF-CommunitiesCapitalGrants	0	124	124
Other s106 funded schemes	0	577	577
<b>Total Capital Programme</b>	<b>90,864</b>	<b>7,008</b>	<b>(83,856)</b>

	2020/21 Original Budget Feb 20 £ (000)	2020/21 Outturn £ (000)	2020/21 Variance £ (000)
<b>Funded By:</b>			
REFCUS (Revenue funded as Capital under Statute)			0
External Grants & Contributions	1,381	1,257	(124)
Use of Specific Reserves	296	0	(296)
Use of Capital Receipts	0	145	145
Borrowing Requirement	89,187	5,606	(83,581)
<b>Total Funding</b>	<b>90,864</b>	<b>7,008</b>	<b>(83,856)</b>

The outturn on the General Fund Capital Programme is an overall underspend of £83million. The reasons for the significant variances are as follows:

### Operational Land and Buildings

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

# ANNUAL REPORT - NARRATIVE

- The legislation around borrowing to fund investment properties changed and the Council was unable to spend on investment properties.

## 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.

## 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.

The Council's net Pension Liability valued on an IAS 19 basis increased from £47.079 million at 31st March 2020 to £54.505 million at 31st March 2021. It is detailed in Note 33 to the accounts. Gross liabilities have increased by £26.49 million mainly due to changes in financial assumptions, and the fair value of assets has increased by £19.06 million.

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

## 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 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 Council has an approved transformation programme 'Shaping our Future' which will seek to address the challenges the Council faces going forward.

### ***The Medium Term Financial Strategy***

The budget for 2021/22 was set against the Covid-19 pandemic and continued pressures on local government. The Council's Medium Term Financial Strategy has been updated and takes into account inflation (both pay and contract), superannuation and national insurance changes.

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The medium term financial strategy for the period 2021/22 to 2025/26 is set out in the table below

	2021/22 Budget £ (000)	2022/23 Estimate £ (000)	2023/24 Estimate £ (000)	2024/25 Estimate £ (000)	2025/26 Estimate £ (000)
<b>Director of Corporate Services</b>					
5 Councils Staff and Contract	141	141	141	141	141
Executive Office	417	417	417	417	417
Head of Legal	873	873	873	873	873
Head of Organisational Development	757	757	757	757	757
Head of Programmes Redesign	2,855	2,855	2,855	2,855	2,855
Head of Customer Services	2,276	2,276	2,276	2,276	2,276
Head of Strategic Commissioning	3,721	3,320	3,018	3,132	3,368
Head of Finance	1,071	1,071	1,071	1,071	1,071
Head of Commercial Development	(38)	(38)	(38)	(38)	(38)
<b>Director of Regeneration and Planning</b>					
Head of Neighbourhood Support	(598)	(598)	(598)	(598)	(598)
Head of Housing	207	207	207	207	207
Head of Planning	1,416	1,578	1,416	1,578	1,416
Head of Community Engagement	1,400	1,562	1,562	1,562	1,562
Head of Property	(3,683)	(3,801)	(3,365)	(4,382)	(4,656)
Project Director Regenco	(285)	(285)	(285)	(285)	(285)
Head of Regeneration (North)	822	822	822	822	822
<b>Total Cost of Services</b>	<b>11,352</b>	<b>11,157</b>	<b>11,129</b>	<b>10,388</b>	<b>10,188</b>
Salary inflation (cumulative)		434	880	1,340	1,814
Other cost inflation (cumulative)		250	500	750	1,000
<b>Net Cost of Services</b>	<b>11,352</b>	<b>11,841</b>	<b>12,509</b>	<b>12,478</b>	<b>13,002</b>
<b>Parish Precepts</b>	4,436	4,436	4,436	4,436	4,436
<b>Business Rates Retention</b>	(2,383)	(2,384)	(2,654)	(2,929)	(3,209)
Section 31 grant	(2,642)	(2,695)	(2,749)	(2,804)	(2,860)
Levy payment	449	458	468	477	486
Business Rates Collection fund (Surplus)/Deficit	(652)	0	0	0	0
<b>Council Tax Demand on the Collection Fund (inc precepts)</b>	<b>(11,448)</b>	<b>(11,624)</b>	<b>(11,805)</b>	<b>(11,990)</b>	<b>(12,179)</b>
Collection Fund (Surplus)/Deficit	(33)				
<b>General Grants</b>					
New Homes Bonus Grant	(2,114)	(920)	0	0	0
<b>Other Financing</b>					
Covid 2021-22 allocation	(490)				
Lower Tier Services Grant	(865)				
Contributions to/(from) Earmarked Reserves	4,390	656	656	656	656
Contributions to/(from) General Fund Balance					
<b>Balance Deficit/(Surplus)</b>	<b>0</b>	<b>(232)</b>	<b>861</b>	<b>324</b>	<b>332</b>

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## 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 2021/22 was approved by Full Council in February 2021 and is available on the Council's website. Within the capital strategy is the Capital Programme for 2021/22 to 2025/26 was prepared to mirror the 5 year timeframe of the MTF5.

	5 YEAR CAPITAL PROGRAMME				
Capital Programme Summary	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Housing</b>					
Disabled Facilities Grants*	1,381	1,381	1,381	1,381	1,381
<b>Operational Land and Buildings</b>					
Leisure centre replacement (Alton)	0	0	0	0	0
Leisure centre refurbishment (Taro)	0	0	0	0	0
Leisure centre replacement (W&B)	0	0	0	0	0
<b>IT Equipment</b>					
Design and System Implementation Programme	204	0	0	0	0
Asset Maintenance Management System	35	0	0	0	0
Building Control - Software	0	0	0	0	0
<b>Vehicles and Equipment</b>					
Environmental Health Vehicle	30	0	0	0	0
<b>Other Capital Expenditure</b>					
Alton Station Forecourt (REFCUS)	789				
<b>Grand Totals</b>	<b>2,439</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>

	5 YEAR CAPITAL PROGRAMME				
Capital Programme Summary	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Projected Capital Financing</b>					
REFCUS (Revenue funded as Capital under Statute)	2,170	1,381	1,381	1,381	1,381
External Grants & Contributions					
Use of Specific Reserves	269	0	0	0	0
Use of Capital Receipts					
Borrowing Requirement	0	0	0	0	0
Revenue Funding					
<b>Total Projected Funding</b>	<b>2,439</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>

# ANNUAL REPORT - NARRATIVE

## 9. Material assets/liabilities

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

## 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 (NDR) and its distribution to precepting bodies.

## 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.



Matthew Tiller – Head of Finance (Deputy Section 151 Officer)

31 March 2022

# ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

## 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 2020-21.

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 Director 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.

### Governance during Covid-19

The year 2020-21 has been characterised by the challenges around delivering services while maintaining good governance during the Covid-19 pandemic. The Council has adapted by introducing remote and/or hybrid Council meetings which adhered to lockdown restrictions and government guidance for the relevant points in time, and allowed robust and appropriate decision making to continue. In addition, the majority of our staff have been working remotely, as per government instruction to 'work from home if you can', with all statutory Council services continuing to be delivered throughout the year. Staff have also been redeployed to cover Covid-19 guidance requirements, such as providing Covid marshal support in town centres, staffing community testing centres and monitoring business premises compliance with regulations. Health and safety has been prioritised throughout, with the Council offices achieving Covid secure status and a robust procedure established for office attendance and undertaking site visits. Our business continuity arrangements were drawn upon to prioritise the delivery of key services, working with the Local Resilience Forum and partner organisations to ensure that the Council's resources were targeted to effectively support the communities of East Hampshire. Our organisational response has been reviewed through targeted audits and the Overview & Scrutiny Committee has reviewed same and provided feedback. A Cabinet report detailing the Council's response to the initial phase of the pandemic in spring 2020 can be viewed at <https://easthants.moderngov.co.uk/ieListDocuments.aspx?CId=126&MId=2640>. In addition, the Council has commissioned specialist advisors to produce a Covid-19 Recovery Plan which will set out how best to assist the town centres in the district as they emerge from the pandemic.

External audit has reviewed the annual accounts and cashflow position in relation to Covid-19 financial pressures and these were signed off within the required timeframe. Internal audit have provided assistance in relation to the administration of Covid support grant certification and assurance in relation to financial stability of the organisation during Covid and on the welfare support provided to the Council's staff.

### Governance review

During the year 2020-21 a governance review was commissioned by the Leader and the Chief Executive to review the existing governance structures within the Council. This has occurred in parallel with the introduction of a refreshed Constitution which was adopted in November 2020. The governance review report (which can be viewed at <https://easthants.moderngov.co.uk/ieListDocuments.aspx?CId=390&MId=2662>) made 17 recommendations, which the Council has committed to implementing via a governance improvement action plan. Further details on the governance improvement action plan are contained within this Annual Governance Statement.

# ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

## How do we know the governance framework is working?

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



# ANNUAL REPORT - 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 2020-21 by Audit Committee and the Monitoring Officer to ensure that it is an effective and up-to-date document. The revised version was approved at full Council in November 2020 and took effect in January 2021.</p> <p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. Mandatory performance objectives are set for all staff which ensure compliance with data protection law, Health and Safety regulations, and the Council's Safeguarding Policy. Staff must also undertake mandatory e-learning courses throughout the year on such topics to ensure their knowledge and understanding is up to date.</p> <p>There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period. Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality, and an annual register of declarations. Any declarations of interest made during meetings are recorded in the minutes.</p> <p>The Council has in place a complaints procedure including weekly reminders to relevant managers responsible, and the number of complaints and completion rate are monitored in quarterly performance reports.</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. The Data Protection Officer is also a statutory role under the new GDPR legislation. All of these roles are shared with Havant Borough Council.</p>	<p>Councillor Code of Conduct Staff Code of Conduct Standards Committee</p> <p>Constitution Anti Fraud &amp; Corruption Policy including Fraud Response Plan Whistleblowing Policy</p> <p><a href="http://easthants.moderngov.co.uk/mgMemberIndex.aspx">http://easthants.moderngov.co.uk/mgMemberIndex.aspx</a></p> <p><a href="http://www.easthants.gov.uk/complaints">http://www.easthants.gov.uk/complaints</a></p> <p>Management structure</p>

# ANNUAL REPORT - 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 has been subject to a consultation with councillors and was adopted in August 2020 as a 'living' document in order to best reflect our shared ideals and visions.</p> <p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the Government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500.</p> <p>The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. During the Covid-19 pandemic, Council meetings have been held remotely and/or in a hybrid manner according to government guidance and legislative requirements at the time, and these have been livestreamed via the Council's website which has resulted in increased public engagement with these meetings.</p> <p>The Council usually carries out a residents' survey every two years, but during the Covid-19 pandemic has increased the frequency to be able to monitor the concerns and feelings of residents as the situation changes.</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. Where remote meetings have taken place in 2020-21 due to the Covid-19 pandemic, these have been broadcast live via Skype and promoted on the Council's social media.</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>The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax and Waste and Recycling, can be accessed quickly and easily from the homepage. During the Covid-19 pandemic, the Communications team have made regular updates to dedicated pages on the website to provide residents and business with reliable information on legislative changes and public health guidance as it has shifted throughout the year. Accessibility improvements have also been made to the website in 2020-21 to meet new accessibility requirements.</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. Whilst these have been delayed due to the Covid-19 restrictions on large gatherings, the Council is committed to resuming public consultations when it is safe to do so.</p>	<p><a href="http://www.easthants.gov.uk/performance-and-strategy">http://www.easthants.gov.uk/performance-and-strategy</a></p> <p>Freedom of Information</p> <p>Committees and Papers</p> <p><a href="#">Covid-19 residents' survey</a></p> <p>Partners magazine EHDC Facebook Twitter Instagram YouTube</p> <p>Town &amp; Parish Charter</p> <p><a href="http://www.easthants.gov.uk/">http://www.easthants.gov.uk/</a></p> <p><a href="http://www.easthants.gov.uk/accounts">http://www.easthants.gov.uk/accounts</a></p> <p>Let's Talk events</p>

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C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	
How the Council meets these principles	Where you can see Governance in action
<p>The four themes in the Council's Corporate Strategy (approved by full Council in August 2020) are:</p> <ul style="list-style-type: none"> <li>• A fit for purpose Council</li> <li>• A safer, healthier and more active East Hampshire</li> <li>• A thriving local economy with infrastructure to support our ambitions</li> <li>• An environmentally aware and cleaner East Hampshire</li> </ul> <p>These evidence-based themes are used to guide the Council's corporate planning and decision making.</p> <p>The Council has also developed a Digital Strategy which supports the Corporate Strategy delivery and to create digitally 'savvy' staff and councillors and services designed to be accessible and convenient for our customers.</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 quarterly performance report. During the Covid-19 pandemic, financial monitoring reports have been improved, with modelling of the likely impacts of the pandemic on income and expenditure carried out to provide assurance on the Council's financial sustainability.</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 that has been set for East Hampshire District Council for 2020-21, as approved by the Council on the 27 February 2020. 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><a href="http://www.easthants.gov.uk/performance-and-strategy">http://www.easthants.gov.uk/performance-and-strategy</a></p> <p><a href="#">Digital Strategy</a></p> <p>Council Budget</p> <p>Residents' Survey Planning SCI (Statement of Community Involvement)</p>

# ANNUAL REPORT - 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. This process has been significantly improved in recent years to increase the robustness of decision making.</p> <p>All decision-making meetings are held in public and decisions made by Cabinet members and Officers are published in line with the statutory legal requirements, although some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings.</p> <p>The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p> <p>The Council has an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. Audit recommendations are monitored to ensure that they are completed by the service within a reasonable timeframe, and any actions which are not completed are reported to Executive Board.</p> <p>The Overview &amp; Scrutiny Committee has responsibility for the performance of overview and scrutiny functions under the Local Government Act 2000 Section 9F. The role of Overview &amp; 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 &amp; 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><a href="http://www.easthants.gov.uk/complaints">http://www.easthants.gov.uk/complaints</a> Internal audit</p> <p>Overview &amp; 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), Executive Director 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>Some of the Council's corporate services are delivered through the 5 Councils Partnership with Capita which is monitored via a shared Client Team.</p> <p>The 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 2020-21 new mandatory e-learning courses were introduced for all staff (including health and safety, equality and diversity, and time management), alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services.</p>	<p>Management structure</p> <p>Organisational Development Strategy</p> <p>Councillor Competency</p>

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<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>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 &amp; Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p> <p>Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly performance report). The Council has a wide range of performance indicators, which are used to measure progress against the Council's priorities. Performance indicators are reported quarterly to the Executive Board, to Audit Committee and informally to Cabinet. Performance indicators clearly link individual services to the corporate objectives in the Corporate Strategy and include details of national and local performance indicators and risk. Performance indicators are reviewed annually as part of the business planning process to ensure they continue to be relevant and stretching.</p> <p>A Corporate Governance Board has been established with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This will be underpinned by the Local Code of Corporate Governance. In addition, the Corporate Governance Board is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks. The Board's Terms of Reference have been reviewed during 2020-21 in consultation with the Monitoring Officer.</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>Council structure</p> <p>Committee structure</p> <p>Forward Plan</p> <p>Corporate Governance Policy</p> <p>Local Code of Corporate Governance</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 performance report. Risks rated as above the risk threshold are reported as part of the quarterly performance report to Audit Committee. In 2020-21 these quarterly performance reports have begun to be published on the Council's website.</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. 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><a href="https://www.easthants.gov.uk/performance">https://www.easthants.gov.uk/performance</a></p> <p>Full Council</p> <p>Internal audit</p>

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## Review of effectiveness

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

Area	Review of effectiveness
Political leadership	<ul style="list-style-type: none"> <li>• The Leader of the Council (along with the Chief Executive) commissioned an independent review of governance arrangements in 2020. The report by David Bowles articulated a number of recommendations which have been taken forward during the latter part of 2020-21 and will continue into 2021-22 in order to improve the robustness of the Council's governance framework (see governance improvement action plan update later in this document).</li> <li>• Following the separation of the combined Governance, Audit &amp; Scrutiny Committee in 2019-20, work has continued during 2020-21 to embed the roles and responsibilities of the three new overview committees. The Overview &amp; 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 provides assurance to the Council that the governance processes in place are sufficient. The role of the Standards Committee is to monitor standards of conduct of Members and advise the Council on probity issues.</li> <li>• A significantly improved Councillor Development Programme has been developed with mandatory and optional training modules. This is being rolled out in 2021 to ensure that Members are equipped with the right skills and knowledge to be able to fulfil their duties.</li> <li>• A new Corporate Strategy covering the period from 2020 to 2024 was developed and was subject to consultation with residents and other stakeholders during 2020-21, to ensure that it best reflects the Council's ambitions for the district in the coming years. All councillors were given an opportunity to comment on the draft and the Corporate Strategy was adopted at full Council in August 2020. 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.</li> <li>• The Council's response to the initial phase of the Covid-19 pandemic was reviewed by the Overview &amp; Scrutiny Committee in summer 2020.</li> </ul>
Officer leadership	<ul style="list-style-type: none"> <li>• The Chief Executive of the Council (along with the Leader) commissioned an independent review of governance arrangements in 2020. The report by David Bowles articulated a number of recommendations which have been taken forward during the latter part of 2020-21 and will continue into 2021-22 in order to improve the robustness of the Council's governance framework (see governance improvement action plan update later in this document).</li> <li>• The Council's Constitution underwent a comprehensive review in 2020-21, led by the Monitoring Officer, to ensure that it remains an effective and up-to-date document, and a revised version was approved in November 2020 and came into effect in January 2021. The document has been modernised and streamlined in order to make it easier to understand and to put into practice and its introduction is being accompanied by training to ensure that the new version is embedded.</li> <li>• 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 also provided to Audit Committee through the quarterly performance report which has undergone significant improvements during 2020-21 both in format (with a colour-coded dashboard format now being used to show the performance of different services) and content (with an extended range of quantitative performance indicators now being included). The Corporate Governance Board Terms of Reference have also been reviewed during 2020-21 to strengthen and clarify the Board's role in the organisation.</li> </ul>
Internal assessment and monitoring	<ul style="list-style-type: none"> <li>• There are regular reporting arrangements in place regarding the financial affairs of the Council. The budget for 2020-21 was agreed by Full Council on 27 February 2020 and financial performance is reported on a quarterly basis to Members. The Covid-19 pandemic posed a potentially significant threat to the Council's finances, but extensive modelling of different economic scenarios and identification of discretionary spending that could be reduced if income pressures continued throughout the year provided assurance on the financial sustainability of the Council.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Effective operation of the Performance Management Framework throughout the year: monitoring information on key areas of performance has been provided by the Governance Hub for review and action. The majority of service performance indicators were met during the year despite pressures caused by responding to the Covid-19 pandemic.</li> <li>• The Annual Governance Questionnaire is a survey run every January which asks officers for their self-assessment of the effectiveness of governance arrangements in their service area. Participation has improved in recent years following the extension of the questionnaire to all staff to reflect that good governance is everyone's responsibility - the number of responses received for the January 2021 survey had increased by 50% compared to the 2020 survey. The results of the questionnaire highlighted the following:             <ul style="list-style-type: none"> <li>○ 89% of responses said there was evidence of meeting the criteria – this was consistent with last year (90%)</li> <li>○ Areas of strength:                 <ul style="list-style-type: none"> <li>▪ Engagement with Members on a regular basis</li> <li>▪ Performance appraisals and other people management policies</li> <li>▪ Compliance with FOI procedure</li> </ul> </li> <li>○ Areas for improvement:                 <ul style="list-style-type: none"> <li>▪ Awareness of structure and operation of Committees</li> <li>▪ Awareness of staff Code of Conduct</li> <li>▪ Completion of e-learning courses</li> </ul> </li> <li>○ Significant changes from 2020 survey:                 <ul style="list-style-type: none"> <li>▪ Confidence in the use of evidence-based insight when making decisions has improved - percentage of respondents saying there was limited or no evidence of meeting the criteria was 26% last year; this has now decreased to 12%</li> <li>▪ Confidence in robustness of information governance arrangements has decreased - percentage of respondents saying there was evidence of consistently meeting the criteria) was 72% last year; this has now decreased to 55%</li> </ul> </li> </ul> </li> </ul> <p>Areas that scored poorly in the questionnaire will be targeted with a programme of improvements throughout 2021-22 and the questionnaire will be repeated to see if any trends can be identified.</p>
<p>Responsibilities of Chief Finance Officer (s151)</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• They are also responsible for ensuring alignment with the Code of Practice on Local Authority Accounting for 2020-21. 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).</li> <li>• During 2020-21 an internal audit review of the Council's financial sustainability was commissioned to provide assurance in the context of the Covid-19 pandemic and the resulting financial pressures on the authority. The audit review was completed with a 'substantial' assurance rating and no management actions to be implemented, showing a high degree of confidence in the Council's financial management arrangements.</li> </ul>
<p>Internal Audit</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Progress against the audit plan is reported quarterly to the Audit Committee. Any outstanding high risk actions are addressed as a matter of priority.</li> <li>• 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.</li> <li>• The Southern Internal Audit Partnership delivered 16 internal audit opinions over the course of the year ending 31 March 2021, with 6 'substantial' assurance reports, 8 'reasonable' assurance reports, 2 'limited' assurance reports and no 'no assurance' reports. Additional reviews were conducted which did not lead to an audit opinion as they were advisory reviews and/or follow-up reviews.</li> <li>• The Chief Internal Auditor's annual opinion of East Hampshire's framework of</li> </ul>

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	<p>governance, risk management and management control is 'reasonable' and audit testing has demonstrated controls to be working in practice.</p>
External Audit	<ul style="list-style-type: none"><li>• The Council's external audit requirement is provided by KPMG.</li><li>• 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.</li><li>• In November 2020 the external auditor KPMG provided the Council with an unqualified opinion on the Council's accounts within their Audit Results Report.</li><li>• KPMG also provided an unqualified opinion of the Council's arrangements to secure Value for Money.</li></ul>

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## Last year's key improvement areas

In the 2019-20 Annual Governance Statement, four key issues were identified for improvement. Below are the issues and actions taken during 2020-21.

Improvement area	Issue of concern	Objectives and actions taken
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.	<p><i>Objective: Complete service review and finalise new roles and responsibilities.</i> The service review of the Property team has now been completed, with a new team structure developed and all roles having been through the evaluation process. The new structure was delivered in November 2020 and subsequent recruitment has been undertaken which has secured appointments to eight roles (from a total of 11). Recruitment to the remaining three roles, which are Lead Estates Manager, Asset Manager and Senior Estates Surveyor, continues.</p> <p><i>Objective: Embed the Place-making and Regeneration Investment Framework approved at Full Council in February 2020.</i> This will be achieved by the establishment of a Property Regeneration Investment Board, the first meeting of which took place in June 2021. Draft Terms of Reference were discussed and agreed at this initial meeting. The governance may need to be reviewed following improvements in robustness to the decision making and report writing process as detailed elsewhere in this document, but this will be addressed once the Board has been fully established.</p> <p><i>Objective: Develop an Asset Management Strategy to ensure that appropriate governance arrangements are in place and managed accordingly.</i> Governance structure is now in place which includes a Property Investment Board, Asset Management Board and Estates Management Board, all supported by respective Terms of Reference. The Asset Management Strategy development will continue now that the Lead Asset Manager is in place (started April 2021). A review of the Capital Investment Strategy has also commenced and will be completed as part of the 2022/23 budget process.</p> <p><i>Objective: Understand implications of National Audit Office report on local authority investment in commercial property and review of PWLB borrowing announced in March 2020 Budget.</i> The Property Investment Board received a detailed briefing from both the Property and Finance teams over a series of sessions and discussed the implications upon the adopted investment strategy. It was resolved to refresh the strategy to ensure it continues to comply with the new PWLB regulations and that has been communicated via a Cabinet briefing.</p>
Potential conflict of interest within partnership arrangements	East Hampshire District Council and Havant Borough Council have had a shared Chief Executive and management	<i>Objective: Develop conflict of interest policy relating to shared management of the two Councils, particularly regarding contract negotiations.</i>

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	<p>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 processes, especially in contract negotiations.</p>	<p>The Organisational Conflict of Interest Policy has been developed in consultation with the Monitoring Officer and this was adopted by Cabinet in June 2021.</p> <p><i>Objective: Review all shared service, shared workforce and shared values options for future direction of the partnership with this in mind.</i></p> <p>The 'Shaping our Future' programme has been launched and refined during 2020-21 and a key workstream within the programme will focus on the relationship between EHDC and HBC, with input from the relevant Portfolio Holders.</p> <p><i>Objective: Ensure that shared staff understand the importance of considering potential conflict of interests between the two organisations.</i></p> <p>As above, this will be a key focus within the 'Shaping our Future' programme. The Organisational Conflict of Interest Policy will provide a framework for discussion and will be promoted to all staff following its adoption by Cabinet.</p>
<p>Development and embedding of new Corporate Strategy</p>	<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>	<p><i>Objective: In consultation with residents and other stakeholders, finalise and publish the Corporate Strategy.</i></p> <p>The draft Corporate Strategy was subject to consultation during summer 2020 and was approved at full Council in August 2020, along with several supporting strategies including the Welfare and Wellbeing Strategy and the Climate and Environment Strategy. Together these documents provide a strong strategic framework to shape and direct the work of the Council.</p> <p><i>Objective: 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.</i></p> <p>All councillors were briefed on the Corporate Strategy themes and were given an opportunity to comment on the draft before it was brought to full Council for adoption. The new Corporate Strategy themes have been embedded in the business planning cycle, being used to formulate the Corporate Action Plan 2020-21. Improvements to the report writing and review process, including targeted training for officers in November 2020, have emphasised how all reports coming forward for decision must explicitly identify the proposals' links to the Corporate Strategy themes. The Performance Management Framework is currently under review, awaiting the conclusion of an internal audit review, and will be taken forward as a key supporting workstream of the 'Shaping our Future' programme now that the Corporate Strategy has been approved.</p>
<p>Embedding of revised Constitution including codes of conduct and</p>	<p>The Constitution review subcommittee will continue their work to ensure that the</p>	<p><i>Objective: Finish review of Constitution and produce revised version which is fit for purpose and able to be understood and used</i></p>

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<p>structure of Council</p>	<p>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>	<p><i>to guide decision making by all.</i></p> <p>The revised Constitution was agreed at full Council in November 2020 and came into effect from January 2021.</p> <p><i>Objective: 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.</i></p> <p>Extensive work has been undertaken alongside the development of the revised Constitution to improve understanding and awareness of corporate governance matters in 2020-21. More details can be found in the governance improvement action plan section of this Annual Governance Statement.</p>
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## Governance improvement action plan

Following the governance review carried out by David Bowles during 2020, the Council has prepared a governance improvement action plan to address his recommendations. This was reviewed by Standards Committee in March 2021 (papers can be found at <https://easthants.moderngov.co.uk/ieListDocuments.aspx?CId=390&MId=2663>) and a commitment was made at this meeting to report on progress made thus far in this Annual Governance Statement.

The following table sets out the 17 recommendations from David Bowles' review, along with the actions the Council has committed to taking to fulfil these recommendations, and an update on the progress made since the review was finalised in December 2020.

Recommendation from David Bowles' report	Response / actions to be taken	Responsible person	Deadline for completion	Update on progress
<b>Recommendation 1:</b> <b>Values statement</b> <b><i>The Leader and Chief Executive should consult upon and publish a brief statement of the values of the organisation perhaps focusing on behaviours and transparency and measure their actions and those of others against those values. Those values should promote individual personal responsibility for challenging improper and unacceptable behaviours.</i></b>	<p>The current Corporate Strategy (approved by full Council in September 2020 to cover the period up until 2024) includes the following values:</p> <ul style="list-style-type: none"> <li>• Responsibility for our actions</li> <li>• Fairness and integrity in all we do</li> <li>• Responding to the needs of our community based on evidence</li> <li>• Respect and support for each other and our residents</li> <li>• Considering the future wellbeing of our area over short term expediency</li> </ul> <p>A staff working group has been set up in December 2020 to review these values and consider how values can be embedded into the organisational culture, including through performance management and the work of the Culture Change Champions.</p>	Chief Executive	March 2021	The staff working group set up to discuss values, culture and behaviours has met several times to provide input to a values statement. This has then been taken forward with input from the Chief Executive and Leader with a view to taking to Joint HR Committee for approval shortly. This work has taken longer than anticipated due to further work being required to understand the current culture of the organisation before the finalisation of the values statement.
	<p>The Organisational Development team is also taking the opportunity to review the staff competency framework and ensure that it aligns with the values above and drives the right behaviours for the future.</p>	Head of Organisational Development	March 2021	The values work as detailed above has progressed but must be finalised before this action can be completed. The HR team are ready to review the competency frameworks as soon as the values are agreed.
<b>Recommendation 2:</b> <b>Political conventions</b> <b><i>To underpin an ethical culture the Council should consider whether to review and then formalise these types of arrangements and document them as</i></b>	<p>David Bowles notes in his report that 'the value of effective Group Leaders' meetings in particular should not be underestimated. They can help reduce tension and can be a way of briefing and obtaining wider input from members on confidential or sensitive matters.'</p> <p>With this in mind, the Group Leaders will be encouraged to</p>	Group Leaders	December 2021	The Monitoring Officer has drafted an informal joint-working protocol document for Group Leaders with a practical approach to enhance engagement between groups at Group Leader level. This is expected to be taken for discussion by Group Leaders at the

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<p><b><i>'political conventions' and enshrine them in the Constitution. Group Leaders need to work together to consider how their actions can help promote or hinder an ethical culture and should consider external support to help embed a healthy political culture.</i></b></p>	<p>meet regularly, and will be supported by Democratic Services and the Monitoring Officer if they wish to enshrine political conventions within the Constitution.</p>			<p>next Group Leader meeting.</p>
	<p>A joint working protocol will be prepared that will define regular informal Group Leader meetings, in order to enhance cross-party working and encourage communication on matters such as Council meetings and governance issues.</p>	<p>Monitoring Officer</p>	<p>December 2021</p>	<p>See update above. This target date has been extended to allow the Group Leader joint-working protocol, once agreed, to be linked to the Constitution.</p>
<p><b>Recommendation 3: Strengthening the officer culture</b>  <b><i>While recognising the democratic legitimacy of elected members the Chief Executive needs to work with staff and members to re-establish appropriate roles and change an officer culture which had become overly compliant, to one which supports an ethical culture and where officers and members can talk frankly to each other.</i></b></p>	<p>In addition to the actions specified for Recommendation 1 which will also address this Recommendation, the following actions will be taken:</p>			
	<p>The adoption of a new Constitution, which takes effect on 4<sup>th</sup> January 2021, will be accompanied by workshops and training sessions for officers to help embed the Member/Officer Relations Protocol.</p>	<p>Monitoring Officer</p>	<p>March 2021</p>	<p>The new Councillor Development Programme features a series of mandatory and optional modules designed to ensure that councillors have the skills and knowledge to be able to fulfil their roles effectively. This includes guidance on transparency, access to information and delegated decision making as set out in the Constitution. The training programme has been approved by the Councillor Development Panel and is now being implemented. Training for officers on decision making, the new Cabinet and Committee terms of reference and the Scheme of Delegations has been prepared and has been rolled out to the Corporate Management Team, Legal and Democratic Services, and with other key officer groups to be identified and cascaded via Heads of Service shortly.</p>

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	<p>In order to reinforce the different roles of officers and councillors, a new process has been put in place to ensure Executive Board have oversight of the reports being written and (when the report has been requested by a member of Cabinet) approve the spending of officer time on writing that report. This is becoming embedded via targeted training sessions for officers and by increased visibility of the Forward Plan. This process will be reviewed on an ongoing basis to ensure that it is fulfilling its purpose.</p>	<p>Section 151 Officer / Monitoring Officer</p>	<p>Ongoing</p>	<p>Two Heads of Service have been tasked with reviewing the new process and have reported back to Executive Board on their findings. A separate action plan has been prepared and this is being taken forward internally. The process and progress made will be reviewed again in September 2021.</p>
	<p>A full training programme will be developed for both Members and officers, consisting of a series of modules that require completion. This will be a continual rolling programme of development with mandatory elements which need to be completed and evidenced through learning logs (officers) and Democratic Services monitoring (Members). The Member development programme will include mandatory, recommended and optional elements to ensure that all Members have an awareness and understanding of Council functions and associated governance.</p>	<p>Head of Organisational Development</p>	<p>March 2021</p>	<p>The new Councillor Development Programme features a series of mandatory and optional modules designed to ensure that councillors have the skills and knowledge to be able to fulfil their roles effectively. The training programme has been approved by the Councillor Development Panel and is now being implemented. The 'Be The Best You Can Be' training and development programme for officers has now been launched and new resources are being added as they are identified. The 'learning log' approach allows officers to complete the activities that are relevant and appropriate for their role. In addition, the development and launch of a new staff intranet in spring 2021 has provided an opportunity to completely review and refresh the guidance and resources available for officers on corporate governance matters such as internal audit, report writing and risk management. The performance management process is currently being reviewed by the HR team to ensure that learning and</p>

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				development of officers continues to be prioritised.
	A programme of CEO-led Council-wide events will be agreed to focus on leadership and culture within the organisation. The rolling programme of leadership events will commence from Q1 2021-22.	Chief Executive / Head of Organisational Development	December 2021	Discussions are ongoing about timing of leadership conference given that there is still some work that needs to be done to fully understand the culture of the organisation as part of the Shaping our Future programme. The target date has therefore been revised to December 2021.
<b>Recommendation 4: Re-establish proper decision taking</b> <i>The review of the Constitution will provide an opportunity to formally document proper decision taking whether that be by officers, Portfolio Holders, Cabinet or the Council itself. That should be supported by intensive work not just with members but also with officers who may have lost sight of proper process. This should be externally facilitated.</i>	The updated Constitution, which was approved at full Council in November 2020, is a more modern, streamlined document that should be far easier to understand and put into practice. The revised Constitution is due to take effect from 4th January 2021 and its introduction will be supported by workshops and training sessions, as we recognise this as an ideal opportunity to strengthen both officers' and councillors' understanding.	Monitoring Officer	March 2021	The new Councillor Development Programme features a series of mandatory and optional modules designed to ensure that councillors have the skills and knowledge to be able to fulfil their roles effectively. This includes guidance on transparency, access to information and delegated decision making as set out in the Constitution. The training programme has been approved by the Councillor Development Panel and is now being implemented. Training for officers on decision making, the new Cabinet and Committee terms of reference and the Scheme of Delegations has been prepared and has been rolled out to the Corporate Management Team, Legal and Democratic Services, and with other key officer groups to be identified

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				and cascaded via Heads of Service shortly.
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	<p>New resources have been designed and implemented during summer 2020 to improve officers' understanding of the decision making process, including a flowchart, detailed procedure notes and refreshed report template – in particular, taking the opportunity to clarify and formalise aspects of the process to ensure that Executive Board have earlier oversight of the reports that are being written and decisions that are being recommended. All officers taking reports through the decision-making process must now also consult with the Finance and Legal teams prior to the final review by the Section 151 Officer and Monitoring Officer before the report proceeds to Cabinet or full Council. Targeted training sessions were held in November 2020 to develop officers' understanding of report writing in the context of the clarified procedures. A survey circulated after the training sessions showed that, so far, 100% of respondents felt that their understanding of the decision making process had been improved by attending the session. This process and resources will be reviewed on an ongoing basis to ensure that they are fulfilling their purpose. Refresher training sessions on the process will be held in Q1 2021-22 with consideration of additional 'bitesize' training to improve officer understanding.</p>	Section 151 Officer / Monitoring Officer	Ongoing	<p>Two Heads of Service have been tasked with reviewing the new process and have reported back to Executive Board on their findings. A separate action plan has been prepared and this is being taken forward internally. The process and progress made will be reviewed again in September 2021. In addition, the development and launch of a new staff intranet in spring 2021 has provided an opportunity to completely review and refresh the guidance and resources available for officers on corporate governance matters such as internal audit, report writing and risk management. This will be reviewed on an ongoing basis.</p>
	<p>Training for Members will be developed to cover the roles and responsibilities of officers and councillors, the role of scrutiny and best practice for decision making. This will be mandatory for all councillors, both new and long-standing.</p>	Monitoring Officer	August 2021	<p>The new Councillor Development Programme features a series of mandatory and optional modules designed to ensure that councillors have the skills and knowledge to be able to fulfil their roles effectively. The training programme has been approved by the Councillor Development Panel and is now being implemented.</p>
<p><b>Recommendation 5: Transparency in decision taking</b> a) <b>Forward Plan</b></p>	<p>During summer 2020 we have introduced a new internal Forward Plan to allow senior officers to track which reports</p>	Monitoring Officer	March 2021	<p>This has been completed. Clearer titles are now being used for reports when</p>

# ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

<p><b><i>The Council has a Forward Plan: the original statutory basis for the publication of a Forward Plan was transparency. Forward Plans may not be the most exciting of publications but in addition to enhancing transparency, used properly they can aid early discussion between members and officers of significant issues. Before an item gets onto the Forward Plan the proper processes for taking the decision should be agreed. A more robust Forward Plan will allow Scrutiny to better understand issues which will be coming forward, assist in prioritising work and smooth the political management of the Council. It should be updated regularly, preferably via discussion with Cabinet and published prominently on the Council's website. It should be a living working document. The title of the agenda items and other information provided in the Plan should be sufficient to enable members and the public to understand the issues coming forward.</i></b></p>	<p>have been commissioned and when they are scheduled to go to EB, Cabinet Briefing, Cabinet, and full Council. This has been shared with Heads of Service to encourage transparency and enable more efficient planning of decision making, and is discussed at Executive Board meetings every week to ensure they have oversight of the decisions that are making their way through the process. The new procedure for taking a report through the decision making process specifies that information such as who the decision maker is, whether the item is a Key Decision and who the Portfolio Holder is must now be agreed at the time that an item is added to the Forward Plan, as well as the importance of a clear and comprehensive title. This has been emphasised in targeted training for officers. Democratic Services are currently undergoing a service review to ensure that they are a multi-skilled team able to support the democratic process, and similar improvements to the external published Forward Plan are to follow when the new team structure is in place and fully recruited to.</p>			<p>they are added to the Forward Plan. The Democratic Services team service review is now complete and the recruitment exercise has been completed to fill the posts.</p>
	<p>The Forward Plan will be reviewed at each Cabinet meeting to ensure it captures all upcoming items and that Cabinet are fully aware of the programme of work coming forward.</p>	<p>Monitoring Officer</p>	<p>Ongoing</p>	<p>This is now taking place.</p>
	<p>The Communications team will consider how best to promote the Forward Plan on the website (currently found within the Democratic section) to make it more visible.</p>	<p>Head of Organisational Development</p>	<p>March 2021</p>	<p>The Communications team have considered several different options for raising the profile of the Forward Plan, including promoting it on the website homepage, issuing periodic messaging on social media about what the Forward Plan is and where to find it, and including links in email newsletters that are sent to residents. During the Covid-19 pandemic, links to watch the digital Cabinet, full Council and committee meetings have been promoted in a banner across the top of the homepage and on social media, which</p>

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				has resulted in significantly larger public engagement with these meetings.
<b>Recommendation 5: Transparency in decision taking</b> <b>b) Planning</b> <b>Post Covid, the Council should, as a minimum, record meetings of its Planning Committee and make those readily available to the public.</b>	As a result of the Council's shift to digital committee meetings during the Covid-19 pandemic, all committee meetings (with the exception of exempt sessions) are currently being recorded and archived on the Council's website. It is yet to be decided by central government whether the legislation introduced to allow virtual Council meetings will be extended beyond the Covid-19 emergency period, but having seen the increased engagement with residents as a result, the Council is committed to maintaining the recording of committee meetings even if these are no longer streamed live.	Monitoring Officer	Ongoing	Following the confirmation that the legislation allowing for remote meetings would not be extended beyond May 2021, the Council continues to record and livestream Cabinet and committee meetings even though they are no longer being held remotely.
<b>Recommendation 5: Transparency in decision taking</b> <b>c) Wider member briefings</b> <b>The Council should review how confidential information on key developments or from external bodies, such as those dealing with Whitehill and Bordon, is shared within the Council (perhaps via Group Leaders meetings) and how items which are not confidential can be made more widely available.</b>	Future Member Briefings will be timetabled for six months in advance and publicised to Members.  The new governance arrangements for Whitehill & Bordon will be shared with Members through a Member Briefing early in 2021.	Monitoring Officer  Head of Regeneration	Ongoing  March 2021	Two regular Member Briefings a year have now been added to the programme as agreed by Executive Board.  The governance arrangements for Whitehill and Bordon have been reviewed and publicised and the team have briefed the Leader and Portfolio Holder on these. Ward councillors have also received a briefing.
<b>Recommendation 6: Compromise agreements</b> <b>The Council should review the wording used in any compromise agreements to ensure that they positively state that any confidentiality clauses do not 'gag' employees from raising legitimate concerns about governance within the Council, whether covered by 'public interest' or not.</b>	The Organisational Development team are currently reviewing the exit process and will incorporate guidance to this effect in their written policies and procedures. The advice of the Monitoring Officer will be sought in the case of any future compromise agreement. Compromise/settlement agreements will only be used in accordance with HR policies and to follow sector best practice guidelines.	Monitoring Officer / Head of Organisational Development	March 2021	The exit procedure has now been reviewed and updated by the HR team. An exit questionnaire is now available digitally for staff to complete. The Monitoring Officer is consulted for advice on any proposed compromise agreement.

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<p><b>Recommendation 7: Scrutiny</b>  <i>The Council should consider how it can further develop and strengthen Scrutiny to ensure it is relevant and focused, including through reviewing whether there can be some dedicated officer resources devoted to it. It should also consider whether there is scope for improving the function by some co-ordination with Havant.</i></p>	<p>Democratic Services are currently undergoing a service review to form a shared, multi-skilled team that is able to support the democratic process both at East Hants and Havant. A shared team with aligned processes will result in improved efficiency and improved resilience and this should enable the development of the scrutiny function at both Councils. The rollout of the new Constitutions at both Councils will provide a coordinated and broadly similar structure of scrutiny and oversight committees.</p>	Monitoring Officer	August 2021	The service review of Democratic Services is now complete. The new Senior Democratic Services Officer post is the lead Democratic Services officer for scrutiny and this post has now been recruited to, as has the Democratic Services Team Leader post. All other vacancies have been filled.
	<p>Mandatory training will be introduced for members of the Overview &amp; Scrutiny Committee to ensure the role of the Committee is clear.</p>	Monitoring Officer	March 2021	A general training session followed by a workshop training session on work planning has occurred for all Overview & Scrutiny Committee members and Cabinet members. The Councillor Development Programme, which includes mandatory training for O&S members as well as broad training on the structure for newly inducted Members, has been approved by the Member Development Panel.
<p><b>Recommendation 8: Standards Committee Officers and Members need to commit to using the Standards Committee for its stated purpose and the Council acknowledge that the joint failure to act in a timely manner in the past has exacerbated problems.</b></p>	<p>The Council has been working to improve understanding of the role of the Standards Committee since its re-establishment in summer 2019. The independent governance report has provided an opportunity for improved visibility of the Standards Committee and the strengthened role of the Monitoring Officer has already begun to have an effect, with several cases already having been referred to the Standards Committee for investigation in October 2020 (all of which were resolved informally).</p>	Monitoring Officer / Group Leaders	Ongoing	The Council is continuing to raise the profile of the Standards Committee; a minimum of four standard meetings of the committee have been added to the corporate calendar and this will be the case in future years. There are standing items on the agenda that deal with reports on existing Member complaint matters, and any proposed amendments to the Constitution.
	<p>Training on the structure and role of committees, including Standards Committee, is currently being developed for officers and will be incorporated into the introduction of the new Constitution.</p>	Monitoring Officer / Head of Organisational Development	March 2021	Training for officers on decision making, the new Cabinet and Committee terms of reference and the Scheme of Delegations has been prepared and has been rolled out to the Corporate Management Team, Legal and Democratic

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				Services, and with other key officer groups to be identified and cascaded via Heads of Service shortly.
<p><b>Recommendation 9: Application of the Councillors' Code of Conduct</b>  <i>The Code of Conduct, which has been updated, should have a short annex as part of the Code describing many of the more routine issues a Councillor may face and deal with the issues of perception, as set out in 3.2.4.</i></p> <p><i>In the section in the 'Preamble to the Code' reference is made to the need to 'comply with Protocols contained in or linked to the Council's Constitution'. In my opinion the relevant protocols should be explicitly identified, and consideration should be given as to whether any of the Codes or Protocols should form part of the Councillors' Code of Conduct.</i></p>	The Code of Conduct will be updated as recommended.	Monitoring Officer	December 2021	This will be considered at the next Standards Committee meeting followed by a referral to full Council for approval. Particularly, the Standards Committee in June 2021 will confirm the make-up of the Constitution Liaison Panel (CLP) to which will be brought amendments for discussion, before bringing same to the Standards Committee in September or December 2021, prior to referral up to full Council for approval. The target date for this action has been amended to December 2021 due to the need for changes to the Constitution to be approved by full Council.
<p><b>Recommendation 10: Group discipline</b>  <i>In serious cases or repeated cases, in addition to reference to the Standards Committee, Group Leaders should commit to the exercise of regulation through political groups.</i></p>	This will be raised at Group Leaders meetings. The Monitoring Officer will provide advice and guidance where appropriate. Group Leaders should remain committed to addressing serious matters within their Groups promptly and with the benefit of advanced discussions with statutory officers.	Group Leaders	Ongoing	This is an ongoing commitment.
<p><b>Recommendation 11: Monitoring Officer</b>  <i>Monitoring Officers have a key role in supporting the Chief Executive and members on the ethical values of the Council. Some Councils undervalue the post</i></p>	The Monitoring Officer role has been strengthened in recent years - as the Head of Legal, the post holder now manages both the Legal Services and Democratic Services teams, enabling a more joined-up approach. The Monitoring Officer is also now a regular member of the Corporate Governance Board and is benefitting from increased	Chief Executive	Ongoing	This is an ongoing commitment.

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<p><b>of Monitoring Officer. The Council should not do so and should ensure that at all times the post holder has not just the required technical skills and personality to work constructively with members but also the strength to intervene and take action when advice is not heeded.</b></p>	<p>visibility within the organisation.</p> <p>It is important that the Monitoring Officer display both a depth of knowledge and experience in legal and governance matters but also have sufficient experience in such a role to afford the gravitas required to engage with Members and address interventions where required.</p>			
<p><b>Recommendation 12: Revisions to Codes and Protocols</b> <b>The Council should consider the observations I make about the content of those documents. There needs to be explicit statements on members not instructing officers, and strong advice cautioning against meetings with developers/possible business partners or contractors.</b></p>	<p>The Codes and Protocols will be reviewed in accordance with the recommendation.</p>	<p>Monitoring Officer</p>	<p>December 2021</p>	<p>These Codes and Protocols are being reviewed by the Monitoring Officer with a view to any proposed amendments coming up to Standards Committee. The target date for this action has been amended to December 2021 due to the need for changes to the Constitution to be approved by full Council.</p>
<p><b>Recommendation 13: Member development and training</b> <b>The observations from members about short refresher sessions including on conflicts of interest should be considered. The Council should review how it inducts new members in particular to get them up to speed as soon as possible. If new members cannot navigate the Council properly and effectively it hampers them in their patch role. Training for all members on the new Councillors' Code of Conduct and the revised</b></p>	<p>Member training will include a training module on the 'Member Inquiry Programme'.</p> <p>Mandatory training will be developed and delivered for all Members on these topics. The councillor development programme will be an ongoing programme, refreshed and enhanced every year going forward, and will clearly define the training available to Members including requirements for mandatory attendance.</p>	<p>Head of Organisational Development / Monitoring Officer</p>	<p>March 2021</p> <p>Ongoing</p>	<p>This has been included in the new Councillor Development Programme which has been approved by the Councillor Development Panel.</p> <p>The new Councillor Development Programme features a series of mandatory and optional modules designed to ensure that councillors have the skills and knowledge to be able to fulfil their roles effectively. The training programme has been approved by the Councillor Development Panel and is now being implemented.</p>

# ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

<p><b><i>Codes, Protocols and Policies should be mandatory, emphasising issues such as perception.</i></b></p>				
<p><b>Recommendation 14: Staff surveys and exit interviews <i>The Council should re-introduce exit interviews for staff. Those exit interviews should be used along with staff survey data to assess the health of the organisation. The feedback from such interviews and the staff survey should be made available as part of the annual governance statement and reported to the Standards Committee. There should be specifically worded questions in staff surveys about culture and relationships asked on an annual basis so the Council can track the health of the organisation.</i></b></p>	<p>The HR service returned in-house in April 2020 which has provided an opportunity to review and improve the exit process. The Organisational Development team are currently considering how best to gather the necessary information from exit interviews in order to ensure knowledge gained feeds into lessons learnt and will document this in their policies and procedures.</p>	<p>Head of Organisational Development</p>	<p>March 2021</p>	<p>The exit questionnaire and process has been updated so data can be collated for the future.</p>
<p><b><i>The feedback from such interviews and the staff survey should be made available as part of the annual governance statement and reported to the Standards Committee. There should be specifically worded questions in staff surveys about culture and relationships asked on an annual basis so the Council can track the health of the organisation.</i></b></p>	<p>Feedback provided within exit interviews will remain confidential. Analysis by the HR team of data collected will enable trends/concerns to be highlighted to the Staff Welfare Group and interventions identified to address these.</p>	<p>Section 151 Officer / Monitoring Officer</p>	<p>Ongoing</p>	<p>The exit questionnaire and process has been updated so data can be collated for the future. This is an ongoing commitment.</p>
<p><b><i>The feedback from such interviews and the staff survey should be made available as part of the annual governance statement and reported to the Standards Committee. There should be specifically worded questions in staff surveys about culture and relationships asked on an annual basis so the Council can track the health of the organisation.</i></b></p>	<p>The Annual Governance Questionnaire, a survey which asks for respondents' self-assessment of how well governance arrangements are working in their service and feeds into the Annual Governance Statement, was opened up to all staff for the first time in January 2020. Each year the results are analysed, circulated and used to inform the governance work programme. In January 2021 the questionnaire will be repeated with new questions asking for respondents' views on the culture and values of the organisation. This will then be reported in the Annual Governance Statement 2020-21 which will be taken to Audit Committee in draft form in June 2021.</p>	<p>Section 151 Officer / Monitoring Officer</p>	<p>June 2021</p>	<p>The Annual Governance Questionnaire run in January 2021 included a new question asking for respondents to select 'strongly agree', 'agree', 'neutral or not sure', 'disagree' or 'strongly disagree' to a range of statements describing the Council's culture and the behaviours displayed by both officers and councillors. The results of the questionnaire were analysed and shared with Executive Board and all staff via Team Talk. The number of respondents increased by 50% from the previous year's survey, which gives a higher degree of confidence in the results (larger sample size implies more representative of the staff population). Notable results included: almost 100% of respondents believe that officers generally act in the public interest, whereas around 62% of respondents believe</p>

# ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

				<p>that councillors generally act in the public interest with a further 35% being unsure. More than three quarters of respondents agreed that councillors and officers are able to work together effectively. Concerningly, around 17% of respondents said they would not feel able to report unethical or improper behaviour if it occurred. These results were reported to Audit Committee in June 2021 as part of the draft Annual Governance Statement. The survey will be repeated in January 2022 and the results will be analysed to identify any trends in the data to see if there have been any significant shifts in perception.</p>
<p><b>Recommendation 15: Appraisal and development of officers</b>  <i>Regardless of the comments in this review it is important that members do feel able to feed back to senior officers their perception of the performance of staff in accordance with that protocol. (In so doing they should recognise they may only see how an officer 'performs' in a member environment and may not be able to judge the officer's professional, technical, staff management and other skills). Senior officers should use that feedback to help with the development of staff. However senior members of the controlling and opposition group</i></p>	<p>The appraisal process for senior officers will be reviewed by the Head of Organisational Development in consultation with the Chief Executive and the Group Leaders and approach will be confirmed for arrangements going forward.</p>	<p>Head of Organisational Development</p>	<p>August 2021</p>	<p>A revised performance management process for all officers will be reviewed by Executive Board shortly. Following agreement, the appraisal process for senior officers will also be reviewed and amended if needed against the backdrop of the revised PM processes.</p>

# ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

<p><i>should also have appropriate input into the annual appraisal of senior officers of the Council. The Council should consider how that could be structured for the Chief Executive. The Chief Executive should consider how this may be structured for direct reports and potentially Heads of Service.</i></p>				
<p><b>Recommendation 16: Looking forward Members should put their energies into moving forward and consolidating improvements, rather than re-investigating the past.</b></p>	<p>At the 8<sup>th</sup> December 2020 meeting of the Standards Committee, Members praised the work that has already been accomplished to address historic governance issues and acknowledged the importance of looking to the future. The Leader of the Council has made a public apology for behaviour that was allowed to continue under his administration and committed to holding regular Group Leaders meetings. It is hoped that a renewed effort for collaboration between the political groups will ensue and that these relationships will continue to strengthen and improve in the coming years.</p>	<p>Members</p>	<p>Ongoing</p>	<p>This is an ongoing commitment.</p>
<p><b>Recommendation 17: Further assessment The Council should consider a further assessment of its culture and progress against these recommendations in 12 months' time, perhaps via a review report to Cabinet and the Standards Committee. I understand the Council is to invite the LGA to conduct a peer review next year; the Council should explore whether that process can deliver a suitable progress report on these recommendations.</b></p>	<p>Progress made against this action plan will be monitored and overseen by the Chief Executive and the Council's Corporate Governance Board, which will provide a follow-up report to Standards Committee in December 2021.</p>	<p>Chief Executive</p>	<p>December 2021</p>	<p>The action plan has been circulated to responsible people (listed against actions) in advance of Corporate Governance Board meetings to collect updates on progress which are then discussed during the meeting. The Board will provide a report to Standards Committee in December 2021 as promised.</p>
	<p>The LGA peer review in 2021 will also consider corporate governance in the context of this review and the Chief Executive will ensure that this is stated in the Terms of Reference (though the final report may not be available until 2022, depending on continued uncertainties as a result of Covid-19).</p>	<p>Chief Executive</p>	<p>December 2021</p>	<p>Work is underway on the LGA peer review, being led by the Director of Corporate Services. Meetings with the LGA have taken place and a brief has been pulled together.</p>

# ANNUAL REPORT - 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 2021-22.

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 and the management of the portfolio in 2020-21, continuous improvement is still required to ensure that it remains a sustainable form of investment and generates maximum income to help fund the Council's services.	Head of Property	<p>Now that new service structure is in place and the majority of posts are recruited to, review the team's ongoing operation and development.</p> <p>Continue to embed the Place-making and Regeneration Investment Framework approved at Full Council in February 2020.</p> <p>Continue development of an Asset Management Strategy to ensure that appropriate governance arrangements are in place and managed accordingly. Complete the review of the Capital Investment Strategy commissioned by the s151 Officer to ensure that there is a good understanding of the Council's current investment exposure as well as the tools for evaluating future investments.</p>
Embedding of revised Constitution including codes of conduct and structure of Council	Now that the new Constitution has come into effect, work must continue to ensure that the revised version is embedded and understood by all councillors and officers. This will be key to ensuring that the proper procedures are followed and that the framework of corporate governance remains strong.	Monitoring Officer	Continue work to improve understanding of the Constitution, its role in the Council's functioning, and its relevance to officers' and councillors' daily work.
Completion of governance improvement action plan	The Council has committed to addressing the recommendations made by David Bowles in his independent review of governance by completing the governance improvement action plan, an update on which is provided elsewhere in this Annual Governance Statement. Implementation of the remaining actions will continue in 2021-22 to ensure that the issues identified by David Bowles are fully addressed.	Chief Executive	Complete all actions in the governance improvement action plan, as set out elsewhere in this document.
Review of the 2021/22 Medium Term Financial Strategy (MTFS)	Considering the recent pandemic response, ensure that the published MTFS remains robust.	S151 Officer	Undertake a thorough review of the MTFS during the early part of 2021 to ensure that the Council's budget and MTFS remains robust in the light of the aftermath of the pandemic response, the withdrawal of government support and the impact of the pandemic on the local and national economy.

## ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

Review the governance arrangements for the 'Shaping our Future' programme	Ensure that the programme is well governed, with good control of investments and benefits.	Chief Executive	During the summer of 2021, review the arrangements for the 'Shaping our Future' programme, ideally with outside support such as internal audit, to ensure that the governance is strong and that decisions are soundly evidence based.
Compliance with the CIPFA Financial Management (FM) Code	This Code comes into effect from 2022/23 and the Council will need to be compliant.	S151 Officer	The Council will undertake a compliance review during 2021/22 so that any necessary actions to ensure compliance by 2022/23 are undertaken in a timely and planned manner.

# ANNUAL REPORT - ANNUAL GOVERNANCE STATEMENT

## Opinion

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

Signed:



Simon Jenkins – Director of Regeneration & Place  
on behalf of:

Gill Kneller - Chief Executive



Cllr Richard Millard - Leader

STATEMENTS OF ACCOUNTS

**Statements  
to the  
Accounts**

# STATEMENT OF RESPONSIBILITIES

## The Statement of Responsibilities for the Statement of Accounts

### 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 51 to give a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.



Matthew Tiller – Head of Finance (Deputy Section 151 Officer)

### Approval of Accounts

The accounts were presented to the Audit and Standards Committee on the 24th March 2022 and were authorised by the Chairman of the Committee Councillor B Bentley.



Councillor B Bentley - Chairman of Audit Committee

31st March 2022

# INDEPENDENT AUDITORS REPORT

## Independent Auditors' Report to the Members of East Hampshire District Council

### 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 2021 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 2021 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 2020/21.

#### 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.

#### 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").

In our evaluation of the Chief Finance Officer's conclusions, we considered the inherent risks to the Authority's business model and analysed how those risks might affect the Authority's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Chief Finance Officer's assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for the going concern period.

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.

#### Fraud and breaches of laws and regulations – ability to detect

##### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit Committee and internal audit and inspection of policy documentation as to the Authority's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Authority's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Council and Audit Committee minutes.
- Using analytical procedures to identify any usual or unexpected relationships.
- Reviewing the Authority's accounting policies.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted on weekends or bank holidays, unusual postings to cash accounts, unusual pairings to/from fixed asset accounts and finally the final journals posted in the period.

# INDEPENDENT AUDITORS REPORT

- Assessing significant estimates for bias.
- Inspecting transactions in the period prior to and following 31 March 2021 to verify expenditure had been recognised in the correct accounting period.
- Assessing the completeness of disclosed related party transactions and verifying they had been accurately recorded within the financial statements.

## *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the officers and other management (as required by auditing standards), and from inspection of the Authority's regulatory and legal correspondence and discussed with the officers and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Authority is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Authority is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

## *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **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.

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 52, 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 2020/21. 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](http://www.frc.org.uk/auditorsresponsibilities)

# INDEPENDENT AUDITORS REPORT

## 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

Under the Code of Audit Practice, we are required to report if we identify any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources.

We have nothing to report in this respect.

#### 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 and related statutory guidance having regard to whether the Authority had proper arrangements in place to ensure financial sustainability, proper governance and the use of information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

#### Statutory reporting matters

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.

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

31st March 2022

# KEY FINANCIAL STATEMENTS

# KEY FINANCIAL STATEMENTS

## Comprehensive Income & Expenditure Statement

This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Council. This statement is shown in a statutory format. Details about how this ties back to the Council's regular budget monitoring reporting is shown in the Expenditure and Funding Analysis Statement.

	2020/2021			2019/2020		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
<b>Director of Corporate Services</b>						
5 Councils Staff and Contract	269	0	269	78	0	78
Executive Office	858	(318)	540	849	(245)	604
Head of Legal	1,188	(349)	839	662	(204)	458
Head of Organisational Development	991	(270)	721	1,724	(215)	1,509
Head of Programmes Redesign	3,446	(224)	3,222	3,118	(256)	2,862
Head of Customer Services	20,242	(18,397)	1,845	21,963	(19,857)	2,106
Head of Strategic Commissioning	5,433	(1,652)	3,781	9,167	(1,994)	7,173
Head of Finance	1,291	(44)	1,247	1,907	(26)	1,881
Head of Commercial Development	600	(456)	144	1,161	(779)	382
<b>Director of Regeneration and Planning</b>						
Head of Neighbourhood Support	4,452	(3,233)	1,219	5,690	(5,240)	450
Head of Housing	419	(107)	312	740	(400)	340
Head of Planning	3,260	(1,194)	2,066	5,209	(518)	4,691
Head of Community Engagement	1,588	(164)	1,424	1,565	(179)	1,386
Head of Property	964	(103)	861	1,728	(1,118)	610
Project Director Regenco	2,147	(2,143)	4	1,385	(1,502)	(117)
Head of Regeneration (North)	1,053	(324)	729	3,013	(427)	2,586
Other Operating I&E	0	0	0	44	0	44
<b>Net Cost of Service</b>	<b>48,201</b>	<b>(28,978)</b>	<b>19,223</b>	<b>60,003</b>	<b>(32,960)</b>	<b>27,043</b>
<b>Other Operating Expenditure</b>		<b>Note 4</b>	<b>4,999</b>			<b>3,653</b>
<b>Financing and Investment Income and Expenditure</b>		<b>Note 5</b>	<b>1,470</b>			<b>4,813</b>
<b>Taxation and non-specific grant income</b>		<b>Note 6</b>	<b>(24,171)</b>			<b>(19,402)</b>
<b>(Surplus)/ Deficit on Provision of Services</b>			<b>1,521</b>			<b>16,107</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			<b>(6,356)</b>			<b>(3,180)</b>
Actuarial (gains)/losses on pension assets / liabilities			<b>4,813</b>			<b>1,395</b>
<b>Other Comprehensive Income and Expenditure</b>			<b>(1,543)</b>			<b>(1,785)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(22)</b>			<b>14,322</b>

# KEY FINANCIAL STATEMENTS

## Movement in Reserves Statement

The Council maintains a number of reserves that are recorded on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000 Note 28	Unusable Reserves £000 Note 30	Total Authority Reserves £000
<b>Balance at 1 April 2019</b>	(14,644)	(3,898)	(11,100)	(29,642)	66	(29,576)
<b>Movement in reserves during 2019/2020</b>						
<b>Total Comprehensive Income and Expenditure</b>	16,107	0	0	16,107	(1,785)	14,322
Adjustments between accounting basis & funding basis under regulations (note 12)	(16,041)	(727)	680	(16,088)	16,088	0
<b>Net (Increase)/Decrease before Transfers</b>	66	(727)	680	19	14,303	14,322
<b>Balance at 31 March 2020 carried forward</b>	<b>(14,578)</b>	<b>(4,625)</b>	<b>(10,420)</b>	<b>(29,623)</b>	<b>14,369</b>	<b>(15,254)</b>
<b>Adjustment re: NNDR 3 19/20</b>	(9)				608	
<b>Movement in reserves during 2020/2021</b>						
<b>Total Comprehensive Income and Expenditure</b>	1,521	0	0	1,521	(1,543)	(22)
Adjustments between accounting basis & funding basis under regulations (note 12)	(9,641)	8	(3,733)	(13,366)	13,366	0
<b>Net (Increase)/Decrease before Transfers</b>	(8,120)	8	(3,733)	(11,845)	11,823	(22)
<b>Balance at 31 March 2021 carried forward</b>	<b>(22,707)</b>	<b>(4,617)</b>	<b>(14,153)</b>	<b>(41,477)</b>	<b>26,800</b>	<b>(14,677)</b>

# KEY FINANCIAL STATEMENTS

## Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2021 and 2020.

	NOTES	31 March 2021		31 March 2020
		£000	£000	£000
<b>Property, Plant and Equipment</b>	<b>13</b>	<b>67,790</b>		57,106
<b>Investment Properties</b>	<b>19</b>	<b>128,232</b>		135,196
<b>Intangible Assets</b>	<b>20</b>	<b>383</b>		450
<b>Long Term Debtors</b>		<b>118</b>		128
<b>Long Term Assets</b>			<b>196,523</b>	<b>192,880</b>
<b>Current Assets</b>				
Short Term Debtors	<b>21</b>	<b>20,101</b>		9,337
Cash and Cash Equivalents	<b>22</b>	<b>23,926</b>		16,899
<b>Current Assets</b>			<b>44,027</b>	<b>26,236</b>
<b>Current Liabilities</b>				
Short Term Creditors	<b>23</b>	<b>(26,674)</b>		(12,759)
Short Term Borrowing	<b>27</b>	<b>(5,432)</b>		(5,438)
Provisions		<b>0</b>		(217)
<b>Current Liabilities</b>			<b>(32,106)</b>	<b>(18,414)</b>
<b>Long Term Liabilities</b>				
Capital Grants receipts in advance	<b>31</b>	<b>(12,488)</b>		(10,535)
Long Term Borrowing	<b>27</b>	<b>(119,248)</b>		(121,020)
Other Long Term Liabilities		<b>(299)</b>		(255)
Finance Lease	<b>26</b>	<b>(5,080)</b>		(5,090)
Pension Fund Liability	<b>33</b>	<b>(54,505)</b>		(47,079)
Provisions		<b>(2,147)</b>		(1,469)
<b>Long Term Liabilities</b>			<b>(193,767)</b>	<b>(185,448)</b>
<b>Net Assets</b>			<b>14,677</b>	<b>15,254</b>
<b>Financed by</b>				
Usable Reserves	<b>28</b>		<b>(41,476)</b>	<b>(29,623)</b>
Unusable Reserves	<b>30</b>		<b>26,799</b>	<b>14,369</b>
<b>Total Reserves</b>			<b>(14,677)</b>	<b>(15,254)</b>



Matthew Tiller - Head of Finance (Deputy Section 151 Officer)  
31st March 2022

# KEY FINANCIAL STATEMENTS

## Cash Flow Statement

This consolidated statement summarises the movement of cash between the Council and third parties for both capital and revenue purposes.

### Cashflow statement

	2020/2021 £000	2019/2020 £000
Taxation	(24,938)	(23,311)
Grants and Contributions	(33,464)	(26,729)
Sales of goods and rendering of services	(22,056)	(21,430)
Interest received	(31)	(78)
Other receipts from operating activities	(226)	(523)
<b>Cash inflows from Operating Activities</b>	<b>(80,715)</b>	<b>(72,071)</b>
Cash paid to and on behalf of employees	13,345	13,937
Housing benefit payments	17,155	18,230
NNDR Tariff payments	11,088	10,911
Precepts paid	4,282	3,871
Cash paid to suppliers of goods and services	11,582	20,810
Interest paid	2,950	1,939
Other operating cash payments	4,948	6,628
<b>Cash outflows from Operating Activities</b>	<b>65,350</b>	<b>76,326</b>
<b>Net cash inflows from Operating Activities</b>	<b>(15,365)</b>	<b>4,255</b>
Purchase of Property, plant and equipment, investment property and intangible assets	6,652	45,737
Investments - Purchase of and deposits made		
Investments - Sale of and returning of deposits made		
To review		
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(261)	(1,364)
Other receipts from investing activities	(5,863)	(2,236)
<b>Net cash flows from investing activities</b>	<b>528</b>	<b>42,137</b>
Cash Receipts of short and long term borrowing	1,772	(42,000)
Repayments of long/short borrowing	0	5,639
Changes in Council tax held for preceptors	(131)	439
Changes in National Non-Domestic Rates balances held for preceptors	6,169	(1,288)
<b>Net cash flows from financing activities</b>	<b>7,810</b>	<b>(37,210)</b>
<b>Net (Increase)/decrease in cash and cash equivalents</b>	<b>(7,027)</b>	<b>9,182</b>

# KEY FINANCIAL STATEMENTS

## Expenditure & Funding Analysis Statement

This analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by the Council in comparison with the economic resources consumed or earned by the Council in accordance with generally accepted accounting practice. It shows how the expenditure is allocated for decision making purposes between the Council's services. Income and expenditure is shown more fully in the Comprehensive Income & Expenditure statement.

	2020/2021			2019/2020		
	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis (see note 12) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis (see note 12) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
<b>Director of Corporate Services</b>						
5 Councils Staff and Contract	258	11	269	78	0	78
Executive Office	444	96	540	482	122	604
Head of Legal	790	49	839	405	53	458
Head of Organisational Development	586	135	721	1,346	163	1,509
Head of Programmes Redesign	3,056	166	3,222	2,548	314	2,862
Head of Customer Services	1,789	56	1,845	1,680	427	2,107
Head of Strategic Commissioning	3,357	424	3,781	2,616	4,556	7,172
Head of Finance	715	532	1,247	4,523	(2,641)	1,882
Head of Commercial Development	121	23	144	278	103	381
<b>Director of Regeneration and Planning</b>						
Head of Neighbourhood Support	809	410	1,219	(144)	594	450
Head of Housing	579	(267)	312	255	84	339
Head of Planning	1,572	494	2,066	2,184	2,507	4,691
Head of Community Engagement	1,348	76	1,424	1,253	133	1,386
Head of Property	(5,920)	6,781	861	(8,204)	8,814	610
Project Director Regenco	(16)	20	4	(122)	5	(117)
Head of Regeneration (North)	910	(181)	729	809	1,778	2,587
Other Operating I&E	0	0	0	1,055	(1,011)	44
<b>Net Cost of Service General Fund</b>	<b>10,398</b>	<b>8,825</b>	<b>19,223</b>	<b>11,042</b>	<b>16,001</b>	<b>27,043</b>
Other Income & Expenditure						
<b>Net Cost of Service</b>	<b>10,398</b>	<b>8,825</b>	<b>19,223</b>	<b>11,042</b>	<b>16,001</b>	<b>27,043</b>
<b>Other Operating Expenditure</b>	4,282	717	4,999	3,613	40	3,653
<b>Financing and Investment Income and Expenditure</b>	1,620	(150)	1,470	4,813	0	4,813
<b>Taxation and non-specific grant income</b>	(16,132)	(8,039)	(24,171)	(19,402)	0	(19,402)
<b>(Surplus)/ Deficit</b>	<b>168</b>	<b>1,353</b>	<b>1,521</b>	<b>66</b>	<b>16,041</b>	<b>16,107</b>
<b>Balance Summary</b>						
Opening General Fund Balance at 1 April	(3,662)			(3,947)		
Adjustment	(9)					
Add (Surplus)/ Deficit on General Fund Balances in Year	168			285		
Closing General Fund Balance at 31 March	<b>(3,503)</b>			<b>(3,662)</b>		
<b>Analysed between type of balance</b>	<b>General Fund</b>	<b>Earmarked Reserves</b>		<b>Total Balances</b>		
Opening Balance at 1 April 2019	(3,947)	(10,696)		(14,643)		
Add (Surplus)/ Deficit in year 2019/2020	66	0		66		
Transfer between reserves	219	(219)				
Closing Balance at 31 March 2020	(3,662)	(10,696)		(14,577)		
Adjustment	(9)			(9)		
Add (Surplus)/Deficit in year 2020/2021	168	(8,287)		(8,119)		
Closing balances at 31 March 2021	<b>(3,503)</b>	<b>(18,983)</b>		<b>(22,705)</b>		

The General Fund and earmarked reserves above add together to equal the General Fund balance in the Movement in Reserves Statement.

# NOTES TO THE ACCOUNTS

## Notes to the Core Financial Statements

### Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the accounting policies are set out in the Notes to the Accounts Annex 1. For ease of reference, the notes to the core financial statement are grouped in functional areas. In order to streamline the Statement of Accounts and make them more user friendly, a number of notes have been removed this year from previous years, as allowed by the code of practice. These are all non-material notes so do not affect the information presented.

### NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

#### Note 1 Revenue Outturn

The overall overspend against the revised 2020/21 budget was £168,000 which was returned to the General Fund reserves. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income and Expenditure Statement and subsequent notes.

#### Note 2 Expenditure and Income Analysed by Nature

	2020/2021 £000	2019/2020 £000
<b>Expenditure</b>		
Employee expenses	16,832	16,999
Other Services expenses	45,563	49,138
Depreciation, amortisation and impairment	906	6,523
Interest payments	2,945	2,650
Precept and levies	4,282	3,871
<b>Total Expenditure</b>	<b>70,528</b>	<b>79,181</b>
<b>Income</b>		
Fees, charges and other service income	(21,608)	(22,075)
Interest and investment income	(32)	(63)
Movements in the market value of Investment Properties	6,572	9,438
Income from Council Tax and Business Rates	(16,076)	(24,141)
Grants and contributions	(38,580)	(26,014)
Gains of disposal of assets	717	(219)
<b>Total Income</b>	<b>(69,007)</b>	<b>(63,074)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>1,521</b>	<b>16,107</b>

#### Note 2 Income from Revenue Contracts

IFRS 15 (Revenue from Contracts with Customers) requires disclosure of income arising from contracts with service recipients. Most of the Council's income streams are outside of the scope of IFRS 15 as the majority of income that the Council receives/collects is government grants, council tax, retained business rates and pay as you go charges (e.g. car parking charges). The Council has reviewed the value of income covered by IFRS 15 and considers this to be an immaterial amount therefore no further disclosures are required.

#### Note 3 Exceptional Items

There are no exceptional items in the accounts for either 2020/21 or 2019/2020.

# NOTES TO THE ACCOUNTS

## Note 4 Other Operating Expenditure

	2020/2021 £000	2019/2020 £000
Parish council precepts	4,282	3,871
(Gains)/losses on the disposal of non-current assets	717	(218)
<b>Total</b>	<b>4,999</b>	<b>3,653</b>

## Note 5 Financing and Investment Income and Expenditure

	2020/2021 £000	2019/2020 £000
Income & Expenditure in relation to investment properties	(9,016)	(8,159)
Interest payable and similar charges	2,945	2,649
Interest and investment income	(32)	(63)
Pension Interest Costs and expected return on pension assets	1,001	948
Movements in the market value of Investment Properties	6,572	9,438
<b>Total</b>	<b>1,470</b>	<b>4,813</b>

## Note 6 Taxation and Non-specific Grant Income

The Council raises the following income in respect of Council Tax, Non Domestic Rates (NDR) and General Government Grants which are not attributable to specific services.

	2020/2021 £000	2019/2020 £000
Council Tax Transfer	(11,232)	(10,600)
Collection Fund Deficit	45	
Adjustment for statutory requirements		
<b>Council Tax Income</b>	<b>(11,187)</b>	<b>(10,600)</b>
General Government Grants	(7,272)	(613)
General Government Grants (S31 business rates)	(8,178)	(2,043)
Business Rates Retention Scheme	6,199	(4,676)
Capital grants and contributions	(3,733)	(1,470)
<b>Total</b>	<b>(24,171)</b>	<b>(19,402)</b>

## Note 7 Members' Allowances

The Council paid the following amounts to Members of the Council

	2020/2021 £000	2019/2020 £000
Allowances	338	348
Expenses	1	0
<b>Total</b>	<b>339</b>	<b>348</b>

# NOTES TO THE ACCOUNTS

## Note 8 Officers' Remuneration

The Council is required to disclose the number of employees who received taxable remuneration from the Council in excess of £50,000 for the year. This table is based on full remuneration and not just salary.

Remuneration Band £	2020/2021	2019/2020
	No. Employees	No. Employees
50,000-54,999	15	18
55,000-59,999	12	5
60,000-64,999	5	6
65,000-69,999	4	2
70,000-74,999	3	2
75,000-79,999	4	5
80,000-84,999	1	0
85,000-89,999	0	1
<b>TOTAL</b>	<b>44</b>	<b>39</b>

### Notes:

Officers' remuneration includes compensation for loss of office (redundancy).

### 2020/2021 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year (Included in Officer's Remuneration Bandings)

2020/2021 Post Holder	Salary (including fees and allowances) £	Total Remuneration excluding pension contributions 2020/2021 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2020/2021 £	Net Cost to Havant £	Net Cost to East Hants £
Chief Executive	139,087	139,087	15,972	155,059	77,529	77,529
Director for Regeneration & Place	102,035	102,035	10,394	112,429	56,214	56,214
Director for Corporate Services & Chief Finance Officer	105,104	105,104	11,005	116,109	58,054	58,054
	346,226	346,226	37,371	383,597	191,797	191,797

# NOTES TO THE ACCOUNTS

## 2019/2020 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year (Included in Officer's Remuneration Bandings)

2019/2020 Post Holder	Salary (including fees and allowances) £	Total Remuneration excluding pension contributions 2019/2020 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2019/2020 £	Net Cost to Havant £	Net Cost to East Hants £
Chief Executive	134,959	134,959	21,715	156,674	78,337	78,337
Director for Regeneration & Place	100,481	100,481	15,976	116,457	58,228	58,228
Director for Corporate Services & Chief Finance Officer	102,000	102,000	16,422	118,422	59,211	59,211
Director for Operations & Neighbourhood Support (Until August 2019)	28,900	28,900	4,654	33,554	16,777	16,777
	366,340	366,340	58,767	425,107	212,553	212,553

### Exit Packages

Exit packages include all benefits provided in relation to the termination of employment. These include redundancy payments, pay in lieu of notice and pension strain. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including special payments) £	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020 £000s	2020/2021 £000s
0-20,000	2		0		2	0	20	
20,001-40,000	1	1	0		1	1	35	24
40,001-60,000	0		0		0	0	0	
60,001-80,000	2		0		2	0	174	
80,001-100,000	0		0		0	0	0	
100,001-150,000	0		0		0	0	0	
<b>Total</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>229</b>	<b>24</b>

### Note 9 External Audit Fees

The Council incurred the following fees in respect of external audit and statutory inspection in accordance with the Local Audit & Accountability Act 2014.

	2020/2021 £000	2019/2020 £000
External audit services	70	55
Other services	9	9
<b>Total</b>	<b>79</b>	<b>64</b>

### Note 10 Related Parties

The Council is required to disclose material transactions with related parties. Related parties are persons or entities that are related to the Council. A related party transaction is a transfer of resources or obligations between a reporting entity (the Council) and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

**UK Central Government** has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits)

# NOTES TO THE ACCOUNTS

**Members of the Council** have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2018/2019 is shown in note 8. If a Member declares an interest in a transaction which involves the Council, these transactions are recorded in the Register of Members' Interests,

**Officers** – under the requirements of the Local Government Act 2000, the Council has developed a Code of Conduct for officers and established a Register of Officers interests. This Register of interests has been reviewed and no material transactions have been discovered.

**Hampshire Pension fund** – In 2020/21 the Council charged the fund £1.478 million (£1.478 million in 2019/20) for expenses incurred in administering the fund.

## Note 11 Note to the Funding Analysis

Adjustments to General Fund to add Expenditure or Income not Chargeable to taxations or rents and remove items which are only chargeable under statute

	2019/2020			Total Adjustments
	Capital Purposes (Note 11a)	Pension Adjustments (Note 11b)	Other Differences (Note 11c)	
	£000	£000	£000	£000
<b>Director of Corporate Services</b>				
5 Councils Staff and Contract	0	0	0	0
Executive Office	0	117	5	122
Head of Legal	0	51	2	53
Head of Organisational Development	39	119	6	164
Head of Programmes Redesign	219	92	4	315
Head of Customer Services	20	393	13	426
Head of Strategic Commissioning	4,507	47	2	4,556
Head of Finance	0	8	(2,649)	(2,641)
Head of Commercial Development	2	98	2	102
<b>Director of Regeneration and Planning</b>				0
Head of Neighbourhood Support	64	513	17	594
Head of Housing	0	81	3	84
Head of Planning	2,191	305	11	2,507
Head of Community Engagement	0	128	5	133
Head of Property	137	50	8,626	8,813
Project Director Regenco	0	5	0	5
Head of Regeneration (North)	1,534	132	111	1,777
Other Operating I&E		(1,006)		(1,006)
<b>Net Cost of Service</b>	<b>8,713</b>	<b>1,133</b>	<b>6,158</b>	<b>16,004</b>
Other operating Expenditure	8,249	1,065	(9,274)	40
Financing and Investment Income and Expenditure				0
Taxation and non-specific grant income	0	0		0
<b>(Surplus)/ Deficit</b>	<b>16,962</b>	<b>2,198</b>	<b>(3,116)</b>	<b>16,044</b>

# NOTES TO THE ACCOUNTS

2020/2021

	Adjustments for Net change for the			Total
	Capital	Pension	Other	Adjustments
	Purposes	Adjustments	Differences	
	(Note 11a)	(Note 11b)	(Note 11c)	
	£000	£000	£000	£000
<b>Director of Corporate Services</b>				
5 Councils Staff and Contract	0	9	2	11
Executive Office	0	82	14	96
Head of Legal	0	46	3	49
Head of Organisational Development	39	82	14	135
Head of Programmes Redesign	79	73	14	166
Head of Customer Services	23	273	(240)	56
Head of Strategic Commissioning	402	38	(16)	424
Head of Finance	0	5	527	532
Head of Commercial Development	0	21	2	23
<b>Director of Regeneration and Planning</b>			0	0
Head of Neighbourhood Support	91	362	(43)	410
Head of Housing	0	60	(327)	(267)
Head of Planning	(3,432)	317	3,609	494
Head of Community Engagement	0	103	(27)	76
Head of Property	(1,764)	27	8,518	6,781
Project Director Regenco	0	16	4	20
Head of Regeneration (North)	75	97	(353)	(181)
Other Operating I&E				0
<b>Net Cost of Service</b>	<b>(4,487)</b>	<b>1,611</b>	<b>11,701</b>	<b>8,825</b>
Other operating Expenditure	(146)	0	863	717
Financing and Investment Income and Expenditure	(282)		132	(150)
Taxation and non-specific grant income			(8,039)	(8,039)
<b>(Surplus)/ Deficit</b>	<b>(4,915)</b>	<b>1,611</b>	<b>4,657</b>	<b>1,353</b>

# NOTES TO THE ACCOUNTS

## **Note 11a Adjustments for Capital Funding and Expenditure Purposes**

These adjustments are made to the General Fund Balances to meet the requirements of generally accepted accounting practices. For services, this column includes adjustments for depreciation, impairment and revenue funded by capital. In other operating expenditure this adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

## **Note 11b Net changes for the removal of pension contributions and the addition of pension (IAS19) related expenditure and income**

Net changes for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.

## **Note 11c Other Differences**

Other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include adjustments for accumulated absences, PFI service charges and items reported to members but not included in statutory net cost of service (e.g. general government grants, movement on reserves and interest).

## **Note 12 Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

# NOTES TO THE ACCOUNTS

Reserves 2020/2021	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation of non-current assets	(817)			817
Charges for impairment/ revaluations of plant, property and equipment	(28)			28
Movements in the market value of Investment Properties	(6,572)			6,572
Amortisation of intangible assets	(61)			61
Revenue expenditure funded from capital under statute	(1,257)			1,257
REFCUS income	1,257			(1,257)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(717)	(261)		978
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,486			(1,486)
Capital expenditure charged against the General Fund balances				
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	3,733		(3,733)	0
Application of grants to capital financing transferred to the Capital Adjustment Account				0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		145		(145)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement		124		(124)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	(2,613)			2,613
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(45)			45
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(3,798)			3,798
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(209)			209
<b>Total Adjustments</b>	<b>(9,641)</b>	<b>8</b>	<b>(3,733)</b>	<b>13,366</b>

# NOTES TO THE ACCOUNTS

Reserves 2019/2020	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation of non-current assets	(6,471)			6,471
Charges for impairment/ revaluations of plant, property and equipment	0			0
Movements in the market value of Investment Properties	(9,438)			9,438
Amortisation of intangible assets	(52)			52
Revenue expenditure funded from capital under statute	(2,691)			2,691
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0		0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,707			(1,707)
Capital expenditure charged against the General Fund balances	170			(170)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	1,470		(1,470)	0
Application of grants to capital financing transferred to the Capital Adjustment Account			2,150	(2,150)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,011)		1,011
Capital Expenditure Finance from Capital Receipts		500		(500)
Reserve to finance the payments to the Government capital receipts pool	216	(216)		0
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	(2,201)			2,201
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	78			(78)
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	1,239			(1,239)
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(74)			74
<b>Total Adjustments</b>	<b>(16,047)</b>	<b>(727)</b>	<b>680</b>	<b>16,094</b>

# NOTES TO THE ACCOUNTS

## BALANCE SHEET NOTES RELATING TO CAPITAL

### Note 13 Property, Plant and Equipment (PPE)

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
Opening Balance 1 April 2020	49,926	2,542	0	439	6,940	0	59,847
Additions	2,589	20	132		3,017		5,758
Derecognition - Disposals	(44)						(44)
Revaluation Reserve	5,473						5,473
Category Adjustments & other movements	9,415				(9,957)		(542)
<b>At 31 March 2021</b>	<b>67,359</b>	<b>2,562</b>	<b>132</b>	<b>439</b>	<b>0</b>	<b>0</b>	<b>70,492</b>
<b>Depreciation and Impairments</b>							
Opening Balance 1 April 2020	(276)	(2,400)	0	(65)	0	0	(2,741)
Depreciation	(967)	156		(6)			(817)
Accumulated depreciation written back on derecognition of assets	883						883
Revaluation losses/Impairment recognised in the surplus/deficit on provision							0
Revaluation losses/Impairment recognised in the revaluation reserve	(28)						(28)
Category Adjustments & other movements							0
Revaluation adjustment	1						1
<b>At 31 March 2021</b>	<b>(387)</b>	<b>(2,244)</b>	<b>0</b>	<b>(71)</b>	<b>0</b>	<b>0</b>	<b>(2,702)</b>
<b>Net Book Value at 31 March 2021</b>	<b>66,972</b>	<b>318</b>	<b>132</b>	<b>368</b>	<b>0</b>	<b>0</b>	<b>67,790</b>

	Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
Opening Balance 1 April 2019	33,246	5,742	0	0	9,786	0	48,774
Additions	535	16	0	0	15,119	0	15,670
Derecognition - Disposals	(37)	(858)	0	0	0	0	(895)
Impairment losses	(4,802)	(372)	0	0	(149)	0	(5,323)
Revaluation adjustment	2,326	(1,550)	0	0	0	0	776
Category Adjustments	18,658	(436)	0	439	(17,816)	0	845
<b>Book value at 31 March 2020</b>	<b>49,926</b>	<b>2,542</b>	<b>0</b>	<b>439</b>	<b>6,940</b>	<b>0</b>	<b>59,847</b>
<b>Depreciation and Impairments</b>							
Restated Opening Balance 1 April 2019	(1,068)	(3,300)	0	0	0	0	(4,368)
Depreciation	(700)	(448)	0	0	0	0	(1,148)
Revaluation adjustment	1,360	450	0	0	0	0	1,810
Disposals	37	858	0	0	0	0	895
Reclassifications	95	40	0	(65)	0	0	70
<b>Depreciation At 31 March 2020</b>	<b>(276)</b>	<b>(2,400)</b>	<b>0</b>	<b>(65)</b>	<b>0</b>	<b>0</b>	<b>(2,741)</b>
<b>Net Book Value at 31 March 2020</b>	<b>49,650</b>	<b>142</b>	<b>0</b>	<b>374</b>	<b>6,940</b>	<b>0</b>	<b>57,106</b>

# NOTES TO THE ACCOUNTS

## Note 14 Information about Depreciation Methodologies

All depreciation applied is on a straight line basis using the following standard useful lives, unless the useful economic life is reviewed downwards by the external valuer;

- Other Land and Buildings, Garages and Buildings are depreciated over a useful life of 50 years with the remaining useful life given by the valuers. Land is not depreciated.
- Vehicles, Plant etc. These are depreciated over a standard period of 5 years. The only exception being services of buildings which are depreciated on the remaining useful life given by the valuers.
- Community Assets, Assets under Construction and Non-operational Assets. These are not depreciated.
- Infrastructure. These are depreciated over a useful life of 60 years.

## Note 15 Capital Expenditure and Capital Financing

Below is the financing of the year's capital expenditure on fixed assets and revenue expenditure funded from capital under statute. This shows the Council's overall capital financing requirement for General Fund and HRA – the underlying amount of borrowing the Council has incurred on its capital investment.

	31 March 2021		31 March 2020
	£000	£000	£000
<b>Opening Capital Financing Requirement (see below)</b>		159,252	114,566
Prior year adjustment		471	
<b>Capital Investment</b>			
Plant Property & equipment Assets	5,757		15,576
	0		
Investment Properties	0		31,367
Intangible assets	(6)		81
Revenue Expenditure Funded from Capital under Statute	1,257		3,276
		7,008	50,300
<b>Sources of Finance</b>			
Government Grants			(2,149)
Grants & Contributions toward REFCUS		(1,257)	(1,085)
Capital Receipts			(500)
Sums set aside from revenue & reserves		(145)	(170)
Repayment of capital long term assets			
Minimum Revenue Provision		(1,957)	(1,710)
Voluntary Revenue Provision			
Minimum Revenue Provision - PFI Schemes			
			0
		(3,359)	(5,614)
<b>Closing Capital Financing Requirement</b>		163,372	159,252
<b>Explanation of Movements in the Year</b>			
Increase / (decrease) in underlying need to borrow		4,120	44,686
Increase / (decrease) in Capital Financing Requirement		4,120	44,686

# NOTES TO THE ACCOUNTS

## Note 16 Fixed Asset Valuation

Assets classified as Land & Buildings are revalued as part of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by an external valuer, Vail Williams, Chartered Surveyors.

The basis for valuation is set out in the statement of accounting policies.

The assets revalued during 2020/21 include car park, investment properties and any new assets acquired during 2020/21 or significantly altered. All other assets will be revalued over the coming years as part of the rolling programme but have been revalued within the maximum 5 year rolling programme as dictated in the code of practice. The Council is not aware of any material change in the value of the remaining assets that were not revalued in 2020/21.

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

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost		318	132	368			818
Valued at current value in:							
2020/2021	62,442						62,442
2019/2020	3,228						3,228
2018/2019	0						0
2017/2018	903						903
2016/2017	399						399
Book Value at 31 March 2020	0	66,972	318	132	368	0	67,790

## Note 17 Revaluation and Impairment Losses

As part of the valuation process, reductions in the value of our assets (where there have previously not been upward valuations) are charged as downwards revaluation losses charged to Property, Plant and Equipment. These are detailed by asset class in note 13.

As it is good practice to revalue properties when they are complete to ensure the carrying values are appropriate, the external valuers provided valuations for the new/refurbished buildings as at 31 March 2021.

The total impairment costs are charged to the Comprehensive Income & Expenditure Statement but do not reflect any loss to the Council as these downward valuation charges are reversed out (as statutorily required) so that they have no impact on the General Fund balance.

## Note 18 Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and/ culture. Typical examples of Heritage assets would include works of art, statues, archaeological sites, military or scientific equipment. The Council does not have extensive museum collections as most of the museums in the county are owned by other bodies. Therefore the Council does not have a significant collection of art or other antiquities that need to be disclosed on the Balance Sheet with a value. These assets can be disclosed in a note to the accounts if the cost of obtaining a valuation exceeds the benefit to the users of the accounts.

# NOTES TO THE ACCOUNTS

## Note 19 Investment Property

Investment Properties are assets that are held solely to earn rentals or for capital appreciation. The following items of income and expense have been accounted for in relation to running the investment property estate. These items are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2020/2021 £000	2019/2020 £000
Rental income from investment property	(10,686)	(9,531)
Direct operating expenses arising from investment property	1,102	798
Net (gain)/loss from fair value adjustments	6,572	9,438
Net (Gain)/ Loss	<u>(3,012)</u>	<u>705</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

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

	2020/2021 £000	2019/2020 £000
Balance at start of the year	135,196	115,327
Additions: Subsequent expenditure		31,367
Disposals		(1,145)
Gains from fair value adjustments		(9,438)
Losses from fair value adjustments	(6,571)	0
Impairments losses		
Transfers (to)/from Property, Plant and Equipment	(393)	(915)
Balance at end of the year	<u>128,232</u>	<u>135,196</u>

## Note 20 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets include both purchased licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis.

## NOTES TO THE ACCOUNTS

	2020/2021 Purchased Software Licences £000	2019/2020 Purchased Software Licences £000
Gross carrying amounts	502	493
Accumulated amortisation	(51)	(73)
Net Carrying amount	<u>451</u>	<u>420</u>
Additions	(7)	82
Amortisation for the period	(61)	(51)
Disposals		0
Category Adjustments		
Net carrying amount at end of year	<u>383</u>	<u>451</u>
Comprising:		
Gross carrying amounts	495	502
Accumulated amortisation	(112)	(51)
	<u>383</u>	<u>451</u>

All amortisation applied to Intangible assets is on a straight-line basis over 5 years.

### OTHER NOTES TO BALANCE SHEET

#### Note 21 Short Term Debtors

These represent sums owed to the Council for supplies and services provided before 31 March 2021 but not received at that date.

	2020/2021 £000	2019/2020 £000
Other Local Authorities	4,029	0
Government Departments	4,349	0
NHS Bodies		0
<b>Other entities &amp; individuals:</b>		
Share of Business Rates and Council Tax	1,125	907
Housing Tenants		
Housing Benefit Overpayments	1,913	1,951
All other bodies	7,423	4,208
Payments in Advance	3,359	4,276
<b>Total Short Term Debtors</b>	<u>22,198</u>	<u>11,342</u>
Less: Allowance for expected credit losses		
General Fund debtors	(917)	(764)
Housing Benefit Overpayments	(837)	(938)
Housing Rent arrears		
Council Tax arrears	(115)	(113)
Business Rates Arrears	(228)	(190)
<b>Total Allowance for expected credit losses</b>	<u>(2,097)</u>	<u>(2,005)</u>
<b>Net Debtors</b>	<u>20,101</u>	<u>9,337</u>

The presentation of this note has been amended this year for two reasons, firstly to show the allowance for expected credit losses separately, with prior year comparisons. Secondly to show the large debtor balance from

## NOTES TO THE ACCOUNTS

other authorities which is due to the collection fund deficit in 2020/21 primarily caused by the pandemic. This will be recovered in future years.

### Note 22 Cash and Cash Equivalents

This consists of the bank accounts of locally managed schools and the rest of the council's cash and bank accounts.

	2020/2021 £000	2019/2020 £000
Cash in hand		(1)
Call accounts and short term deposits	23,881	16,803
Bank Balances	45	97
	23,926	16,899

### Note 23 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2021 but not paid for at that date.

	2020/2021 £000	2019/2020 £000
Other Local Authorities	(130)	(374)
Government Departments	(10,117)	(2,556)
Government Departments - Covid Business grants	(5,930)	0
All other bodies	(7,582)	(7,572)
Receipts in Advance	(2,536)	(2,087)
Accumulated Absences	(379)	(170)
<b>Total Short Term Creditors</b>	<b>(26,674)</b>	<b>(12,759)</b>

# NOTES TO THE ACCOUNTS

## Note 24 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. These should be recognised where the Council has a present obligation as a result of a past event, that it is probable (i.e. the event is more likely than not to occur) that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made. If these conditions are not met no provision should be recognised. Amounts set aside for purposes falling outside the definition of provisions should be considered as earmarked reserves.

Business Rate Retention Scheme Appeals £2,146,867

There are no Other Provisions as at 31 March 2021.

## Note 25 Income from Grants and Contributions

	2020/2021 £000	2019/2020 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax s31 Grant	(370)	0
Covid grants	(1,501)	0
Covid Income Support	(2,056)	0
New Homes Bonus	(3,345)	(2,614)
Grants and contributions towards capital expenditure	(3,733)	(1,470)
Business Rates Retention Scheme	(8,178)	(2,043)
<b>Total</b>	<b>(19,183)</b>	<b>(6,127)</b>
<b>Credited to Services</b>		
Housing Benefit	(16,985)	(18,361)
Grants for REFCUS	(1,257)	(1,085)
Hardship relief funding	(516)	0
Benefits Administration Grant	(202)	(271)
Other Grants and Contributions	(437)	(126)
<b>Total</b>	<b>(19,397)</b>	<b>(19,843)</b>
<b>Total Grants, Contributions &amp; Donations</b>	<b>(38,580)</b>	<b>(25,970)</b>

# NOTES TO THE ACCOUNTS

## Note 26 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:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Investment Property	<b>5,080</b>	5,090
Vehicles, Plant and Equipment	<b>0</b>	<b>0</b>
	<b>5,080</b>	<b>5,090</b>

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:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>10</b>	<b>9</b>
Later than one year	<b>5,080</b>	<b>5,090</b>
Finance Costs payable in future years	<b>12,590</b>	<b>12,885</b>
Total Minimum Lease payments	<b>17,680</b>	<b>17,984</b>

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).

## NOTES TO THE ACCOUNTS

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	305	305
Later than one year and not later than five years	1,219	1,219
Over 5 years	16,155	16,460
<b>Minimum Lease payments</b>	<b>17,680</b>	<b>17,984</b>

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	10	10
Later than one year and not later than five years	47	44
Over 5 years	5,034	5,047
<b>Finance Lease Liabilities</b>	<b>5,091</b>	<b>5,101</b>

The Authority sub-lets individual units held under the investment property Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £12.9m at 31st March 2021( £7.2m at 31st March 2020).

### **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 £70,546. £53,410 of this is included in assets that are sublet.

# NOTES TO THE ACCOUNTS

Minimum Lease Payments under non cancellable leases:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	5	5
Later than one year and not later than five years	21	21
Over 5 years	45	50
	71	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 2021 £000	31 March 2020 £000
Not later than one year	7,984	7,726
Later than one year and not later than five years	26,305	26,197
Over 5 years	22,200	22,858
	56,489	56,781

# NOTES TO THE ACCOUNTS

## Note 27 Borrowing

An analysis of loans by maturity is as follows:

	2020/2021 £000	2019/2020 £000
<b>Short Term Borrowing</b>		
Maturing within 1 year Temporary Loans	0	0
Maturing within 1 year Long Term Borrowing	(5,432)	(1,776)
	<u>(5,432)</u>	<u>(1,776)</u>
<b>Long Term Borrowing</b>		
Maturing in 1 to 2 years	(1,861)	(1,787)
Maturing in 2 to 5 years	(5,814)	(5,621)
Maturing in 5 to 10 years	(35,148)	(35,361)
Maturing in more than 10 years	(76,425)	(81,841)
Total Maturing after 1 year	<u>(119,248)</u>	<u>(124,610)</u>
	<u>(124,680)</u>	<u>(126,386)</u>
<b>Total Borrowing</b>	<u>(124,680)</u>	<u>(126,386)</u>

The total borrowing can be further analysed by lender category:

	2020/2021 £000	2019/2020 £000
Temporary Loans	0	0
Long Term Loans:		
Public Works Loans Board	(124,680)	(126,386)
Money Market		
	<u>(124,680)</u>	<u>(126,386)</u>
	<u>(124,680)</u>	<u>(126,386)</u>

## NOTES RELATING TO RESERVES

### Note 28 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Reserve	Note	2020/2021 £000	2019/2020 £000
General Fund		(3,504)	(3,662)
Earmarked Reserves	30	(19,202)	(10,915)
<b>General Fund balance per Movement in Reserves Statement</b>		<u>(22,706)</u>	<u>(14,577)</u>
<b>Closing General fund per Expenditure &amp; Funding Statement</b>		<u>(22,706)</u>	<u>(14,577)</u>
Other Usable Reserves			
Usable Capital Receipts Reserve		(4,617)	(4,625)
Capital Grants and Contributions		(14,153)	(10,419)
Unapplied Account			
<b>Total Usable Reserves</b>		<u>(41,476)</u>	<u>(29,621)</u>

# NOTES TO THE ACCOUNTS

## Note 29 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21 and 2019/20.

Earmarked Reserves	2019/2020 £000	Movement £000	2020/2021 £000
Asset Management Fund	(1,047)	0	(1,047)
Externally Funded Reserve	(821)	(324)	(1,145)
Financial Management Reserve	(687)	0	(687)
Corporate Planning Reserve	(4,395)	0	(4,395)
Service Management Reserve	(1,398)	(478)	(1,876)
Financial Stability Reserve	(1,218)	13	(1,205)
Welfare Fund Reserve	(500)	(202)	(702)
Community Grant Fund Reserve	(849)	170	(679)
Property Financial Resilience Reserve		(500)	(500)
Environmental Initiatives Reserve		(50)	(50)
Pensions Resilience Reserve		(657)	(657)
S31 Business Rates Reserve		(5,109)	(5,009)
Covid Financial Resilience Reserve		(1,250)	(1,250)
<b>Total</b>	<b>(10,915)</b>	<b>(8,387)</b>	<b>(19,202)</b>

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
Welfare Fund	A fund to cover our future work on launching welfare initiatives across the District
Community Grant Fund	A fund established to cover our 3 year programme of community grants which launched in 2019/20
Property Financial Resilience Reserve	Specific fund for costs of future property expenditure
Environmental Initiatives Reserve	Specific fund for environmental initiatives
Pension Resilience Reserve	Reserve to cover any potential shortfall at next actuary triannual pension revaluation
S31 Business Rates reserve	Central government compensates local authorities for changes to business rates reliefs. This compensation is made outside of the rate retention scheme by means of a Section 31 (S31) grant directly to the general fund. The S31 Earmarked Reserve holds the unused balance of the S31 grant monies received in 2020/21. These monies will be transferred to the general fund in future years to mitigate the delayed impact of the NNDR Collection Fund as properly accounted for under regulation.
Covid Financial Resilience Reserve	To cover additional costs arising in 2021/22 and forward arising on exiting the pandemic

# NOTES TO THE ACCOUNTS

## Note 30 Unusable Reserves

### Unusable Reserves

Reserve	Note	2020/2021	2019/2020
		£000	£000
Revaluation Reserve	30	(25,615)	(19,573)
Capital Adjustment Account	30	(7,417)	(13,927)
Deferred capital receipts		(261)	(137)
Pensions Reserve	30	54,505	47,079
Collection Fund Adjustment Account		5,208	757
Accumulated Absences Account		379	170
<b>Total Unusable Reserves</b>		<b>26,799</b>	<b>14,369</b>

### Revaluation Reserve

The balance of this account represents the revaluation gains (as certified by the Council's external valuer – Vail Williams made by the Council arising from increases in the value of its Property, Plant and Equipment assets. The reserve only contains revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains prior to this have been consolidated into the balance on the Capital Adjustment account.

### Revaluation Reserve

	2020/2021	2019/2020
	£000	£000
<b>Balance at 1 April</b>	<b>(19,573)</b>	<b>(16,717)</b>
<b>Opening Balance at 1 April</b>	<b>(19,573)</b>	<b>(16,717)</b>
Upward revaluation of assets	(6,356)	(3,180)
Downward revaluations of not charged to surplus/ deficit on the provision of services		
Impairment reversals to the Revaluation reserve		
<b>Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services</b>	<b>(25,929)</b>	<b>(19,897)</b>
Difference between fair value depreciation and historic cost depreciation	293	324
Accumulated gains on assets sold or scrapped	21	
<b>Balance at 31 March</b>	<b>(25,615)</b>	<b>(19,573)</b>

# NOTES TO THE ACCOUNTS

## Capital Adjustment Account

The Capital Adjustment Account reflects the timing differences arising from the different arrangements for accounting for the financing of the acquisition of assets and the consumption of those assets.

This account shows the reversal of amounts relating to Capital that are charged to the Comprehensive Income and Expenditure Statement. It also shows the financing of capital expenditure and the reversal of sums charged to the Comprehensive Income and Expenditure Statement that have been set aside to repay debt.

### Capital Adjustment Account

	2020/2021 £000	2019/2020 £000
<b>Opening balance at 1 April</b>	<b>(13,927)</b>	<b>(28,873)</b>
<b>Prior Year adjustment</b>		
<b>Opening movement</b>	<b>0</b>	<b>0</b>
<b>Revised Opening Balance 1 April</b>	<b>(13,927)</b>	<b>(28,873)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account</b>		
- charges for depreciation of non-current assets	817	0
- charges for impairment/revaluations of plant, property and equipment	28	6,471
- gains in fair value on Investment properties	6,572	9,438
- amortisation of intangible assets	61	52
- revenue expenditure funded from capital under statute	1,257	2,691
- disposals	957	1,145
	<b>9,692</b>	<b>19,797</b>
<b>Adjusting amounts written out of Revaluation Reserve</b>	<b>(293)</b>	<b>(324)</b>
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>9,399</b>	<b>19,473</b>
<b>Capital financing applied in the year</b>		
-Use of capital receipts reserve to finance new capital expenditure	(145)	(500)
- revenue expenditure funded from capital under statute	(1,257)	0
-application of capital grants		(2,150)
-statutory provision for the financing of capital investment charged against the general fund	(1,486)	(1,707)
-capital expenditure financed from revenue		(170)
<b>Balance at 31 March</b>	<b>(7,416)</b>	<b>(13,927)</b>

### Pensions Reserve

	2020/2021 £000	2019/2020 £000
<b>Balance at 1 April</b>	<b>47,079</b>	<b>43,500</b>
Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability	4,813	1,378
Accounting/Financing Adjustments		
Difference between accounting and statutory credit for pension costs depreciation	2,613	2,201
<b>Balance at 31 March</b>	<b>54,505</b>	<b>47,079</b>

## NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account	2020/2021 £000	2019/2020 £000
<b>Balance at 1 April</b>	757	2,074
Prior year adjustment to match 19/20 NNDR 3	608	
Difference between accounting and statutory credit for Council Tax	45	(78)
Difference between accounting and statutory credit for Non-Domestic Rates	3,798	(1,239)
<b>Balance at 31 March</b>	<b>5,208</b>	<b>757</b>

### Note 31 Capital Grants Receipts in Advance

	2020/2021 £000	2019/2020 £000
Amounts falling due after one year (all other bodies)		
S106	(9,562)	(7,700)
Other	(2,926)	(2,835)
	<b>(12,488)</b>	<b>(10,535)</b>

### Note 32 Financial Instruments

#### Categories of Financial Instruments

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

	31 March 2021		31 March 2020	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Loans and Receivables	0	0	0	0
Financial assets at amortised Cost	73	73	98	98
<b>Long term Assets</b>	<b>73</b>	<b>73</b>	<b>98</b>	<b>98</b>
Short Term Debtors	202	202	581	581
Trade accounts receivable	395	395	1,988	1,988
Bank deposits less than 3 months	23,881	23,881	16,803	16,803
Cash and bank accounts	46	46	96	96
<b>Other financial assets at amortised cost</b>	<b>24,524</b>	<b>24,524</b>	<b>19,468</b>	<b>19,468</b>
<b>Total Financial Assets</b>	<b>24,597</b>	<b>24,597</b>	<b>19,565</b>	<b>19,565</b>

## NOTES TO THE ACCOUNTS

Financial Liabilities	31 March 2021		31 March 2020	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Creditors	(4,565)	(4,565)	(6,475)	(6,475)
Public Works Loan Board	(5,432)	(6,086)	(4,726)	(4,675)
Finance Lease	(10)	(10)		
			0	0
<b>Short Term Financial liabilities at amortised cost</b>	<b>(10,008)</b>	<b>(10,661)</b>	<b>(11,201)</b>	<b>(11,150)</b>
Public Works Loan Board	(119,248)	(125,776)	(121,731)	(125,316)
Finance Lease	(5,080)	(5,080)	(5,090)	(5,090)
<b>LongTerm Liabilities at amortised cost</b>	<b>(15,450)</b>	<b>(16,757)</b>	<b>(15,927)</b>	<b>(15,825)</b>
<b>Total Financial Liabilities</b>	<b>(134,336)</b>	<b>(141,517)</b>	<b>(138,022)</b>	<b>(141,556)</b>

# NOTES TO THE ACCOUNTS

## Note 33 Defined Pension Scheme

### Participation in Pensions Schemes

As part of the terms and conditions of employment for officers and other employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme for civilian employees, administered by Hampshire Pension Fund– this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

Liabilities for the LGPS pension scheme have been assessed by an independent firm of actuaries, on an actuarial basis using the projected unit method based on the full actuarial valuation of the fund carried at 31 March 2021.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement on the basis required by IAS 19, contributions payable to the Council pension scheme are based on a 2021 actuarial valuation report dated 31 March 2021. These IAS 19 amounts are then reversed out by a contribution to/from the Pensions reserve, so that they have no impact on the Council Tax.

	2020/2021 £000	2019/2020 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Current Service Cost	3,384	3,632
Past Service Costs (inc curtailments)	110	66
<b>Cost of Services</b>	<b>3,494</b>	<b>3,698</b>
Net interest expense	1,063	1,015
<b>Financing and Investment Income and Expenditure</b>	<b>1,063</b>	<b>1,015</b>
<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>4,557</b>	<b>4,713</b>
Return on plan assets, less included in interest expense	(18,959)	3,425
Actuarial gains & losses:		
Changes in demographic assumptions	0	(3,312)
Changes in financial assumptions	25,328	(3,100)
Other	1,556	4,365
Remeasurement of the net defined benefit liability	4,813	1,378
<b>Total Comprehensive Income and Expenditure Statement</b>	<b>9,370</b>	<b>6,091</b>
<b>Movement in Reserves Statement</b>		
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	4,557	4,713
Employer's pension contributions and direct payments to pensioners payable in the year	(1,944)	(2,512)
<b>Total taken to Note 12</b>	<b>2,613</b>	<b>2,201</b>

The movement in the liabilities in the Pension Fund are as follows:

# NOTES TO THE ACCOUNTS

	Period ended 31 March 2021			Period ended 31 March 2020		
	Assets	Liabilities	Net (liability)/ asset	Assets	Liabilities	Net (liability)/ asset
	£000	£000	£000	£000	£000	£000
Fair value of employer assets		0	0	86,180	0	86,180
Present value of funded liabilities	84,258	0	84,258	0	(129,680)	(129,680)
Present value of unfunded liabilities		(131,337)	(131,337)	0		0
<b>Opening Position</b>	<b>84,258</b>	<b>(131,337)</b>	<b>(47,079)</b>	<b>86,180</b>	<b>(129,680)</b>	<b>(43,500)</b>
Service cost						
Current service cost*	0	(3,446)	(3,446)	0	(3,632)	(3,632)
Past service cost (including curtailments)	0	(110)	(110)	0	(66)	(66)
Effect of settlements			0	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>(3,556)</b>	<b>(3,556)</b>	<b>0</b>	<b>(3,698)</b>	<b>(3,698)</b>
Net interest						
Interest income on plan assets	1,917	0	1,917	2,062	0	2,062
Interest cost on defined benefit obligation	0	(2,918)	(2,918)	0	(3,077)	(3,077)
Impact of asset ceiling on net interest	0	0	0	0	0	0
<b>Total net interest</b>	<b>1,917</b>	<b>(2,918)</b>	<b>(1,001)</b>	<b>2,062</b>	<b>(3,077)</b>	<b>(1,015)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>1,917</b>	<b>(6,474)</b>	<b>(4,557)</b>	<b>2,062</b>	<b>(6,775)</b>	<b>(4,713)</b>
Cash flows						
Plan participants' contributions	689	(689)	0	697	(697)	0
Employer contributions	1,944	0	1,944	2,512	0	2,512
Contributions in respect of unfunded benefits			0	0	0	0
Benefits paid	(4,450)	4,450	0	(3,768)	3,768	0
Unfunded benefits paid			0		0	0
<b>Expected closing position</b>	<b>84,358</b>	<b>(134,050)</b>	<b>(49,692)</b>	<b>87,683</b>	<b>(133,384)</b>	<b>(45,701)</b>
Remeasurements						
Change in demographic assumptions	0	0	0	0	3,312	3,312
Change in financial assumptions	0	(25,328)	(25,328)	0	3,100	3,100
Other experience	0	1,556	1,556	0	(4,365)	(4,365)
Return on assets excluding amounts included in net interest	18,959	0	18,959	(3,425)	0	(3,425)
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>18,959</b>	<b>(23,772)</b>	<b>(4,813)</b>	<b>(3,425)</b>	<b>2,047</b>	<b>(1,378)</b>
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	103,317	0	103,317	84,258	0	84,258
Present value of funded liabilities	0	(157,822)	(157,822)	0	(131,337)	(131,337)
Present value of unfunded liabilities	0	0	0	0		0
<b>Closing position</b>	<b>103,317</b>	<b>(157,822)</b>	<b>(54,505)</b>	<b>84,258</b>	<b>(131,337)</b>	<b>(47,079)</b>

## Mortality assumptions:

Longevity at 65 for current pensioners:

Men	23.1	23.0
Women	25.5	24.7

Longevity at 45 for future pensioners:

Men	24.8	25.5
Women	27.3	27.2

## NOTES TO THE ACCOUNTS

Life expectancies for the prior period-end are based on the Fund's analysis. The allowance for future life expectancies is shown below:

Year Ended	Prospective Pensioners	Pensioners
31 March 2021	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

<b>Assumptions as at Year Ended:</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>% per annum</b>	<b>% per annum</b>
Rate of inflation	2.7%	2.0%
Pension Increase Rate	2.7%	2.0%
Salary Increase Rate	3.7%	3.0%
Discount Rate	2.1%	2.3%

### Fair value of employer assets

Asset Category	31 March 2021			31 March 2020		
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
<b>Equities</b>	<b>49.4%</b>	<b>7.6%</b>	<b>57.0%</b>	44.1%	8.6%	52.7%
<b>Government</b>						
<b>Bonds</b>	17.3%	0.0%	17.3%	21.8%	0.0%	21.8%
<b>Corporate</b>						
<b>Bonds</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Property</b>	0.8%	5.3%	6.1%	0.8%	6.5%	7.3%
<b>Cash</b>	1.4%	0.0%	1.4%	2.0%	0.0%	2.0%
<b>Others</b>	15.9%	2.3%	18.2%	14.1%	2.1%	16.2%
<b>Totals</b>	<b>84.8%</b>	<b>15.2%</b>	<b>100.0%</b>	82.8%	17.2%	100.0%

### Assets and liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Council as at 31 March 2021 and 2020 are as follows:

## NOTES TO THE ACCOUNTS

Local Government Pension Scheme	31 March 2021	31 March 2020
	£000	£000
<b>Fair Value of Employer Assets</b>	103	84
Present Value of Funded Liabilities	(155)	(128)
Net (Under)/Overfunding in Funded Plans	<b>(52)</b>	<b>(44)</b>
Present value of Unfunded Liabilities	(3)	(3)
<b>Net Asset/(Liability)</b>	<b>(55)</b>	<b>(47)</b>
Amount on balance sheet		
<b>Asset</b>	<b>103</b>	<b>84</b>
<b>Liability</b>	<b>(158)</b>	<b>(131)</b>
<b>Liability Amount in Balance Sheet</b>	<b>(55)</b>	<b>(47)</b>

### Information about the defined benefit obligation

	Liability split £000	Liability split %	Average Age
Active members	468,395	31.2	51.0
Deferred members	386,243	25.8	52.0
Pensioner members	644,928	43.0	69.0
<b>Total</b>	<b>1,499,566</b>	<b>100.0</b>	<b>16.5</b>

The obligation shows the underlying commitments that the Council has in the long run to pay retirement benefits. Statutory arrangements for the funding of the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### Projected defined benefit costs for the period to 31 March 2023

The Employer pre-paid employer contributions relating to Scheme years 2020/21, 2021/22 and 2022/23 as a single lump sum payment in April 2020.

# NOTES TO THE ACCOUNTS

## NOTES RELATING TO ACCOUNTING DECISION-MAKING

### Note 34 Accounting Standards that have been issued but have not yet been adopted

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

### Note 35 Critical Judgements in applying accounting policies

In applying the Accounting Policies set out in the Notes to the Accounts Annex 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The main critical judgement made in the Statement of Accounts relates to the impact of the Covid 19 pandemic. There is a general uncertainty about the longer term impact on the Council, the effect on services provided and there remains a degree of uncertainty about future levels of funding for local government for both Revenue and Capital funding.

However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. These assumptions are included in the Council's Business Plan and this is being regularly reviewed in these constantly changing times.

### Note 36 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### Note 37 Authorisation of Accounts for Issue

These accounts will be considered and authorised by the Chief Financial Officer of East Hampshire District Council on 30 July 2021. The final audited version of these accounts will be considered for approval by the Audit Committee at its meeting on 24 March 2022.

# NOTES TO THE ACCOUNTS

## Note 38 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 30 July 2021. Events taking place after this date are not reflected in the financial statements or notes.

Where events take place or further information is obtained before this date, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

There are no adjusting events after the Balance Sheet date for 2020/21.

## Note 39 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council is required to disclose an estimate in respect of future costs that may occur that are not currently reflected in the accounts. The Council has no contingent liabilities as at 31 March 2021.

## Note 39 Nature and Extent of risks arising from Financial Instruments

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.)

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

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Refinancing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

The Council uses the creditworthiness service provided by Link Asset Services.

The full Investment Strategy for 2020/21 was approved by Full Council in February 2020 and is available on the Council's website.

# NOTES TO THE ACCOUNTS

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set using internal ratings in accordance with parameters set by the Council.

## **Note 40 Fair Value**

All financial liabilities and financial assets represented by amortised cost, and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

## **Note 41 Fair Value Measurement of Investment Properties Significant Unobservable Inputs Level 3**

The whole of the Council's Investment Estate is therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

### **Highest and Best Use of Investment Properties**

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

### **Valuation Techniques**

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

### **Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's Finance Officers work closely with the external valuer's and the Council's internal Strategic Property service reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

## **NOTE 42 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.

## NOTES TO THE ACCOUNTS

- 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

### **EHCS Ltd Income & Expenditure**

	2020/21	2019/20
	£	£
- Gross revenue		
- Cost of Sales	504,283	510,999
	(370,687)	(31,172)
- Gross Profit	133,596	479,827
- Administration Expenses	(124,437)	(495,150)
- Operating Profit/(Loss)	9,159	(15,323)
- Financing Costs	(3,584)	(3,959)
- Profit/(Loss) for the Financial Year	5,575	(19,282)

# NOTES TO THE ACCOUNTS

## EHCS Ltd Balance Sheet

-	2020/21	2019/20
-	£	£
- Non Current Assets	2,076	7,545
- Inventories		
- Trade Receivables	55,420	39,071
- Prepayments	2,060	8,540
- Called-up Share Capital not paid	100	100
- Cash	58,465	46,208
- Total Current Assets	116,045	93,919
- Total Assets	118,121	101,464
- Current Liabilities	(91,195)	(80,113)
- Long Term Liabilities	(58,767)	(58,767)
- Total Liabilities	(149,962)	(138,880)
- Net Liabilities	(31,841)	(37,416)
- Retained Earnings	(31,841)	(37,416)

# NOTES TO THE ACCOUNTS

## Notes to Accounts Annex 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 2021. 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 ACCOUNTS

## 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 ACCOUNTS

## 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 Expense's
  - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - remeasurements comprising:

## NOTES TO THE ACCOUNTS

- 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 yearend. 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.

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.

# NOTES TO THE ACCOUNTS

- Level 2 Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

## 10. Financial Instruments

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

### Financial Liabilities

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

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

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

### Financial Assets

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

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

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

#### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then 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.

# NOTES TO THE ACCOUNTS

## *Expected Credit Loss Model*

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

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

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

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

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

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

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

## *Financial Assets Measured at Fair Value through Profit or Loss*

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

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

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

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

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

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

## *Financial Assets Measured at Fair Value through Other Comprehensive Income*

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are charged to the Other Comprehensive Income and Expenditure and are held in the Financial Instrument Revaluation Reserve.

Movements in amortised cost are charged to the Surplus or Deficit on the Provision of Services. Cumulative gains/losses on fair value are transferred to the Surplus or Deficit on the Provision of Services on derecognition.

## **11. Government Grants and Contributions**

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

# NOTES TO THE ACCOUNTS

- 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.

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

## NOTES TO THE ACCOUNTS

available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

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

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its

useful life, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive

Income and Expenditure Account, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

### 14. Interest in Companies and Other Entities

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

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

Consideration has been given to the relationship with all potential entities. The Council 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.

# NOTES TO THE ACCOUNTS

## The Council as Lessee

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

## The Authority as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

# NOTES TO THE ACCOUNTS

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

## Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 16. Overheads and Support Services

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

## 17. Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

- the purchase prices
- 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 ACCOUNTS

- 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 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.

# NOTES TO THE ACCOUNTS

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

## 18. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

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

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

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

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

### Contingent Liabilities

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

### Contingent Assets

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

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

## 19. Reserves

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

Usable reserves comprise the following:

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

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

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve

## NOTES TO THE ACCOUNTS

was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long-term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- Financial Instrument Revaluation Reserve: this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
  - revalued downwards or impaired and the gains are lost.
  - disposed of and the gains are realised.

### 20. Revenue Expenditure Funded from Capital under Statute

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

### 21. VAT

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

# COLLECTION FUND

## Collection Fund

The Collection Fund is a statutory fund. It covers Council Tax and Non-Domestic Rate collection and the precepts of Council, the Office of the Police and Crime Commissioner for Hampshire (Police), Hampshire Fire and Rescue Service (Fire) and Parish Councils.

NOTE	Non-Domestic Rates 2020/2021	Council Tax 2020/2021	Total 2020/2021 £000	Non-Domestic Rates 2019/2020	Council Tax 2019/2020	Total 2019/2020 £000
<b>Income</b>						
Council Tax		(91,851)	(91,851)		(87,659)	(87,659)
Non-Domestic Rates	(16,649)		(16,649)	(32,253)		(32,253)
Transferred from General Fund						
Transitional Relief	(65)		(65)	(522)		(522)
Section 13A relief		(230)			(51)	(51)
<b>Total Income</b>	<b>(16,714)</b>	<b>(92,081)</b>	<b>(108,565)</b>	<b>(32,775)</b>	<b>(87,710)</b>	<b>(120,485)</b>
<b>Disbursement</b>						
Precepts and Demands						
- East Hampshire District Council	12,480	11,114		13,369	10,487	
- Hampshire County Council	2,808	65,707		3,005	62,415	
- Police & Crime Commissioner		10,802			10,166	
- Hampshire Fire Authority	312	3,528		334	3,417	
- Central Government	15,600			16,676		
Share of surplus/(deficit) on Collection Fund			122,351			119,869
- East Hampshire District Council	(2,235)	118		(1,105)	36	
- Hampshire County Council	(503)	705		(248)	209	
- Police & Crime Commissioner	0	115		0	31	
- Hampshire Fire Authority	(56)	39		(28)	11	
- Town and Parish Councils	(2,793)		(4,610)	(1,380)		(2,474)
Cost of collection allowance	158			158		
Movement in allowance for Bad Debts	138	41		257	118	
Write-offs		270		(77)	173	
Appeals	147			290		
Other transfers to general fund	83			79		
			837			998
<b>Total Expenditure</b>	<b>26,139</b>	<b>92,439</b>	<b>118,578</b>	<b>31,330</b>	<b>87,063</b>	<b>118,393</b>
<b>Fund surplus/(deficit) for the year</b>	<b>9,425</b>	<b>358</b>	<b>10,013</b>	<b>(1,445)</b>	<b>(647)</b>	<b>(2,092)</b>
	<b>Non-Domestic Rates</b>	<b>Council Tax</b>	<b>Total</b>	<b>Non-Domestic Rates</b>	<b>Council Tax</b>	<b>Total</b>
Fund balance b/f	3,956	(1,364)	2,592	5,401	(717)	4,684
(Surplus)/deficit for year	9,425	358	9,783	(1,445)	(647)	(2,092)
Fund balance c/f	13,381	(1,006)	12,375	3,956	(1,364)	2,592

# COLLECTION FUND

## Notes to the Collection Fund

### 1 Council Tax

Council Tax is charged according to the Government's valuation of residential properties as at 1 April 1991. Valuations are stratified into eight bands for charging purposes. Individual charges are calculated by estimating the total amount of income required by the Collection Fund's preceptors and dividing this by the Council Tax base. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.

The average amount of Council Tax required from a property in any tax band is the band D charge; the average for the Council was £1784.36 for 2020/21 multiplied by the ratio specified for that band. Ratios specified for the bands A to H are as follows:

Band	Ratio	Estimated No. of Taxable Properties after discounts	2020/2021 Band D Equivalent Dwellings	2019/2020 Band D Equivalent Dwellings
Band A Disabled	5/9	5	3	2
Band A	6/9	1,449	1,052	1,092
		1,454	1,055	1,094
Band B	7/9	3,906	2,995	2,955
Band C	8/9	10,447	9,369	9,227
Band D	9/9	10,226	9,910	9,696
Band E	11/9	10,142	10,033	9,964
Band F	13/9	8,815	8,770	8,628
Band G	15/9	7,791	7,758	7,695
Band H	18/9	1,194	1,193	1,203
<b>Council Tax Base</b>		<b>53,975</b>	<b>51,083</b>	<b>50,462</b>

### 2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2021 was £86,397,807 (£86,612,495 at 31 March 2020). The national non domestic multiplier for the year was 51.2p (50.4p in 2019/20) and the small business rates relief multiplier was 49.9p (49.1p in 2019/20).

### 3 Collection Fund Balance

The Council has to record transactions for Council Tax and Non-Domestic Rates in the Collection Fund Account. The balance, as usable income, will be paid/recovered to/by the Council and its major preceptors in future years.

## COLLECTION FUND

	Non-domestic			Non-domestic		
	Rates	Council Tax	Total	Rates	Council Tax	Total
	31/03/2021 £000	31/03/2021 £000	31/03/2021 £000	31/03/2020 £000	31/03/2020 £000	31/03/2020 £000
Hampshire County Council	1,204	(726)	478	356	(984)	(628)
Police	0	(121)	(121)		(161)	(161)
Fire	134	(38)	96	40	(54)	(14)
Central Government	6,691	0	6,691	1,978		1,978
	<b>8,029</b>	<b>(885)</b>	<b>7,144</b>	<b>2,374</b>	<b>(1,199)</b>	<b>1,175</b>

# GLOSSARY

## Glossary

For the purposes of compiling the Statement of Accounts, the following definitions have been adopted and may be useful to the reader in understanding terminology used in the statement.

### **Accruals**

The recognition of income and expenditure as it falls due, not when cash 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 writing down of the value of intangible fixed assets in line with its programmed useful life.

### **Assets**

These can be either:

- **Intangible assets** – assets which are non-physical in form, that is, which cannot be seen. Examples are patents, goodwill, trademarks and copyrights.
- **Property plant and Equipment (PPE) assets** – tangible assets that give benefits to the Council for more than one year.
- **Community assets** – assets without determinate life that the Council intends to hold in perpetuity. They may have restrictions on their disposal. Examples include parks and historic buildings.
- **Infrastructure assets** – inalienable fixed assets such as highways and footways.
- **Non-operational assets** – fixed assets not directly used for service provision. Examples include surplus land and buildings awaiting sale or further development.
- **Heritage assets** – Assets held solely for historical, artistic, scientific, technological, geophysical or environmental qualities.

### **Balance Sheet**

A summary of all the assets, liabilities, funds, reserves etc.

### **Best Value**

The Council duty to provide effective and efficient services based on community need and desire.

### **Budget**

The Council's financial plans for the year. Both capital and revenue budgets are prepared and, amongst other things, used as performance measures.

### **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 of the disposal of assets, non-approved investments and the repayment of grants made by the Council.

### **Cash Flow Statement**

A summary of the inflows and outflows of cash with third parties for revenue and capital purposes.

### **Cash Equivalents**

# GLOSSARY

Cash equivalents are investments that mature 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the institute of professional local government accountants and produces standards and codes of practice followed in the production of a Council's accounts.

## **Code of Practice**

Issued by CIPFA, this is a code of proper accounting practice with which Local Authorities in England and Wales must comply in preparing their financial statements.

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

This account shows expenditure on and income from the Council's day-to-day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Council.

## **Creditors**

Money owed by the Council to others.

## **Debtors**

Money owed to the Council by others.

## **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 writing down of the value of tangible fixed assets in line with its programmed useful life.

## **Earmarked Reserves**

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

## **Employee Costs**

Pay and associated costs such as national insurance, pension contributions etc.

## **Exceptional Items**

Items that, although usual to the activities of the Council, by their nature need separate disclosure because of their unusual size or incidence.

## **Extraordinary Items**

Material items needing separate disclosure because they are unusual to the activities of the Council by their nature.

## **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 fund of the Council which shows income from and expenditure on the Council's day-to-day activities. It excludes the provision of housing which must be charged to a separate Housing Revenue Account.

## **Government Grants**

The amounts of money the Council receives from the Government and inter-government agencies to help fund both general and specific activities.

## **Gross Expenditure**

Expenditure before deducting any related income.

# GLOSSARY

## **Investment Properties**

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

## **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

## **IFRSs**

International Financial Reporting Standards issued by the Accounting Standards Board requiring information to be shown in accounts.

## **Leases**

These may be finance leases that transfer the risks and rewards of ownership of an asset to the Council. Alternatively, they may be operating leases that are more akin to a hire agreement.

## **Liabilities**

Amounts the Council either owes or anticipates owing to others, whether they are due for immediate payment or not.

## **Long Term Contracts**

A contract that, once entered into, will take longer than the current period of account to complete.

## **Minimum Revenue Provision (MRP)**

Statute requires revenue accounts to be charged with a Prudent Minimum Revenue Provision as a notional redemption cost of all external loans.

## **Net Expenditure**

Gross expenditure less directly related income.

## **Non-Domestic Rates (NDR)**

The Council collects Non-Domestic Rates from local businesses and organisations. The income is then distributed between the Council, Central Government and Fire Authority in line with the relevant statutory and accounting guidelines.

## **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 income demanded of the Collection Fund by an authority entitled to that income.

## **Preceptor**

An authority entitled to demand money of the Collection Fund. The preceptors on the Council's Collection Fund are the Council itself, the Office of the Police and Crime Commissioner Fire and Rescue Service and Parish and Town Councils.

## **Provisions**

Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure.

## **Public Works Loan Board (PWLB)**

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

## **Rateable Value**

Assessment by the Inland Revenue of a property's value from which rates payable are calculated.

## **Reserves**

Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure.

## **Revaluation Reserve**

A capital reserve where changes in the value of fixed assets are disclosed when they are revalued. This reserve replaces the Fixed Asset Restatement Account (FARA) which was previously required.

# GLOSSARY

**Revenue Expenditure**

Day-to-day running costs of services.

**Revenue Income**

Day to day income received for services.

**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 paid towards the cost of General Fund services.

**Running Expenses**

The cost of running a service less employee expenses and capital charges.

**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.

**Usable Capital Receipts Reserve**

This reserve holds the amounts of capital receipts derived from the disposal of fixed assets until such a time that they are used to finance capital expenditure.

**Useful Life**

The anticipated period that an asset will continue to be of benefit.

**Value Added Tax (VAT)**

An indirect tax levied on vatable goods and services.