

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

2021/2022

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Director of Finance's Narrative Report

Introduction

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

The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local 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 2021/22 is 1st August for the unaudited statement of accounts and 30 September for the audited statement of accounts. This is a revised deadline for 2021/22 due to global pandemic and subsequent pressures put on Local Authorities. The Council is required to publish unaudited accounts by the 1st August and Audit Committee will need to approve the audited accounts.

Unfortunately, due to staff changes and against the backdrop of the restructure of East Hampshire District Council, the draft 2021/22 accounts were not finalised until 31st October 2022.

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

This narrative report is structured as follows:

1. An Introduction to 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 Hampshire

The district of East Hampshire covers approximately 514km² of the eastern part of the county of Hampshire. There are roughly 120,000 people living in the district, 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 2021-22 the Council has been controlled by a Conservative majority, with 8 Liberal Democrats, 3 Independents and 1 Green councillors.

The councillors are supported by around 300 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 business case for sharing senior managers across both East Hampshire District Council and Havant Borough Council was agreed by the Council on 30 June 2010. In January 2022 Havant Borough Council and East Hampshire District Council decided that a partnership was no longer the best option for a sustainable and successful future and made a business case for ending the partnership. The current Chief Executive of the partnership was appointed as the Chief Executive for East Hampshire only.

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

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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 has made substantial investments in commercial property in order to fund its services and deliver value for money for its residents.

2. Covid 19 PANDEMIC

Background

The Covid-19 pandemic has continued to have considerable impact on the Council. The Government's announced a road map for the lifting of lockdown in February 2021 the Government did begin to ease some restrictions. The Council has continued to have 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 continued to provide 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.

Business Support

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

In total the Council administered several grant schemes and money to local businesses during 2021-22 across the business grant schemes.

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.

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

The Council has continued to run services throughout the pandemic including, for example, regulatory services such as Planning and Building Control and this has helped to mitigate the financial impact of the pandemic. Moving forward, the Council has reset its Medium-Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's strategic objectives and set a balanced budget for 2022-23. The changing environment and "new normal" 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

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

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

Summary

The coronavirus pandemic has had a profound impact on all aspects of life in East Hampshire. Through 2021/22 the Council has adopted a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and

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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

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 2021-22, 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 2021/22 as well as delivering many projects and initiatives and this is alongside the Council response to the pandemic as detailed above.

A fit for purpose Council

During 2021/22:

- The local elections in May were run smoothly despite the additional Covid-19 safety requirements
- The Exploration phase of the Shaping our Future programme is progressing at pace with the workstream toolkit development nearing completion, development of the Performance Management Framework continuing, and the collation of Insight packs for Heads of Service to use when we move into the Delivery phase

A safe environment, healthier and more active East Hampshire

During 2021/22:

- The Council's efforts to enhance residents' lives by encouraging active, healthy and safe lifestyles continued throughout 2021/22 by providing and enhancing leisure complexes in conjunction with our Welfare and Wellbeing Strategy.

A thriving economy with infrastructure to support our ambitions

During 2021/22:

- We continued to help more than 600 local businesses by distributing Covid-related support grants as the country came out of lockdown
- The Creative Footsteps festival in October celebrated our district's amazing heritage and cultural attractions, offering 16 events over 10 days in partnership with Gilbert White's House & Gardens, Jane Austen's House, Chawton House, Petersfield Museum, The Allen Gallery and the Curtis Museum
- We supported local businesses by offering free parking in Petersfield and Alton in the run up to Christmas to encourage residents to shop local
- Local entrepreneurs were also given a boost with a free week-long course from Rebel Business School that was funded by several local councils

An environmentally aware and cleaner East Hampshire

During 2021/22:

- Climate change and carbon neutrality was the focus at COP26 East Hampshire, a conference organised in association with Damian Hinds MP to coincide with the international COP26 event in November. The event featured keynote speakers, presentations and an exhibition of 40 local businesses and community groups, encouraging and informing residents about what they can do to reach the government's ambition of net-zero by 2050

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Key Business Indicators

The table below contains some of our key corporate performance indicators in 2021-22, with comparison figures from 2020-21 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.

Key Performance Indicator	2020-21	2021-22	National average (source: LG Inform, 2020-21)
Business Rates collection rate	95.83%*	95.9%	93.0%
Council Tax collection rate	98.1%*	98.3%	95.7%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	96.9%	72.9%	88%
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	90.3%	78.4%	
All planning applications decided within 26 weeks (above 98%)	99.2%	98.5%	
Food establishments in the area receiving rating of 2 or lower	0.90%	1.0%	
Pollution service requests resolved within 90 days	76%	77%	
Private sector housing service requests resolved within 90 days	60%	85%	
Homelessness interventions (above 600 for the year)	849	594	
Customer satisfaction with service centre (above 97%)	99.3%	98%	
Freedom of Information requests responded within statutory deadline (above 95%)	96.1%	95.4%	

*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.

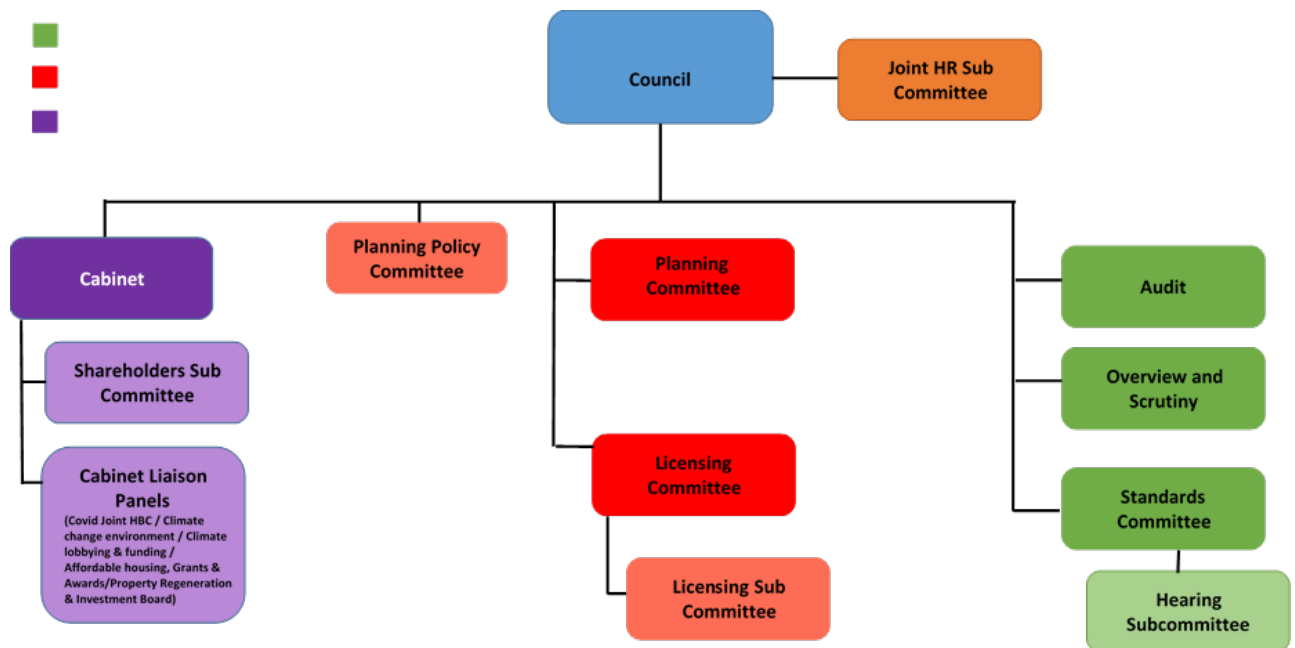
The Council

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.

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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 2021/22.



Cabinet

East Hampshire District Council runs on a 'Leader and Cabinet' model. This works in the same way as the Prime Minister and Cabinet but on a local scale. The political party which has had the most councillors elected by the public forms the cabinet and elects one of its members as the Leader (currently Councillor 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 4 times during the year.

The Committee has the remit to;

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

Audit Committee

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

The Committee had the remit to;

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

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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.

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.

Joint HR Committee

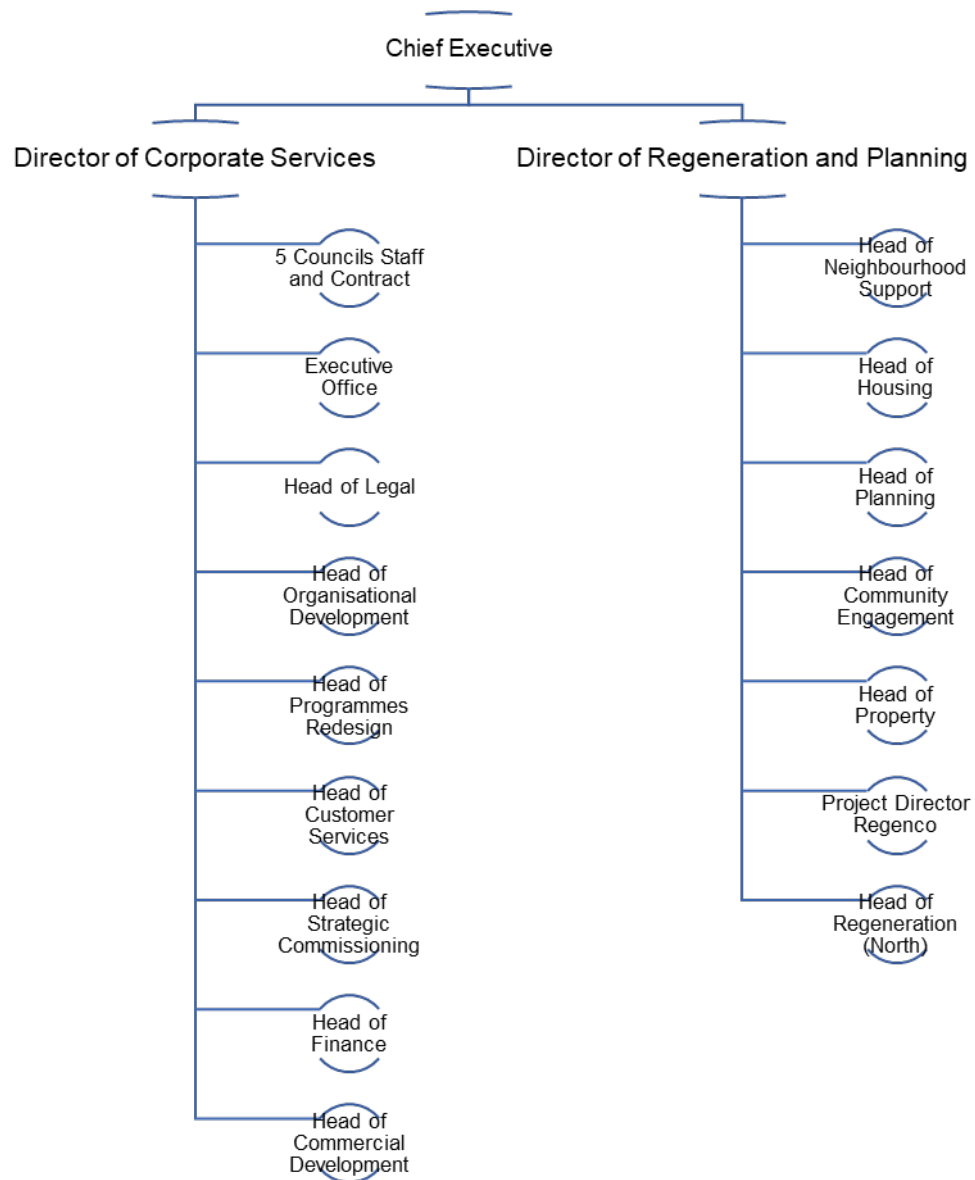
The Committee is made up of 5 Councillors from East Hampshire District Council and 5 Councillors from Havant Borough Council.

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

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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. The structure was updated in 2022/23 however for the whole of 2021/22 the areas of responsibility are shown below:



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Staffing

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

Employees	2020/21	2021/22
Total number of current permanent full and part time employees	318	297
Total number of current temporary / fixed term employees	*	*
Total number of employees	318	297
Total number of employees expressed as full-time equivalents	286	270

Posts	2020/21	2021/22
Total number of permanent full and part time posts	337	328
Total number of temporary / fixed term posts	*	*
Total number of posts	337	328
Total number of posts expressed as full-time equivalents	310	300

*- Not available

Sickness and accident statistics are shown in the table below:

	2020/21	2021/22
Short term sickness (days per FTE)	1.5	2.2
Long term sickness (days per FTE)	2.6	4.1
Overall sickness (days per FTE)	4.1	6.3

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5. A Summary of the 2021/21 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.

	Final Budget £000	Outturn £000	Variance £000
Director of Corporate Services			
5 Councils Staff and Contract	141	199	58
Executive Office	417	508	91
Head of Legal	873	1,083	210
Head of Organisational Development	757	691	(66)
Head of Programmes Redesign	2,855	3,029	174
Head of Customer Services	2,276	811	(1,465)
Head of Strategic Commissioning	2,864	3,028	164
Head of Finance	1,134	1,278	144
Head of Commercial Development	(38)	(18)	20
Director of Regeneration and Planning			
Head of Neighbourhood Support	(651)	50	701
Head of Housing	207	193	(14)
Head of Planning	1,548	1,232	(316)
Head of Community Engagement	1,400	1,302	(98)
Head of Property	(8,171)	(8,393)	(222)
Project Director Regenco	(286)	394	680
Head of Regeneration (North)	780	545	(235)
Total Cost of Services	6,106	5,932	(174)
Other Operating I&E (Corporate Pension Costs)	0		0
Covid Income Support	0	(324)	(324)
Interest from Investments	0		0
Interest payments	5,246	5,386	140
Net Cost of Services	11,352	10,994	(358)
Funded by:			
Parish precepts	4,282	4,282	0
Business rates Retention	(4,576)	(4,576)	0
Council Tax Demand on the Collection Fund (inc precepts)	(11,294)	(11,294)	0
Collection Fund (Surplus)/Deficit	0	0	0
General Grants	(1,550)	(1,550)	0
New Homes Bonus Grant	(2,114)	(2,114)	0
Covid 19 Grant	(490)	(490)	0
Contributions to/(From) Earmarked Reserves	4,390	4,390	0
Total Funding	(11,352)	(11,352)	0
Net (Surplus)/Deficit	0	(358)	(358)

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

Service Area	Variance to budget (£000)	Reasons
Legal Services	210	Interim salary costs relating to additional Governance work required.
Programme Redesign	174	Additional Infrastructure costs for IT changes and improvements.
Customer Services	(1,465)	(429) improved performance against the budget within the Housing Benefits overpayment area. (310) additional business grants received in relation to Covid-19 (131) increase demand in Land charges (265) through vacancies within the Revenue and Benefits team (330) through vacancies across the other services
Strategic Commissioning	164	665 through re-profiling of the Leisure contract as a result of Covid-19. (348) additional income from Hampshire County Council from mixed recycling (153) increased Garden Waste subscriptions
Finance	144	Increase in bad debt provision for the Council to mitigate outstanding debt.
Neighbourhood Support	701	1,025 reductions in Car Parking income through changes in behaviours post Covid-19 with less usage. This was partially offset by additional funding from Central Government. (324) overachievement of Income within Traffic Management
Planning	(316)	Combination of vacancies across the service, reduced external spend and achievement of budgeted income after allowing for the impact of Covid-19
Property	(222)	Increased rental income across the portfolio
Regeneration	(235)	(235) general underspends following the easing of Covid and additional income sources
RegenCo	680	Lower growth than expected and increase in agency costs
Capital Charges and Interest	140	Increased interest payments
Covid Grants	324	Central Government Grants for loss of sales and charges. Calculation was 75% of each £1 above 5% losses

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General Fund: Capital Programme

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

East Hampshire District Council

Capital Programme Summary

	2021/22 Original £ (000)	2021/22 Outturn £ (000)	2021/22 Variance £ (000)
Housing			
Disabled Facilities Grants	1,381	733	(648)
Accessible Housing	0	0	0
Operational Land and Buildings			
Leisure centre replacement (Alton)	789	495	(294)
Leisure centre refurbishment (Taro)	0	0	0
Leisure centre replacement (W&B)	0	443	443
White Hill & Bordon	0	154	154
Investment Property (Investment Strategy refers)	0	0	0
Station regeneration	0	64	64
Pinewood Village Hall	0	32	32
Penns Regeneration	0	42	42
Chawton Accessible Housing	0	21	21
IT Equipment			
Processing and Management System	204	0	(204)
Asset Maintenance Management System	35	0	(35)
Building Control Software	0	7	7
Vehicles and Equipment			
Environmental Health Vehicle	30	0	(30)
Other Capital Expenditure			
SCF-Communities Capital Grants	0	0	0
Other s106 funded schemes	0	0	0
Total Capital Programme	2,439	1,991	(448)

	2021/22 Original £ (000)	2021/22 Outturn £ (000)	2021/22 Variance £ (000)
Funded By:			
REFCUS (Revenue funded as Capital under Statute)	2,170	726	(1,444)
External Grants & Contributions	0	0	0
Use of Specific Reserves	269	7	(262)
Use of Capital Receipts	0	320	320
Borrowing Requirement	0	938	938
Total Funding	2,439	1,991	(448)

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

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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 decreased from £54.505 million at 31st March 2021 to £42.769 million at 31st March 2022. It is detailed in Note 40 to the accounts. Gross liabilities have decreased by £5.72 million mainly due to changes in financial assumptions, and the fair value of assets has increased by £6.02 million.

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

8. Future Plans

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

The Medium Term Financial Strategy has recently been updated indicating that due to reductions in government funding and demands on Council services as well as more general economic changes 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 2022/23 was set at the start of the split of partnership with Havant Borough Council and with 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. This is being updated for 2022/23 budget setting to reflect the move to a stand alone Council and changes arising from the Shaping East Hampshire's Future programme.

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

East Hampshire District Council					
2022/23 to 2026/27 Medium Term Financial Plan	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund Summary	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Director of Corporate Services					
5 Councils Staff and Contract	134	134	134	134	134
Executive Office	667	667	667	667	667
Head of Legal	930	826	826	826	826
Head of Organisational Development	726	726	726	726	726
Head of Programmes Redesign	2,692	2,692	2,692	2,692	2,692
Head of Customer Services	2,149	2,149	2,149	2,149	2,149
Head of Strategic Commissioning	3,377	3,075	3,189	3,425	3,425
Head of Finance	1,058	1,058	1,058	1,058	1,058
Head of Commercial Development	(50)	(50)	(50)	(50)	(50)
Director of Regeneration and Planning					
Head of Neighbourhood Support	(468)	(468)	(468)	(468)	(468)
Head of Housing	127	127	127	127	127
Head of Planning	1,632	1,470	1,632	1,470	1,470
Head of Community Engagement	1,357	1,357	1,357	1,357	1,357
Head of Property	(3,889)	(3,453)	(4,470)	(4,744)	(4,744)
Project Director Regenco	0	0	0	0	0
Head of Regeneration (North)	747	747	747	747	747
Other Operating I&E	0	0	0	0	0
Depreciation	0	0	0	0	0
Total Cost of Services	11,189	11,057	10,316	10,116	10,116
Corporate Project Savings	(380)	(530)	(530)	(530)	(530)
Salary inflation (cumulative)	567	1,014	1,474	1,948	2,436
Shaping our Future costs	200	200	0	0	0
Other cost inflation (cumulative)	250	500	750	1,000	1,250
Political priorities (single year)	700	0	0	0	0
Future year savings	0	(1,000)	(1,000)	(1,000)	(1,000)
Net Cost of Services	12,526	11,241	11,010	11,534	12,272
Parish Precepts	4,436	4,436	4,436	4,436	4,436
Business Rates Retention	(2,383)	(2,655)	(2,921)	(3,201)	(3,265)
Section 31 grant	(2,695)	(2,749)	(2,804)	(2,860)	(2,917)
Levy payment	458	467	476	486	496
Business Rates Collection fund (Surplus)/Deficit	0	0	0	0	0
Council Tax Demand on the Collection Fund (inc precepts)	(11,624)	(11,805)	(11,990)	(12,180)	(12,374)
Collection Fund (Surplus)/Deficit	0	0	0	0	0
General Grants					
New Homes Bonus Grant	(1,703)	0	0	0	0
Other Financing					
Covid 2021-22 allocation	0	0	0	0	0
Lower Tier Services Grant	(740)	0	0	0	0
New Service Grant	(131)	0	0	0	0
Contributions to/(from) Earmarked Reserves	1,856	1,531	1,531	1,531	1,531
Contributions to/(from) General Fund Balance					
Balance Deficit/(Surplus)	0	466	(262)	(254)	179

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Capital Strategy 2022/23

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

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

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

East Hants District Council		5 YEAR CAPITAL PROGRAMME				
Capital Programme Summary	2021/22 Revised Forecast £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Project						
Housing						
Disabled Facilities Grants*	1,381	1,381	1,381	1,381	1,381	1,381
Operational Land and Buildings						
Leisure centre replacement (Alton)	0	0	0	0	0	0
Leisure centre refurbishment (Taro)	0	0	0	0	0	0
Leisure centre replacement (W&B)	0	0	0	0	0	0
IT Equipment						
Design and System Implementation Programme	204	0	0	0	0	0
Asset Maintenance Management System	35	0	0	0	0	0
Building Control - Software	0	0	0	0	0	0
Vehicles and Equipment						
Environmental Health Vehicle	30	0	0	0	0	0
Other Capital Expenditure						
CIL	0	0	0	0	0	0
Other s106 funded schemes	0	0	0	0	0	0
Whitehill Bordon Wayfinding (REFCUS)						
Alton Station Forecourt (REFCUS)	789	0				
Grand Totals	2,439	1,381	1,381	1,381	1,381	1,381

East Hants District Council		5 YEAR CAPITAL PROGRAMME				
Capital Programme Summary	2021/22 Revised Forecast £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Project						
Projected Capital Financing						
REFCUS (Revenue funded as Capital under Statute)	2,170	1,381	1,381	1,381	1,381	1,381
External Grants & Contributions						
Use of Specific Reserves	269	0	0	0	0	0
Use of Capital Receipts						
Borrowing Requirement		0	0	0	0	0
Revenue Funding						
Total Projected Funding	2,439	1,381	1,381	1,381	1,381	1,381

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.

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

Statement of Accounts

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

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
Chief Finance Officer
31 October 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 2021-22.

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

The purpose of the governance framework

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

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

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

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

Governance during Covid-19

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

The requirements of responding to Covid have reduced over the year, although during the early part of 2021-22 business grants were still be provided and the elections in May 2021 were run successfully, adhering to all Covid requirements. Internal Audit have provided assurance on our approach to Covid19 business grants through an Internal Audit which gave a 'substantial' rating with three management actions, all of which have been completed.

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. 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 committed to implementing via a governance improvement action plan. The Governance Improvement Action Plan was completed during 2021-22 and updates are provided within this AGS.

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Governance during the transition from shared management to a standalone Council

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

On 20 January 2022 at a Full Council meeting it was agreed that East Hampshire District Council would be withdrawing from its joint management agreement with Havant Borough Council, subject to a business case which would be brought forward at earliest opportunity. Havant Borough Council agreed to withdraw at its meeting on 26 January 2022.

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

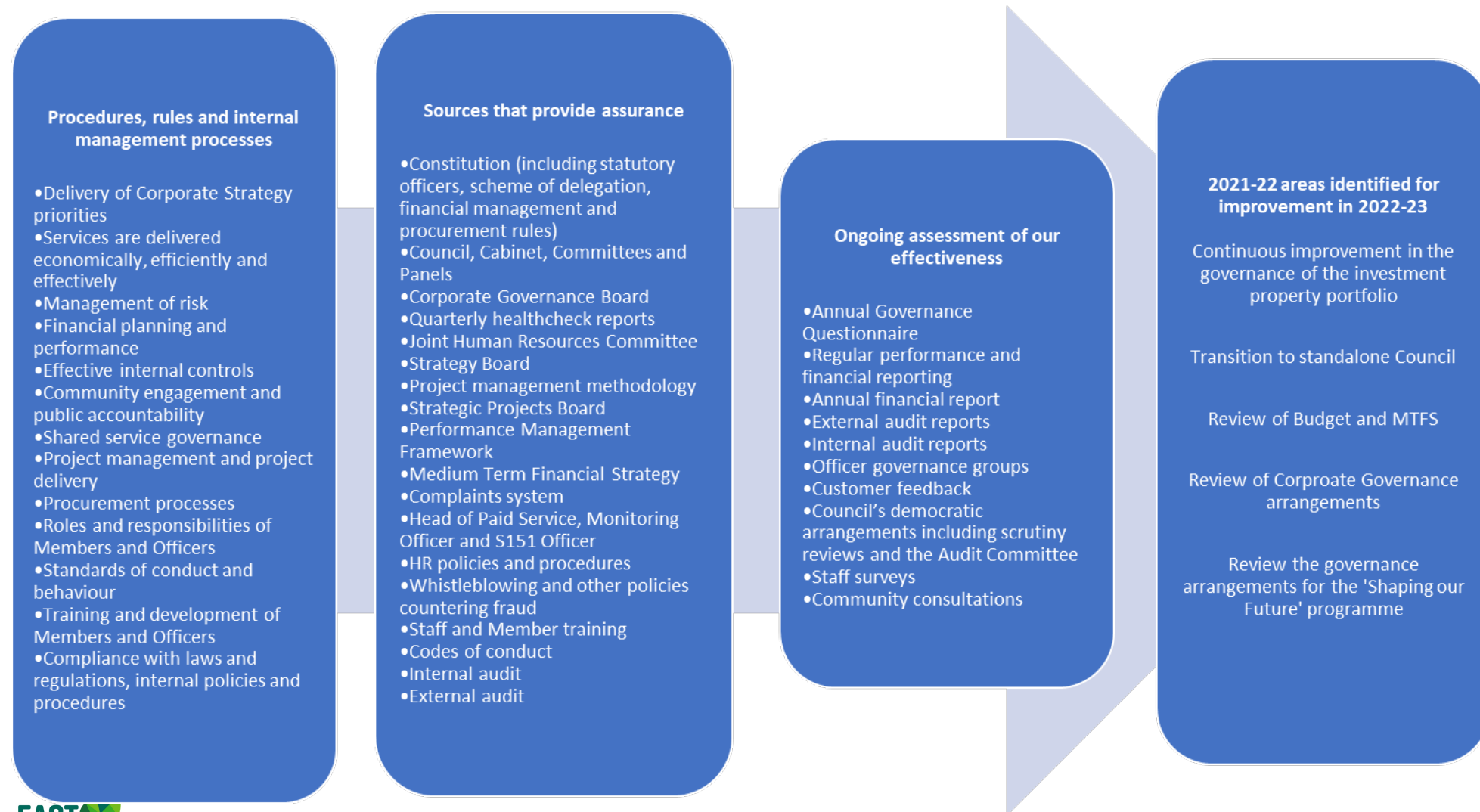
On 17 March East Hampshire approved the preferred options and business case for managing the transition and withdrawal from the joint management and shared staffing arrangements at both authorities, Havant approval was made on 16 March. The Council meeting reviewed both the business case, options appraisal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

Following the formal decision in late March work was put in place to progress the transition to ensure the ending of shared management arrangements and establishment of new management structure to be in place during the course of 2022/23. The next Annual Governance Statement for 2022/23 will provide further narrative on the governance process of the transition once it has been completed in full by December 2023. In addition, an area for improvement within this governance statement is the management of the transition and ensuring the right governance process is in place for ensuring a smooth transition covering both people, systems and processes.

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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.



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

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

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

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

going forward will be solely East Hants employed.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

How the Council meets these principles	Where you can see Governance in action
<p>The Council has laid out its purpose, direction, vision and objectives in its Corporate Strategy which can be obtained either on the Council's website or from the Council's offices. The Council Corporate Strategy is comprehensively reviewed on a regular basis. During 2021-22 the Corporate Strategy received a comprehensive refresh and a new, updated Strategy was produced and approved by full Council in February 2022.</p>	<p>http://www.easthants.gov.uk/performance-and-strategy</p>
<p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the Government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500.</p>	<p>Freedom of Information</p>
<p>The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. During the Covid-19 pandemic, Council meetings were held remotely and/or in a hybrid manner according to government guidance and legislative requirements at the time, and these have been livestreamed via the Council's website which has resulted in increased public engagement with these meetings. Meetings are now held face to face, however, continue to be livestreamed for the public to view.</p>	<p>Committees and Papers</p>
<p>The Council usually carries out a residents' survey every two years, but during the Covid-19 pandemic has increased the frequency to be able to monitor the concerns and feelings of residents as the situation changes. A full residents survey is planned for 2022-23.</p>	<p>Covid-19 residents' survey</p>
<p>The publication of the residents' magazine, called 'Partners', is used to provide updates, upcoming events and contact information, and is converted into accessible formats to ensure that residents can access it. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, Twitter, LinkedIn and Instagram to get updates from and interact with the Council.</p>	<p>Partners magazine EHDC Facebook Twitter Instagram YouTube</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.</p>	<p>Town & Parish Charter</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>http://www.easthants.gov.uk/</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>http://www.easthants.gov.uk/accounts</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 and refreshed in February 2022) are:</p> <ul style="list-style-type: none"> • A fit for purpose Council • A safer, healthier and more active East Hampshire • A thriving local economy with infrastructure to support our ambitions • An environmentally aware and cleaner East Hampshire <p>These evidence-based themes are used to guide the Council's corporate planning and decision making.</p> <p>The Council has also developed a Digital Strategy which supports the Corporate Strategy delivery and to create digitally 'savvy' staff and councillors and services designed to be accessible and convenient for our customers.</p> <p>The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Medium Term Financial Strategy is reviewed annually and forms the basis of the annual budgeting process.</p> <p>The Corporate Strategy has been prepared to detail the key actions that are required to deliver the overall strategy. Within the Corporate Strategy actions are listed under each theme to be delivered the next financial year. Progress against the objectives in the Corporate Strategy is reported quarterly. Each service's Key Performance Indicators are monitored corporately and reported to the Strategy Board on a quarterly basis to ensure that the objectives in the Corporate Strategy are on target. Monthly financial forecasts are submitted to the Strategy Board and quarterly to Councillors alongside the quarterly performance report.</p> <p>The Council's major contracts are overseen by client teams. The Council's environmental services (waste collection, grounds maintenance, street cleaning and public conveniences cleaning) are provided via delegation to Havant Borough Council through its joint venture partnership Norse SE. The performance of this contract is monitored by Key Performance Indicators to ensure that both a good quality service and value for money are delivered.</p> <p>The Council's budget report contains a summary of the budget that has been set for East Hampshire District Council for 2021-22, as approved by the Council on the 25 February 2021. It shows on what service areas money is spent, and how this expenditure is funded. Also within this document is information showing the forecast financial position over the next five years, taking into account changes in government funding, other income and spending.</p> <p>The Council uses evidence based insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the community.</p>	<p>http://www.easthants.gov.uk/performance-and-strategy</p> <p>Digital Strategy</p> <p>Council budget setting each February</p> <p>Council Budget</p> <p>Residents' Survey Planning SCI (Statement of Community Involvement)</p>

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

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

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<p>induction programme for new starters. Performance appraisal processes for all employees include regular 1:1 meetings with line managers and assessment against the Staff Competency Framework. In 2021-22 new mandatory e-learning courses were introduced for all staff (including health and safety, equality and diversity, and time management), alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services.</p> <p>Following the District Council elections, all Councillors are required to undertake a comprehensive training programme which ensures that they have an understanding of the procedures and protocols of the Council. This may include training on planning and licensing matters and Councillors are not allowed to sit on the Planning, Licensing or Audit Committees until such training has been undertaken.</p> <p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme and accompanying Competency Framework, during the course of a Councillor's four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements. The Council was awarded Charter status (Charter for Elected Member Development) in 2017 and continues its commitment to excellence in Councillor training.</p>	<p>Councillor Competency Framework</p> <p>Charter status case study</p>
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F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.</p> <p>There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council Constitution.</p> <p>The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan and Key Decision notice is published on the Council website. Decisions made by Cabinet can be called in for review by the Overview & Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p> <p>Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly 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 will be</p>	<p>Council structure</p> <p>Committee structure</p> <p>Forward Plan</p> <p>Corporate Governance Policy</p> <p>Local Code of Corporate</p>

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<p>reviewed in light of the management team changes and move to a standalone Council during 2022-23.</p> <p>The Council has in place a number of policies and procedures to ensure decisions made are robust. These include the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers.</p>	Governance
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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>https://www.easthants.gov.uk/performance</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"> Following the Governance Review in 2020-21 the Governance Improvement Action Plan was progressed in 2021-22 and reported in full to the Standards Committee at regular intervals during the year. A significantly improved Councillor Development Programme has been developed with mandatory and optional training modules. This is being rolled out in to ensure that Members are equipped with the right skills and knowledge to be able to fulfil their duties. A refreshed Corporate Strategy was developed and approved at Full Council in February 2022, to ensure that it best reflects the Council's ambitions for the district in the coming years. The Corporate Strategy is a key strategic document that articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use. During the year the Overview & Scrutiny Committee considered numerous items, including, quarterly reviews of the Shaping our Future programme.
Officer leadership	<ul style="list-style-type: none"> The Council's Constitution underwent a comprehensive review in 2020-21, led by the Monitoring Officer, to ensure that it remains an effective and up-to-date document, and a revised version was approved in 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. The Corporate Governance Board covers matters of governance covering risk, health and safety, business continuity, emergency planning, information governance and financial risk. Updates are also provided to Audit and Finance Committee through the quarterly performance report which has undergone significant improvements during 2020-21 both in format (with a colour-coded dashboard format now being used to show the performance of different services) and content (with an extended range of quantitative performance indicators now being included). During the year further work on improving performance reporting started with a view to introducing a new performance approach for 2022-23. The Corporate Governance Board Terms of Reference will be reviewed to reflect the new management arrangements to be put in place for 2022-23.
Internal assessment and monitoring	<ul style="list-style-type: none"> There are regular reporting arrangements in place regarding the financial affairs of the Council. The budget for 2021-22 was agreed by Full Council on 25 February 2021 and financial performance is reported on a quarterly basis to Members. Effective operation of the Performance Management Framework throughout the year: monitoring information on key areas of performance has been provided by the Governance Hub for review and action. The majority of service performance indicators were met during the year. The Annual Governance Questionnaire is a survey run every January which asks officers for their self-assessment of the effectiveness of governance arrangements in their service area. Participation has improved in recent years following the extension of the questionnaire to all staff to reflect that good governance is everyone's responsibility - the number of responses received for the January 2022 survey had decreased slightly (13% down) compared to the 2021 survey, although responses were still significantly above the 2020 survey. The results of the questionnaire highlighted the following: <ul style="list-style-type: none"> There were reasonable levels of confidence in governance arrangements, indicated by the majority of scores assigned to 1 ('Evidence of consistently meeting criteria') or 2 ('Meets criteria, but room for improvement'). Areas of strength: <ul style="list-style-type: none"> Regular meetings between managers and staff Compliance with FOI procedure

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	<ul style="list-style-type: none"> ○ Areas for improvement: <ul style="list-style-type: none"> ▪ Engaging with Members ▪ Awareness of structure of council ▪ Feedback from stakeholders ○ Significant changes from 2021 survey: <ul style="list-style-type: none"> ▪ Although still scoring relatively highly, there was a reduction in evidence of managers meeting to review performance regularly. This is likely as a result of the reliance on remote working and effects of 'working from home fatigue'. ▪ A reduction in scoring on the question of seeking feedback from stakeholders when making service planning improvements and this likely reflects the Shaping our Future work and announcement on the movement to a standalone council. <p>Areas that scored poorly in the questionnaire will be targeted with a programme of improvements throughout 2022-23 and the questionnaire will be repeated to see if any trends can be identified. The survey was conducted at the time of the announcement of the split of shared arrangements and hence may have impacted on the responses from a number of staff, in particular around awareness of council structures and stakeholder engagement.</p>
Responsibilities of Chief Finance Officer (s151)	<ul style="list-style-type: none"> • The Chief Finance Officer is the Responsible Financial Officer and is a member of the Strategy Board, reporting directly to the Chief Executive. They are responsible for delivering and overseeing the financial management arrangements of the Council. East Hampshire shared a Chief Finance Officer with Havant Borough Council for 2021-22, although this will become a solely East Hampshire post in 2023. • 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).
Internal Audit	<ul style="list-style-type: none"> • The Council's internal audit programme is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually. • Progress against the audit plan is reported quarterly to the Audit Committee. Any outstanding high risk actions are addressed as a matter of priority. • Internal audit attend Corporate Governance Board every quarter to provide an update on progress of management actions. Any outstanding actions are reported to Executive Board to ensure that these are escalated where necessary and completed within a reasonable timescale. • The Southern Internal Audit Partnership delivered 23 internal audit opinions over the course of the year ending 31 March 2021 with 6 'substantial' assurance reports, 13 'reasonable' assurance reports, 4 'limited' assurance report and no 'no assurance' reports. Additional reviews were conducted which did not lead to an audit opinion as they were advisory reviews and/or follow-up reviews. • The Chief Internal Auditor's annual opinion of East Hampshire District Council's framework of governance, risk management and management control is "reasonable" and audit testing has demonstrated controls to be working in practice.
External Audit	<ul style="list-style-type: none"> • The Council's external audit requirement is provided by KPMG. • The role of external audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims. • The Council's external auditor provided the Council with an unqualified opinion on the last set of accounts approved within their Audit Results Report. • KPMG also provided an unqualified opinion of the Council's arrangements to

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secure Value for Money.

Last year's key improvement areas

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

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 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.	<ul style="list-style-type: none"> Structures and resources being reviewed further following departure of Estates Lead and in light of transition to a standalone Council. Interim Property Manager in place. Review of Commercial Investment portfolio underway, to be aligned closely with outcome of Capital Investment Strategy work in terms of implications for MTFS. Review of governance underway including role of Property Regeneration Investment Board and opportunities for future investment, to be aligned to Corporate Strategy.
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.	<ul style="list-style-type: none"> Training Sessions have taken place with Councillors to ensure a thorough understanding of the constitution is in place Constitutional review in 2021-22 resulted in the Councillors' Code of Conduct being more closely aligned to related codes/protocols and the production of a supplementary plain language guide to conduct. A revision of the constitution following the termination of the Joint Services Agreement to be completed once the teams have been transitioned into stand alone.
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.	<ul style="list-style-type: none"> The Governance Improvement Action Plan was reported to the Standards Committee during the year with regular updates provided. The final completed action plan was reported at the Standards Committee on 7 December 2021. The final updates can be viewed at the below link which show progress and completion of the 17 recommendations made: Governance Improvement Action Plan

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		<ul style="list-style-type: none"> An update was provided to Full Council on progress on 20 January 2022.
Review of the 2021/22 Medium Term Financial Strategy (MTFS)	Considering the recent pandemic response, ensure that the published MTFS remains robust.	<ul style="list-style-type: none"> Review of the 2021/22 MTFS was undertaken and worked into the agreed budget for 2022/23 Budgets regularly reviewed and monitored against Further work to be done following the termination of the Joint Management Agreement to ensure that the budgets are updated to reflect moving forward as a standalone Council Revised budget MTFS to be adopted as part of budget setting 2023/24 On 17 May 2022 Internal Audit issued a 'Substantial Assurance' opinion after reviewing all reporting and completed actions under the Governance Improvement Action Plan.
Review the governance arrangements for the 'Shaping our Future' programme	Ensure that the programme is well governed, with good control of investments and benefits.	<ul style="list-style-type: none"> Strong governance in place which included a clear path for approval of reports and decisions. Shaping our Future Board was established to form part of this governance for clear decision making and decisions before Executive Board and onward decisions at Committee meetings. Regular reports produced updating on programme progress and delivery
Compliance with the revised CIPFA Prudential and Treasury Management (TM) Code	This comes into effect from 2022/23 and the Council will need to be compliant.	<ul style="list-style-type: none"> Processes are being reviewed and put in place to ensure that the code is properly complied with. External TM advice taken to embed in the new reporting requirements

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
Transition to	The Council has committed to	Chief	<ul style="list-style-type: none"> Establishment of a

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standalone Council	<p>move towards a standalone Council, ending the current shared management arrangements with East Hampshire District Council.</p> <p>The move towards a standalone Council after 12 years of shared management presents a number of challenges that need to be overcome and carries a number of risks that will need to be appropriately managed.</p>	Executive	<p>transition team and clear work programme to move towards a standalone Council.</p> <ul style="list-style-type: none"> • Establishment of new management structure and new team structures, where appropriate. • Consideration of people, financial, process and IT implications of ending shared arrangements • Ensure appropriate communication plans are in place to ensure staff are kept informed of changes.
Review of budget and MTFS	Considering the move to a standalone Council, ensure that the budget and MTFS going forward remains robust.	S151	Transition plan is underway to ensure that staffing structures are in place and are affordable within the budget setting, the transition and Shaping our Future programme continue to work to deliver savings to ensure that the budget remains robust. Financial costs of move to standalone compiled and
Review of Corporate Governance arrangements	As the Council moves towards a standalone Council it is important to ensure that governance arrangements are in place and understood to ensure the smooth running of the authority	Director of Corporate Governance	Reviews are underway to ensure that the governance is robust. Risk Strategy Board is being developed alongside an Operational Board to ensure that key risks and Governance arrangements are in place across the authority.

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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:

Gill Kneller

Chief Executive

Cllr Richard Millard

Leader

Statements to the Accounts

ANNUAL ACCOUNTS – STATEMENTS TO THE ACCOUNTS

The Statement of Responsibilities for the Statement of Accounts

TO INSERT POST AUDIT

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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

This will be added following the completion of the annual audit

KEY FINANCIAL STATEMENTS

ANNUAL ACCOUNTS – 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.

	2021/2022			2020/2021		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
Director of Corporate Services						
5 Councils Staff and Contract	203	0	203	269	0	269
Executive Office	966	(329)	637	858	(318)	540
Head of Legal	1,531	(362)	1,169	1,188	(349)	839
Head of Organisational Development	1,094	(272)	822	991	(270)	721
Head of Programmes Redesign	3,498	(272)	3,226	3,446	(224)	3,222
Head of Customer Services	18,612	(17,557)	1,055	20,242	(18,397)	1,845
Head of Strategic Commissioning	6,896	(3,067)	3,829	5,433	(1,652)	3,781
Head of Finance	2,800	(1,328)	1,472	1,291	(44)	1,247
Head of Commercial Development	825	(806)	19	600	(456)	144
Director of Regeneration and Planning						
Head of Neighbourhood Support	4,902	(4,122)	780	4,452	(3,233)	1,219
Head of Housing	1,004	(694)	310	419	(107)	312
Head of Planning	3,402	(1,796)	1,606	3,260	(1,194)	2,066
Head of Community Engagement	2,074	(436)	1,638	1,588	(164)	1,424
Head of Property	2,167	(1,177)	990	964	(103)	861
Project Director Regenco	2,207	(1,771)	436	2,147	(2,143)	4
Head of Regeneration (North)	1,357	(642)	715	1,053	(324)	729
Other Operating I&E	0		0	0	0	0
Net Cost of Service	53,538	(34,631)	18,907	48,201	(28,978)	19,223
Other Operating Expenditure	Note 5		4,436			4,999
Financing and Investment Income and Expenditure	Note 6		(7,336)			1,470
Taxation and non-specific grant income	Note 7		(23,135)			(24,171)
(Surplus)/ Deficit on Provision of Services			(7,128)			1,521
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(3,704)			(6,356)
Actuarial (gains)/losses on pension assets / liabilities			(15,799)			4,813
Other Comprehensive Income and Expenditure			(19,503)			(1,543)
Total Comprehensive Income and Expenditure			(26,631)			(22)

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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
Balance at 1 April 2020	(14,578)	(4,625)	(10,420)	(29,623)	14,369	(15,254)
Movement in reserves during 2020/2021						
Adjustment re: NNDR 3 19/20	(9)			(9)	608	599
Total Comprehensive Income and Expenditure	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
Net (Increase)/Decrease before Transfers	(8,129)	8	(3,733)	(11,854)	12,431	577
Balance at 31 March 2021 carried forward	(22,707)	(4,617)	(14,153)	(41,477)	26,800	(14,677)
Movement in reserves during 2021/2022						
Total Comprehensive Income and Expenditure	(7,130)	0	0	(7,130)	(19,503)	(26,633)
Adjustments between accounting basis & funding basis under regulations (note 12)	2,279	199	(2,767)	(289)	289	0
Adjustment re opening roundings	3			3		3
Net (Increase)/Decrease before Transfers	(4,848)	199	(2,767)	(7,416)	(19,214)	(26,630)
Balance at 31 March 2022 carried forward	(27,555)	(4,418)	(16,920)	(48,893)	7,586	(41,307)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2022 and 2021.

	NOTES	31 March 2022		31 March 2021
		£000	£000	£000
Property, Plant and Equipment	14	71,296		67,790
Investment Properties	20	130,558		128,232
Intangible Assets	21	329		383
Long Term Debtors		815		118
Long Term Assets		202,998		196,523
Current Assets				
Short Term Debtors	22	9,677		20,101
Cash and Cash Equivalents	23	40,493		23,926
Current Assets		50,170		44,027
Current Liabilities				
Short Term Creditors	24	(24,189)		(26,674)
Short Term Borrowing	28	(5,421)		(5,432)
Provisions		(317)		0
Current Liabilities		(29,927)		(32,106)
Long Term Liabilities				
Capital Grants receipts in advance	35	(14,191)		(12,488)
Long Term Borrowing	28	(117,430)		(119,248)
Other Long Term Liabilities		(317)		(299)
Finance Lease		(5,080)		(5,080)
Pension Fund Liability	40	(42,769)		(54,505)
Provisions		(2,147)		(2,147)
Long Term Liabilities		(181,934)		(193,767)
Net Assets		41,307		14,677
Financed by				
Usable Reserves	29	(48,893)		(41,476)
Unusable Reserves	31	7,586		26,799
Total Reserves		(41,307)		(14,677)

Matthew Tiller
Chief Finance Officer
31 October 2022

ANNUAL ACCOUNTS – 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

	NOTES	2021/2022 £000	2020/2021 £000
Net (surplus) or deficit on the provision of services		(7,128)	1,521
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(10,226)	(13,759)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,893	2,933
Net cash flows from Operating Activities		(14,461)	(9,305)
Investing Activities	37	(4,134)	637
Financing Activities	38	2,028	1,641
Net decrease or (increase) in cash and cash equivalents		(16,567)	(7,027)
Cash and cash equivalents at the beginning of the reporting period		23,926	16,899
Cash and cash equivalents at the end of the reporting period		40,493	23,926

ANNUAL ACCOUNTS – 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.

	2021/2022			2020/2021		
	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
Director of Corporate Services						
5 Councils Staff and Contract	199	4	203	258	11	269
Executive Office	508	129	637	444	96	540
Head of Legal	1,083	86	1,169	790	49	839
Head of Organisational Development	691	131	822	586	135	721
Head of Programmes Redesign	3,029	197	3,226	3,056	166	3,222
Head of Customer Services	811	244	1,055	1,789	56	1,845
Head of Strategic Commissioning	3,028	801	3,829	3,357	424	3,781
Head of Finance	1,278	194	1,472	715	532	1,247
Head of Commercial Development	(18)	37	19	121	23	144
Director of Regeneration and Planning						
Head of Neighbourhood Support	50	730	780	809	410	1,219
Head of Housing	193	117	310	579	(267)	312
Head of Planning	1,232	374	1,606	1,572	494	2,066
Head of Community Engagement	1,302	336	1,638	1,348	76	1,424
Head of Property	630	360	990	(5,920)	6,781	861
Project Director Regenco	394	42	436	(16)	20	4
Head of Regeneration (North)	545	170	715	910	(181)	729
Other Operating I&E	0	0	0	0	0	0
Net Cost of Service General Fund	14,955	3,952	18,907	10,398	8,825	19,223
Other Income & Expenditure	5,063	(5,063)				
Movement in Earmark Reserves	4,390	(4,390)				
Net Cost of Service	24,408	(5,501)	18,907	10,398	8,825	19,223
Other Operating Expenditure	(9,023)	13,459	4,436	4,282	717	4,999
Financing and Investment Income and Expenditure		(7,336)	(7,336)	1,620	(150)	1,470
Taxation and non-specific grant income	(15,743)	(7,392)	(23,135)	(16,132)	(8,039)	(24,171)
(Surplus)/ Deficit	(358)	(6,770)	(7,128)	168	1,353	1,521
Balance Summary						
Opening General Fund Balance at 1 April	(3,503)			(3,662)		
Adjustment				(9)		
Add (Surplus)/ Deficit on General Fund Balances in Year	(358)			168		
Closing General Fund Balance at 31 March	(3,861)			(3,503)		
Analysed between type of balance	General Fund	Earmarked Reserves		Total Balances		
Opening Balance at 1 April 2020	(3,662)	(10,696)		(14,358)		
Add (Surplus)/ Deficit in year 2020/2021	(9)	0		(9)		
Transfer between reserves	168	(8,506)		(8,338)		
Closing Balance at 31 March 2021	(3,503)	(19,202)		(22,705)		
Adjustment				-		
Add (Surplus)/Deficit in year 2021/2022	(358)	(4,492)		(4,850)		
Closing balances at 31 March 2022	(3,861)	(23,694)		(27,555)		

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Notes to the Core Financial Statements

Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 201/22 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 underspend against the revised 2021/22 budget was £358,000 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

	2021/2022 £000	2020/2021 £000
Expenditure		
Employee expenses	18,780	16,832
Other Services expenses	48,233	45,563
Depreciation, amortisation and impairment	1,508	906
Interest payments	2,897	2,945
Precept and levies	4,436	4,282
Total Expenditure	75,854	70,528
Income		
Fees, charges and other service income	(25,102)	(21,608)
Interest and investment income	(12)	(32)
Movements in the market value of Investment Properties	(2,325)	6,572
Income from Council Tax and Business Rates	(12,551)	(16,076)
Grants and contributions	(42,872)	(38,580)
Gains of disposal of assets	(120)	717
Total Income	(82,982)	(69,007)
(Surplus)/Deficit on the Provision of Services	(7,128)	1,521

Note 3 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 4 Exceptional Items

There are no exceptional items in the accounts for either 2021/22 or 2020/21.

EXPLANATORY NOTES

Note 5 Other Operating Expenditure

	2021/2022	2020/2021
	£000	£000
Parish council precepts	4,436	4,282
(Gains)/losses on the disposal of non-current assets		717
Total	4,436	4,999

Note 6 Financing and Investment Income and Expenditure

	2021/2022	2020/2021
	£000	£000
Income & Expenditure in relation to investment properties	(9,029)	(9,016)
Interest payable and similar charges	2,897	2,945
Interest and investment income	(4)	(32)
Pension Interest Costs and expected return on pension assets	1,125	1,001
Movements in the market value of Investment Properties	(2,325)	6,572
Total	(7,336)	1,470

Note 7 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.

	2021/2022	2020/2021
	£000	£000
Council Tax Transfer	(11,448)	(11,232)
Collection Fund Deficit/ (Surplus)	(786)	45
Adjustment for statutory requirements		
Council Tax Income	(12,234)	(11,187)
General Government Grants	(3,467)	(7,272)
General Government Grants (S31 business rates)	(15,755)	(8,178)
Business Rates Retention Scheme	11,088	6,199
Capital grants and contributions	(2,767)	(3,733)
Total	(23,135)	(24,171)

Note 8 Members' Allowances

The Council paid the following amounts to Members of the Council

	2021/2022	2020/2021
	£000	£000
Allowances	338	338
Expenses	3	1
Total	341	339

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Note 9 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 £	2021/2022 No. Employees	2020/2021 No. Employees
50,000-54,999	11	15
55,000-59,999	13	12
60,000-64,999	7	5
65,000-69,999	1	4
70,000-74,999	4	3
75,000-79,999	4	4
80,000-84,999	1	1
85,000-89,999	0	0
90,000-94,999	1	0
100,000-104,999	0	0
TOTAL	42	44

Notes:

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

2021/2022 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)

2021/2022 Post Holder	Salary (including fees and allowances) £	Expense Allowances £	Compensation for loss of Office £	Total Remuneration excluding pension contributions 2021/2022 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2021/2022 £	Net Cost to Havant £	Net Cost to East Hants £
Chief Executive	203,412			203,412	23,649	227,061	tbc	tbc
Director for Regeneration & Place	144,232			144,232	17,989	162,221	tbc	tbc
Director for Corporate Services & Chief Finance Officer	106,639			106,639	18,555	125,194	62,597	62,597
Head of Legal	93,461			93,461	16,262	109,723	54,862	54,862
	547,744	0	0	547,744	76,455	624,199	117,459	117,459

Further payments have been processed in April 2022 which will be represented within the 2022/23 Statement of Accounts.

EXPLANATORY NOTES

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) £	Expense Allowances £	Compensation for loss of Office £	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	0	0	346,226	37,371	383,597	191,797	191,797

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	
	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021 £000s	2021/2022 £000s
0-20,000		1	0		0	1		3
20,001-40,000	1	1	0	1	1	2	24	51
40,001-60,000			0		0			
60,001-80,000			0		0			
80,001-100,000			0		0			
100,001-150,000			0		0			
Total	1	2	0	1	1	3	24	54

Note 10 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.

	2021/2022 £000	2020/2021 £000
External audit services	78	70
Other services	10	9
Total	88	79

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 11 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)

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2021/21 is shown in note 9. 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 2021/22 the Council charged the fund £1.478 million (£1.478 million in 2020/21) for expenses incurred in administering the fund.

EXPLANATORY NOTES

Note 12 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

	2020/2021			
	Adjustments for Net change for the			Total
	Capital	Pension	Other	Adjustments
	Purposes	Adjustments	Differences	
	(Note 12a)	(Note 12b)	(Note 12c)	
	£000	£000	£000	£000
Director of Corporate Services				
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
Director of Regeneration and Planning			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
Net Cost of Service	(4,487)	1,611	11,701	8,825
Other operating Expenditure	(146)	0	863	717
Financing and Investment Income and Expenditure	(282)		132	(150)
Taxation and non-specific grant income	0	0	(8,039)	(8,039)
(Surplus)/ Deficit	(4,915)	1,611	4,657	1,353

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	2021/2022			
	Adjustments for Net change for the			
	Capital	Pension	Other	Total
	Purposes	Adjustments	Differences	Adjustments
	(Note 12a)	(Note 12b)	(Note 12c)	
	£000	£000	£000	£000
Director of Corporate Services				
5 Councils Staff and Contract	0	4	0	4
Executive Office	0	150	(21)	129
Head of Legal	0	88	(2)	86
Head of Organisational Development	39	144	(52)	131
Head of Programmes Redesign	62	146	(11)	197
Head of Customer Services	23	488	(267)	244
Head of Strategic Commissioning	808	45	(52)	801
Head of Finance	0	80	114	194
Head of Commercial Development	0	41	(4)	37
Director of Regeneration and Planning			0	0
Head of Neighbourhood Support	79	666	(15)	730
Head of Housing	0	123	(6)	117
Head of Planning	5	560	(191)	374
Head of Community Engagement	0	135	201	336
Head of Property	292	67	1	360
Project Director Regenco	0	41	1	42
Head of Regeneration (North)	79	161	(70)	170
Other Operating I&E			(9,453)	(9,453)
Net Cost of Service	1,387	2,939	(9,827)	(5,501)
Other operating Expenditure			13,459	13,459
Financing and Investment Income and Expenditure			(7,336)	(7,336)
Taxation and non-specific grant income			(7,392)	(7,392)
(Surplus)/ Deficit	1,387	2,939	(11,096)	(6,770)

Note 12a 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 12b 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 12c 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).

EXPLANATORY NOTES

Note 13 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.

Reserves 2020/2021	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,486			(1,486)
Capital expenditure charged against the General Fund balances				
Adjustments primarily involving the Capital Grants Unapplied Account:				
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
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		145		(145)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement		124		(124)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	(2,613)			2,613
Adjustments primarily involving the Collection Fund Adjustment Account:				
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
Adjustment primarily involving the Accumulated Absences Account				
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
Total Adjustments	(9,641)	8	(3,733)	13,366

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Reserves 2021/2022	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation of non-current assets	(1,453)			1,453
Charges for impairment/ revaluations of plant, property and equipment	5			(5)
Movements in the market value of Investment Properties	2,325			(2,325)
Amortisation of intangible assets	(60)			60
Revenue expenditure funded from capital under statute	(2,056)			2,056
REFCUS income	2,056			(2,056)
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	120	(120)		0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,305			(2,305)
Capital expenditure charged against the General Fund balances				
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	2,767		(2,767)	0
Application of grants to capital financing transferred to the Capital Adjustment Account				0
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		319		(319)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement				0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	(4,063)			4,063
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	101			(101)
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	91			(91)
Adjustment primarily involving the Accumulated Absences Account				
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	141			(141)
Total Adjustments	2,279	199	(2,767)	289

EXPLANATORY NOTES

BALANCE SHEET NOTES RELATING TO CAPITAL

Note 14 Property, Plant and Equipment (PPE)

	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
Cost or Valuation							
Opening Balance 1 April 2020	49,926	2,542	0	439	6,940	0	59,847
Additions	2,589	20	132	0	3,017	0	5,758
Derecognition - Disposals	(44)	0	0	0	0	0	(44)
Impairment losses							0
Revaluation adjustment	5,473						5,473
Category Adjustments	9,415				(9,957)		(542)
Book value at 31 March 2021	67,359	2,562	132	439	0	0	70,492
Depreciation and Impairments							
Restated Opening Balance 1 April 2020	(276)	(2,400)	0	(65)	0	0	(2,741)
Depreciation	(967)	156	0	(6)	0	0	(817)
Accumulated depreciation written back on derecognition of assets	883						883
	0	0	0	0	0	0	
Revaluation losses/impairment recognised in the surplus/deficit on provision							0
Revaluation losses/impairment recognised in the revaluation reserve	(28)						(28)
							0
Category Adjustments & other movements							
Revaluation adjustment	1						
Depreciation At 31 March 2021	(387)	(2,244)	0	(71)	0	0	(2,703)
Net Book Value at 31 March 2021	66,972	318	132	368	0	0	67,790

	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
Cost or Valuation							
Opening Balance 1 April 2021	67,359	2,562	132	439	0	0	70,492
Additions	1,012		239				1,251
Derecognition - Disposals	(1)						(1)
Impairment losses	5						5
Revaluation adjustment	2,600						2,600
Category Adjustments	(22)						(22)
At 31 March 2022	70,953	2,562	371	439	0	0	74,325
Depreciation and Impairments							
Opening Balance 1 April 2021	(387)	(2,244)	0	(71)	0	0	(2,702)
Depreciation							0
Accumulated depreciation written back on derecognition of assets	(1,341)	(105)		(6)			(1,452)
							1
Revaluation losses/impairment recognised in the surplus/deficit on provision	1						
Revaluation losses/impairment recognised in the revaluation reserve	1,104						1,104
							0
Category Adjustments & other movements	20						20
Revaluation adjustment							0
At 31 March 2022	(603)	(2,349)	0	(77)	0	0	(3,029)
Net Book Value at 31 March 2022	70,350	213	371	362	0	0	71,296

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Note 15 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 16 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 – the underlying amount of borrowing the Council has incurred on its capital investment.

	31 March 2022	31 March 2021
	£000	£000
Opening Capital Financing Requirement (see below)		
Prior year adjustment		159,252
Capital Investment		471
Plant Property & equipment Assets	1,251	5,757
Investment Properties	0	0
Intangible assets	7	(6)
Revenue Expenditure Funded from Capital under Statute	2,056	1,257
	3,314	7,008
Sources of Finance		
Government Grants		0
Grants & Contributions toward REFCUS	(2,056)	(1,257)
Capital Receipts		
Sums set aside from revenue & reserves	(319)	(145)
Repayment of capital long term assets		
Minimum Revenue Provision	(2,306)	(1,957)
Voluntary Revenue Provision		
Minimum Revenue Provision - PFI Schemes		
	(4,681)	(3,359)
Closing Capital Financing Requirement	162,005	163,372
Explanation of Movements in the Year		
Increase / (decrease) in underlying need to borrow	(1,367)	4,120
Increase / (decrease) in Capital Financing Requirement	(1,367)	4,120

EXPLANATORY NOTES

Note 17 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 2021/22 include car park, investment properties and any new assets acquired during 2021/22 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 2021/22.

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		2,562	370	439			3,371
Valued at current value in:							0
2021/2022	61,347						61,347
2020/2021	5,544						5,544
2019/2020	2,748						2,748
2018/2019	0						0
2017/2018	1,315						1,315
Book Value at 31 March 2020	0	70,954	2,562	370	439	0	74,325

Note 18 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 14.

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 2022.

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 19 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.

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Note 20 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.

	2021/2022 £000	2020/2021 £000
Rental income from investment property	(10,124)	(10,686)
Direct operating expenses arising from investment property	1,095	1,102
Net (gain)/loss from fair value adjustments	(2,325)	6,572
Net (Gain)/ Loss	<u>(11,354)</u>	<u>(3,012)</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:

	2021/2022 £000	2020/2021 £000
Balance at start of the year	128,232	135,197
Additions: Subsequent expenditure		
Disposals		
Gains from fair value adjustments	2,325	
Losses from fair value adjustments		(6,572)
Impairments losses		0
Transfers (to)/from Property, Plant and Equipment		(393)
Balance at end of the year	<u>130,557</u>	<u>128,232</u>

EXPLANATORY NOTES

Note 21 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.

	2021/2022 Purchased Software Licences £000	2020/2021 Purchased Software Licences £000
Gross carrying amounts	496	502
Accumulated amortisation	(112)	(52)
Net Carrying amount	<u>384</u>	<u>450</u>
Additions	7	(6)
Amortisation for the period	(60)	(60)
Disposals		0
Category Adjustments		
Net carrying amount at end of year	<u>331</u>	<u>384</u>
Comprising:		
Gross carrying amounts	503	496
Accumulated amortisation	(172)	(112)
	<u>331</u>	<u>384</u>

OTHER NOTES TO BALANCE SHEET

Note 22 Short Term Debtors

These represent sums owed to the Council for supplies and services provided before 31 March 2022 but not received at that date.

	2021/2022 £000	2020/2021 £000
Other Local Authorities	1,441	4,029
Government Departments	1,099	4,349
Other entities & individuals:		
Share of Business Rates and Council Tax	755	1,125
Housing Benefit Overpayments	1,808	1,913
All other bodies	2,851	7,423
Payments in Advance	3,950	3,359
Total Short Term Debtors	<u>11,904</u>	<u>22,198</u>
Less: Allowance for expected credit losses		
General Fund debtors	(1,120)	(917)
Housing Benefit Overpayments	(762)	(837)
Council Tax arrears	(115)	(115)
Business Rates Arrears	(228)	(228)
Total Allowance for expected credit losses	<u>(2,225)</u>	<u>(2,097)</u>
Net Debtors	<u>9,677</u>	<u>20,101</u>

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Note 23 Cash and Cash Equivalents

This consists of the Council's cash and bank accounts.

	2021/2022 £000	2020/2021 £000
Cash in hand		
Call accounts and short term deposits	40,437	23,881
Bank Balances	56	45
	<u>40,493</u>	<u>23,926</u>

Note 24 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2022 but not paid for at that date.

	2021/2022 £000	2020/2021 £000
Other Local Authorities	0	(130)
Government Departments	(13,168)	(10,117)
Government Departments - Covid		
Business grants	(3,677)	(5,930)
All other bodies	(6,034)	(7,582)
Receipts in Advance	(1,071)	(2,536)
Accumulated Absences	(238)	(379)
Total Short Term Creditors	<u>(24,188)</u>	<u>(26,674)</u>

Note 25 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.

- 1) Business Rate Retention Scheme Appeals £2,146,867
- 2) A provision to cover the expected exit costs of the ICT contract; £317,000, split equally between within one year and outside one year
- 3) A Bad debt provision: £2,224.904

EXPLANATORY NOTES

Note 26 Income from Grants and Contributions

	2021/2022 £000	2020/2021 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax s31 Grant	317	(370)
Covid grants	(491)	(1,501)
Covid Income Support	(458)	(2,056)
New Homes Bonus	(2,114)	(3,345)
Grants and contributions towards capital expenditure	(3,625)	(3,733)
Business Rates Retention Scheme	(15,755)	(8,178)
Total	(22,126)	(19,183)
Credited to Services		
Housing Benefit	(15,645)	(16,985)
Grants for REFCUS	(2,056)	(1,257)
Hardship relief funding	0	(516)
Benefits Administration Grant	(177)	(202)
Other Grants and Contributions	(2,868)	(437)
Total	(20,746)	(19,397)
Total Grants, Contributions & Donations	(42,871)	(38,580)

Note 27 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:

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	31 March 2022 £'000	31 March 2021 £'000
Investment Property	5,080	5,080
Vehicles, Plant and Equipment	0	0
	5,080	5,080

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

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	10	10
Later than one year	5,080	5,080
Finance Costs payable in future years	12,295	12,590
Total Minimum Lease payments	17,385	17,680

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

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	305	305
Later than one year and not later than five years	1,219	1,219
Over 5 years	15,851	16,155
Minimum Lease payments	17,375	17,679

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	11	10
Later than one year and not later than five years	50	47
Over 5 years	5,021	5,034
Finance Lease Liabilities	5,082	5,091

The Authority sub-lets individual units held under the investment property Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £ 11.8m at 31st March 2022 (£12.9m at 31st March 2021).

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 £65,317, £49,288 of this is included in assets that are sublet

EXPLANATORY NOTES

Minimum Lease Payments under non cancellable leases:

	31 March 2022	31 March
	£000	2021
		£000
Not later than one year	5	5
Later than one year and not later than five years	21	21
Over 5 years	39	45
	65	71

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 2022	31 March
	£000	2021
		£000
Not later than one year	7,559	7,984
Later than one year and not later than five years	24,291	26,305
Over 5 years	16,795	22,200
	48,645	56,489

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 28 Borrowing

An analysis of loans by maturity is as follows:

	2021/2022	2020/2021
	£000	£000
Short Term Borrowing		
Maturing within 1 year Temporary Loans	0	0
Maturing within 1 year Long Term Borrowing	(5,421)	(5,432)
	<u>(5,421)</u>	<u>(5,432)</u>
Long Term Borrowing		
Maturing in 1 to 2 years	(1,861)	(1,861)
Maturing in 2 to 5 years	(5,814)	(5,814)
Maturing in 5 to 10 years	(35,148)	(35,148)
Maturing in more than 10 years	(74,607)	(76,425)
Total Maturing after 1 year	<u>(117,430)</u>	<u>(119,248)</u>
Total Borrowing	<u><u>(122,852)</u></u>	<u><u>(124,680)</u></u>

The total borrowing can be further analysed by lender category:

	2021/2022	2020/2021
	£000	£000
Temporary Loans	0	0
Long Term Loans:		
Public Works Loans Board	(122,852)	(124,680)
Money Market	0	0
	<u><u>(122,852)</u></u>	<u><u>(124,680)</u></u>

NOTES RELATING TO RESERVES

Note 29 Usable Reserves

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

Reserve	Note	2021/2022	2020/2021
		£000	£000
General Fund		(3,861)	(3,662)
Earmarked Reserves	30	(23,694)	(10,915)
General Fund balance per			
Movement in Reserves			
Statement		<u>(27,555)</u>	<u>(14,577)</u>
Closing General fund per			
Expenditure & Funding			
Statement		<u>(27,555)</u>	<u>(14,577)</u>
Other Usable Reserves			
Usable Capital Receipts Reserve		(4,418)	(4,625)
Capital Grants and Contributions		(16,920)	(10,419)
Unapplied Account			
Total Usable Reserves		<u><u>(48,893)</u></u>	<u><u>(29,621)</u></u>

EXPLANATORY NOTES

Note 30 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 2021/22 and 2020/21.

Earmarked Reserves	2020/2021 £000	Movement £000	2021/2022 £000
Asset Management Fund	(1,047)	0	(1,047)
Externally Funded Reserve	(1,145)	32	(1,113)
Financial Management Reserve	(687)	(655)	(1,342)
Corporate Planning Reserve	(4,395)	255	(4,140)
Service Management Reserve	(1,876)	(166)	(2,042)
Financial Stability Reserve	(2,455)	(428)	(2,883)
Welfare Fund Reserve	(702)	43	(659)
Community Grant Fund Reserve	(679)	(416)	(1,095)
Property Financial Resilience Reserve	(500)	(1,250)	(1,750)
Environmental Initiatives Reserve	(50)	(250)	(300)
Pensions Resilience Reserve	(657)	(657)	(1,314)
Digital Strategy Reserve	0	(1,000)	(1,000)
S31 Business Rates Reserve	(5,009)	0	(5,009)
Total	(19,202)	(4,492)	(23,694)

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

Digital Reserve - Towards future digital expenditure

S31 Business Rates reserve - A specific reserve to cover any impacts from Covid on Business Rate recovery

Note 31 Unusable Reserves

Reserve	Note	2021/2022 £000	2020/2021 £000
Revaluation Reserve	32	(28,763)	(25,615)
Capital Adjustment Account	33	(11,414)	(7,417)
Deferred capital receipts		(261)	(261)
Pensions Reserve	37	42,769	54,505
Collection Fund Adjustment Account		5,017	5,208
Accumulated Absences Account		238	379
Total Unusable Reserves		7,586	26,799

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 32 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	2021/2022	2020/2021
	£000	£000
Balance at 1 April	(25,615)	(19,573)
Opening Balance at 1 April	(25,615)	(19,573)
Upward revaluation of assets	(3,704)	(6,356)
Downward revaluations of not charged to surplus/ deficit on the provision of services		
Impairment reversals to the Revaluation reserve		
Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services	(29,319)	(25,929)
Difference between fair value depreciation and historic cost depreciation	556	293
Accumulated gains on assets sold or scrapped		21
Balance at 31 March	(28,763)	(25,615)

EXPLANATORY NOTES

Note 33 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.

	2021/2022 £000	2020/2021 £000
Opening balance at 1 April	(7,416)	(13,927)
Prior Year adjustment		
Opening movement	0	0
Revised Opening Balance 1 April	(7,416)	(13,927)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account		
- charges for depreciation of non-current assets	1,453	817
- charges for impairment/revaluations of plant, property and equipment	(5)	28
- gains in fair value on Investment properties	(2,325)	6,572
- amortisation of intangible assets	60	61
- revenue expenditure funded from capital under statute	2,056	1,257
- disposals		957
	1,239	9,692
Adjusting amounts written out of Revaluation Reserve	(556)	(293)
Net written out amount of the cost of non-current assets consumed in the year	683	9,399
Capital financing applied in the year		
-Use of capital receipts reserve to finance new capital expenditure	(319)	(145)
- revenue expenditure funded from capital under statute	(2,056)	(1,257)
-application of capital grants		
-statutory provision for the financing of capital investment charged against the general fund	(2,306)	(1,486)
-capital expenditure financed from revenue		
Balance at 31 March	(11,414)	(7,416)

Note 34 Pension Reserve

	2021/2022 £000	2020/2021 £000
Pensions Reserve		
Balance at 1 April	54,505	47,079
Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability	(15,799)	4,813
Accounting/Financing Adjustments		
Difference between accounting and statutory credit for pension costs depreciation	4,063	2,613
Balance at 31 March	42,769	54,505

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 35 Capital Grants Receipts in Advance

	2021/2022 £000	2020/2021 £000
Amounts falling due after one year (all other bodies)		
S106	(9,712)	(9,562)
Other	(4,479)	(2,926)
	<u>(14,191)</u>	<u>(12,488)</u>

Note 36 Financial Instruments

Categories of Financial Instruments

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

Financial Assets	31 March 2022		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	tbc	tbc	0	0
Financial assets at amortised Cost	tbc	tbc	73	73
Long term Assets	0	0	73	73
Short Term Debtors	tbc	tbc	202	202
Trade accounts receivable	tbc	tbc	395	395
Bank deposits less than 3 months	40,437	40,437	23,881	23,881
Cash and bank accounts	56	56	46	46
Other financial assets at amortised cost	40,493	40,493	24,524	24,524
Total Financial Assets	40,493	40,493	24,597	24,597

Financial Liabilities	31 March 2022		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Creditors	tbc	tbc	(4,565)	(4,565)
Public Works Loan Board	(5,421)	(5,443)	(5,432)	(6,086)
Finance Lease	(10)	(10)	(10)	(10)
			0	0
Short Term Financial liabilities at amortised cost	(5,431)	(5,453)	(10,008)	(10,661)
Public Works Loan Board	(117,430)	(116,217)	(119,248)	(125,776)
Finance Lease	(5,080)	(5,080)	(5,080)	(5,080)
LongTerm Liabilities at amortised cost	(122,510)	(121,297)	(124,328)	(130,856)
Total Financial Liabilities	(127,942)	(126,750)	(134,336)	(141,517)

EXPLANATORY NOTES

Notes relating to Cash Flow Statement

Note 37 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2021/2022 £000	2020/2021 £000
Purchase of Property, plant and equipment, investment property and intangible assets	1,257	5,752
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	(319)	(124)
Other receipts from investing activities	(5,072)	(10,921)
Net cash flows from investing activities	(4,134)	(5,293)

Note 38 Cash Flow Investing Activities

	2021/2022 £000	2020/2021 £000
Cash Receipts of short and long term borrowing	2,028	1,641
Net cash flows from financing activities	2,028	1,641

Note 39 Cash Flow Financing Activities

	2021/2022 £000	2020/2021 £000
Interest Received	(4)	(32)
Interest Payable	2,897	2,945
	2,893	2,913

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 40

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 2022.

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 2022 actuarial valuation report dated 31 March 2022. 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.

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 2022 and 2021 are as follows:

Local Government Pension Scheme	31 March 2022	31 March 2021
	£000	£000
Fair Value of Employer Assets	109	103
Present Value of Funded Liabilities	(150)	(155)
Net (Under)/Overfunding in Funded Plans	(40)	(52)
Present value of Unfunded Liabilities	0	(3)
Net Asset/(Liability)	(40)	(55)
Amount on balance sheet		
Asset	109	103
Liability	(150)	(158)
Liability Amount in Balance Sheet	(40)	(55)

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

EXPLANATORY NOTES

	Period ended 31 March 2022			Period ended 31 March 2021		
	Assets		Net	Assets		Net
	Obligations	Liabilities	(liability)/	Obligations	Liabilities	(liability)/
	£000	£000	£000	£000	£000	£000
Fair value of employer assets			0	0	0	0
Present value of funded liabilities	103,317	0	103,317	84,258	0	84,258
Present value of unfunded liabilities	0	(157,822)	(157,822)	0	(131,337)	(131,337)
Opening Position	103,317	(157,822)	(54,505)	84,258	(131,337)	(47,079)
Service cost						
Current service cost*	0	(4,759)	(4,759)	0	(3,446)	(3,446)
Past service cost (including curtailments)	0	0	0	0	(110)	(110)
Effect of settlements	0	0	0	0	0	0
Total service cost	0	(4,759)	(4,759)	0	(3,556)	(3,556)
Net interest						
Interest income on plan assets	2,156	0	2,156	1,917	0	1,917
Interest cost on defined benefit obligation		(3,281)	(3,281)	0	(2,918)	(2,918)
Impact of asset ceiling on net interest	0	0	0	0	0	0
Total net interest	2,156	(3,281)	(1,125)	1,917	(2,918)	(1,001)
Total defined benefit cost recognised in Profit or (Loss)	2,156	(8,040)	(5,884)	1,917	(6,474)	(4,557)
Cash flows						
Plan participants' contributions	729	(729)	0	689	(689)	0
Employer contributions	1,821	0	1,821	1,944	0	1,944
Contributions in respect of unfunded benefits	0	0	0	0	0	0
Benefits paid	(3,926)	3,926	0	(4,450)	4,450	0
Unfunded benefits paid			0		0	0
Expected closing position	104,097	(162,665)	(58,568)	84,358	(134,050)	(49,692)
Remeasurements						
Change in demographic assumptions	0	1,554	1,554	0	0	0
Change in financial assumptions	0	9,512	9,512	0	(25,328)	(25,328)
Other experience	0	(507)	(507)	0	1,556	1,556
Return on assets excluding amounts included in net interest	5,240	0	5,240	18,959	0	18,959
Total remeasurements recognised in Other Comprehensive Income (OCI)	5,240	10,559	15,799	18,959	(23,772)	(4,813)
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	109,337	0	109,337	103,317	0	103,317
Present value of funded liabilities	0	(152,106)	(152,106)	0	(157,822)	(157,822)
Present value of unfunded liabilities			0	0		0
Closing position	109,337	(152,106)	(42,769)	103,317	(157,822)	(54,505)

Pension Assumptions

Financial Assumptions

The estimates of pensions payable in future years are dependent on certain assumptions. The main assumptions used in the calculations are:

	% per annum	% per annum
Rate of inflation	3.0%	2.7%
Pension Increase Rate	3.0%	2.7%
Salary Increase Rate	4.0%	3.7%
Discount Rate	2.7%	2.1%

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Assumptions on Mortality Rates

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

Longevity at 65 for current pensioners:

Men	22.9	23.1
Women	25.4	25.5

Longevity at 45 for future pensioners:

Men	24.7	24.8
Women	27.1	27.3

Information about the defined benefit obligation

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.

	Liability split
	%
Active members	34
Deferred members	20
Pensioner members	46
Total	100

Pension Assets

Fair value of employer assets

Assets in the Pension Fund are valued at a fair value, principally market value for investment and consist of the following categories, by proportion:

Asset Category	31 March 2022			31 March 2021		
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
Equities	45.8%	11.1%	56.9%	49.4%	7.6%	57.0%
Government Bonds	17.2%	0.0%	17.2%	17.3%	0.0%	17.3%
Corporate Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property	0.9%	6.0%	6.9%	0.8%	5.3%	6.1%
Cash	0.9%	0.0%	0.9%	1.4%	0.0%	1.4%
Others	14.6%	3.5%	18.1%	15.9%	2.3%	18.2%
Totals	79.4%	20.6%	100.0%	84.8%	15.2%	100.0%

EXPLANATORY NOTES

Projected defined benefit costs for the period to 31 March 2023

The estimated employer contributions for the year to 31 March 2023 will be approximately £33.212 million.

NOTES RELATING TO ACCOUNTING DECISION-MAKING

Note 41 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 2021/22 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

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

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

Note 42 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 43 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

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The Council's external valuers provide a valuation of all properties every 5 years with the exception of its Investment Portfolio which is valued annually. This process is to identify material movements in their valuation and to review the estimated life of the asset.

Investment Property

The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. A 10% change in the valuation of the Investment Property Portfolio represents c£13 million based on current valuations.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, 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 effects on the net pension liability of changes in individual assumptions can be measured and further details of the assumptions are in note 40.

Arrears

At 31 March 2022, the Council had a balance of short term debtors of £9.67 million. An allowance for expected credit losses of £2.22 million or around 18.7% of the debt has been made. The current economic climate has made the estimation of debt impairment more difficult, and this will continue to be monitored and adjusted as more information/stability arises.

An increase or decrease in collection rates would have the effect of changing the level of allowance for expected credit losses needed.

Business Rates

The Council has set aside £2.147 million representing a 40% share, to cover any potential appeals in relation to incorrect rateable values of Business Rates, these appeals can be backdated to 1st April 2010.

Note 44 Authorisation of Accounts for Issue

These accounts will be considered and authorised by the Chief Financial Officer of East Hampshire District Council on 31 October 2022. The final audited version of these accounts will be considered for approval by the Audit Committee in the future

Note 45 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 31 October 2022. 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 2021/22.

Note 46 Contingent Liabilities

EXPLANATORY NOTES

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 2022.

Note 47 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 2021/22 was approved by Full Council in February 2021 and is available on the Council's website.

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 48 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

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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 49 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 50 Interest in Other Entities

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

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

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

- 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)

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- 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

	2021/22	2020/21
Turnover	638,804	389,729
Gross Profit	<u>638,804</u>	<u>389,729</u>
Admin Expenses	(638,786)	(495,124)
Other Operating Income	6,355	113,345
Operating Profit	6,373	7,950
Interest Payable and Similar charges	(3,639)	(3,584)
Profit for the Finance Year	<u>2,734</u>	<u>4,366</u>

EHCS Ltd Balance Sheet

	2021/22	2020/21
Fixed Assets		
Tangible Assets	<u>5,514</u>	<u>2,075</u>
	5,514	2,075
Current Assets		
Debtors	41,155	56,370
Cash at Bank/In Hand	<u>24,658</u>	<u>58,465</u>
	65,813	114,835
Creditors		
Amount falling due with 1 year	<u>(101,645)</u>	<u>(149,962)</u>
Net Currnet Assets (Liabilities)	<u>(35,832)</u>	<u>(35,127)</u>
Total Assets less Current Liabilities	<u>(30,318)</u>	<u>(33,052)</u>
Net Liabilities	<u>(30,318)</u>	<u>(33,052)</u>
Capital and Reserves		
Called up Share Capital	100	100
Profit and Loss Account	<u>(30,418)</u>	<u>(33,152)</u>
Shareholder Funds	<u>(30,318)</u>	<u>(33,052)</u>

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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 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices 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.

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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

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guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

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

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- net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- remeasurements comprising:
 - the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Hampshire pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

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

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

9. Fair Values

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

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

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

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The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

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

10. Financial Instruments

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

11. Government Grants and Contributions

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

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

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

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

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

The Council has elected to charge a Community Infrastructure Levy (CIL), charged on new builds with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund various projects described as “infrastructure” in a broader sense than used for Council property. The infrastructure investment is determined in the 123 list and it is not necessarily this Council that will undertake the works.

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

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permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and that authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

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

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

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

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

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

14. Interest in Companies and Other Entities

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

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

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

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

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

15. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the

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lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

16. Overheads and Support Services

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

17. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase 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

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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:

- 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.

EXPLANATORY NOTES

- 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.

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.

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

19. Reserves

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

Usable reserves comprise the following:

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

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

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

EXPLANATORY NOTES

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.

GLOSSARY

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 2021/2022	Council Tax 2021/2022	Total 2021/2022 £000	Non-Domestic Rates 2020/2021	Council Tax 2020/2021
Income					
Council Tax		(97,501)	(97,501)		(91,851)
Non-Domestic Rates	(24,670)		(24,670)	(16,649)	
Transferred from General Fund					
Transitional Relief	(130)		(130)	(65)	
Section 13A relief		0			(230)
Total Income	(24,800)	(97,501)	(122,301)	(16,714)	(92,081)
Disbursement					
Precepts and Demands					
- East Hampshire District Council	12,279	11,449		12,480	11,114
- Hampshire County Council	2,763	69,423		2,808	65,707
- Police & Crime Commissioner		11,642			10,802
- Hampshire Fire Authority	307	3,621		312	3,528
- Central Government	15,349			15,600	
Share of surplus/(deficit) on Collection Fund			126,832		
- East Hampshire District Council	-5,238	22		(2,235)	118
- Hampshire County Council	(1,179)	130		(503)	705
- Police & Crime Commissioner		21		0	115
- Hampshire Fire Authority	(131)	7		(56)	39
- Town and Parish Councils	(6,548)	0		(2,793)	
			(12,916)		
Cost of collection allowance	156			158	
Movement in allowance for Bad Debts	170	94		138	41
Write-offs		220			270
Appeals	(959)			147	
Other transfers to general fund	92			83	
			(227)		
Total Expenditure	17,061	96,628	113,689	26,139	92,439
Fund surplus/(deficit) for the year	(7,740)	(873)	(8,612)	9,425	358
	Non-Domestic Rates	Council Tax	Total	Non-Domestic Rates	Council Tax
Fund balance b/f	13,381	(1,006)	12,375	13,381	(1,006)
(Surplus)/deficit for year	(7,740)	(873)	(8,612)	0	0
Fund balance c/f	5,641	(1,879)	3,763	13,381	(1,006)

GLOSSARY

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 £136.41 for 2021/22 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	2021/2022 Band D Equivalent Dwellings	2020/2021 Band D Equivalent Dwellings
Band A Disabled	5/9	8	5	3
Band A	6/9	1,566	1,130	1,052
		1,574	1,135	1,055
Band B	7/9	3,942	2,979	2,995
Band C	8/9	10,429	9,310	9,369
Band D	9/9	10,379	10,015	9,910
Band E	11/9	10,250	10,085	10,033
Band F	13/9	8,966	8,870	8,770
Band G	15/9	7,889	7,811	7,758
Band H	18/9	1,210	1,203	1,193
Council Tax Base		54,640	51,407	51,083

2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2022 was £86,106,685 (£86,397,807 at 31 March 2021). The national non domestic multiplier for the year was 51.2p (51.2p in 2020/21) and the small business rates relief multiplier was 49.9p (49.9p in 2020/21).

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.

Hampshire County Council	508	(1,350)	(842)	1,204	(726)	478
Police		(232)	(232)	0	(121)	(121)
Fire	56	(75)	(19)	134	(38)	96
Central Government	2,257	0	2,257	6,691	0	6,691
	2,821	(1,657)	1,163	8,029	(885)	7,144

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

GLOSSARY

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

Cash Equivalents

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.

GLOSSARY

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.

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.

GLOSSARY

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.

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 taxable goods and services.