

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

2022/2023

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ANNUAL REPORT – FINANCE NARRATIVE REPORT

Annual Report - Director of Finance's Narrative Report

Introduction

The Statement of Accounts for East Hampshire District Council for the year ended 31 March 2023 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("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 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 2022/23 is 31st May for the unaudited statement of accounts and 30th September for the audited statement of accounts. Unfortunately, due to conflicting work, the draft 2022/23 accounts were not finalised and signed off until 31st July 2023.

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. Summary of Achievements
3. Governance
4. Summary of the 2022/23 Financial Performance of the Council
5. Strategic Risks
6. Liability for Pensions Costs
7. Future Plans
8. Material assets/liabilities
9. Explanation of the Financial Statements
10. 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.

Towards the end of 2021/22, a decision was made with Havant Borough Council to exit its long-term partnership arrangement. This was completed efficiently and quickly during 2022/23 and East Hampshire District Council is now functioning as a standalone council.

East Hampshire District Council is comprised of 43 councillors (elected every four years) and operates according to the leader and cabinet model. In 2022-23 the Council was controlled by a Conservative majority, with 8 Liberal Democrats, 3 Independents and 1 Green councillors. An election took place in May 2023 which resulted in a coalition between Conservatives (19) and Whitehill & Bordon Community Party (6) with Liberal Democrat (14), Green (2), Labour (1) and Independent (1) 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 Council's income comes from a variety of sources. Against a backdrop of decreasing funding from central government, the Council has worked hard to continue delivering efficient and effective services to residents and businesses. It is committed to careful and sustainable management of its resources in an upcoming time of change and will prioritise the needs of local people and businesses as it undergoes transformation.

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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. 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 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 achievements are reported Quarterly to Members, here are extracts of those by each Quarter.

Quarter 1

- Appointment of the new Senior Leadership Team
- Development of new standalone structures for the new Directorates
- Continued to progress our exciting transformation programme 'Shaping East Hampshire's Future' and focussed on the transition to a standalone Council
- Developed the business case to move to a fantastic new green Council HQ in Petersfield
- Worked with partners to provide support to Ukrainian refugees and families in the district
- Developed the business case to move to a fantastic new green Council HQ in Petersfield
- Commenced Distribution the Energy Rebate scheme to eligible residents (£150 to those in Council Tax bands A to D)
- Progressed the Local Plan with commitment to consult again at the end of 2022

Quarter 2

- Embedded the new Senior Leadership Team
- Development of new standalone structures for the new Directorates
- £500K saving made by using new design structure principles
- Effective transition to a standalone council – no compulsory redundancies
- Launch of the values & behaviours to all staff – positive, respectful, bold, results driven
- Successful Staff Event held to celebrate the launch of the standalone council
- Continued to progress our exciting transformation programme 'Shaping East Hampshire's Future' and focussed on the transition to a standalone Council
- Business case approved to move to a fantastic new green Council HQ in Petersfield
- Continue to work with partners to provide support to Ukrainian refugees and families in the district
- Procured and distributed 5000 Food Vouchers to low-income households
- Progressed the Local Plan with commitment to consult again at the end of 2022

Quarter 3

- Delivered and completed the exit from JMTA, by exception commissioned services are covered by new agreements which in
- the main are services provided to Havant.
- Significant progress made in the data cleansing and data segregation project to separate EHDC/HBC data. Project to be
- concluded by 30th April 2023.
- Work at pace continues on our exciting transformation programme 'Shaping East Hampshire's Future' with all Directorates
- now undertaking the applied programme of redesign.
- Work completed to identify savings to be delivered through the transformation programme which estimates a sum of £1.680 million over the next two years.
- The Cost of Living Support Team have made significant progress in identifying initiatives to support EHDC's residents. Many of these will be commissioned and operational in Q4.

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- In depth case work by the Housing Solutions Team has meant a high level of homelessness interventions being 200 and only 1 homelessness acceptance.
- Grow Up! Programme (circa £1 million) business case approved by DLUHC under its Shared Prosperity Fund. Delivery team assembled and programme formed.
- Progressed the Local Plan with a commitment to consult again at the end of 2023.

Quarter 4

- Our exciting transformation programme ‘Shaping East Hampshire’s Future’ continues at pace. All Directorates are now examining their own services to discover how they can be improved.
- The budget for 2023/24, including a balanced 5-year Medium Term Financial Strategy, has been agreed.
- Signed a stand-alone Joint Venture (East Hampshire Norse) for Environmental Services with Norse Commercial Services, which allows for more control over environmental services delivery.
- Data cleansing and data segregation project completed on time, reducing risks to the council and protecting customer data in line with legislation.
- An arrangement to provide Parking Services to HBC was ended and a new standalone service for EHDC to monitor, patrol and enforce car parks across East Hampshire was established. This allows us to focus our resources on the district.
- Department for Levelling Up, Housing and Communities awarded EHDC £595k in Q4 to assist with resettlement of Ukraine and Afghan households.
- Preparations for all-out District and Parish Elections ran smoothly and the communications and preparations for introduction of Voter ID were a success, with no major incidents reported.
- The Community Climate Action Fund was launched and allocated £126,000 to climate action projects. Events were run, including Sustainable Business East Hampshire, in January 2023, and Get East Hants Green, in March 2023.
- Asset Management Strategy adopted by Council 2023 means a refreshed policy is in place to support robust management of commercial property investment portfolio.

Key Business Indicators

The table below contains some of our key corporate performance indicators in 2022-23, with comparison figures from 2021-22 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	2021-22	2022-23
Business Rates collection rate	95.9%	97.4%
Council Tax collection rate	98.3%	98.2%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	72.9%	75%
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	78.4%	87%
All planning applications decided within 26 weeks (above 98%)	98.5%	92%
Homelessness interventions (above 600 for the year)	594	232
Customer satisfaction with service centre (above 97%)	98%	99.1%
Freedom of Information requests responded within statutory deadline (above 95%)	95.4%	98%

3. Governance

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

The Council

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.

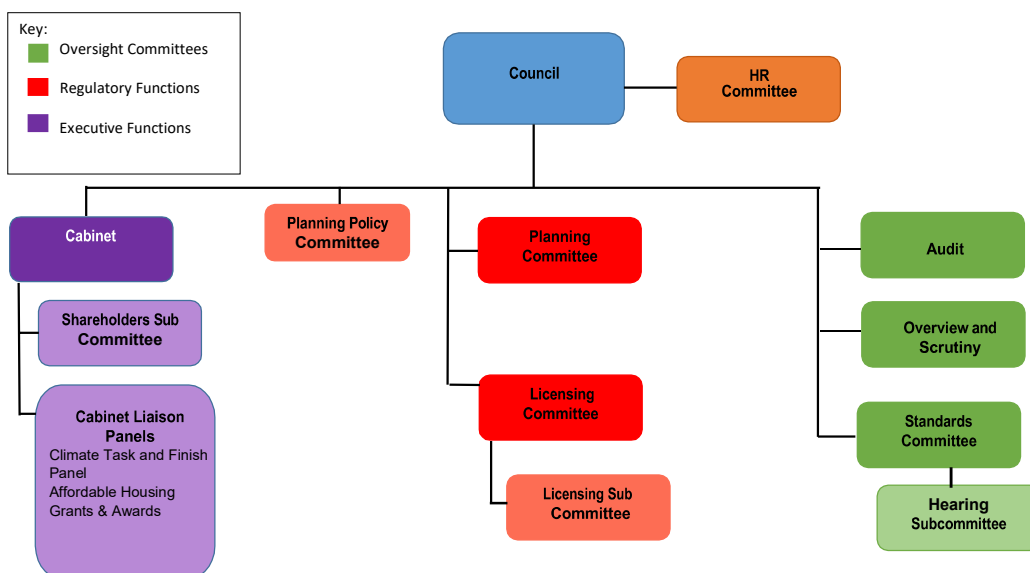
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All councillors meet together for Full Council meetings six times a year. These are held in public and are used to decide the council's overall policies and set the budget each year.

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 2022/23.

RESPONSIBILITY FOR FUNCTIONS
The Council's Management Structure, Diagram of Decision-Making Bodies, and Introduction to Decision Making

East Hampshire Decision Structure



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 6 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

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Audit Committee

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

The Committee had the remit to;

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

Planning Committee

The Committee is made up of 13 Councillors and normally meets monthly.

The majority of planning applications are dealt with by council officers under delegated powers from the Planning Committee as they are relatively straight forward.

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 18 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 twice 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 5 times during the year.

The Planning Policy Committee functions are:

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

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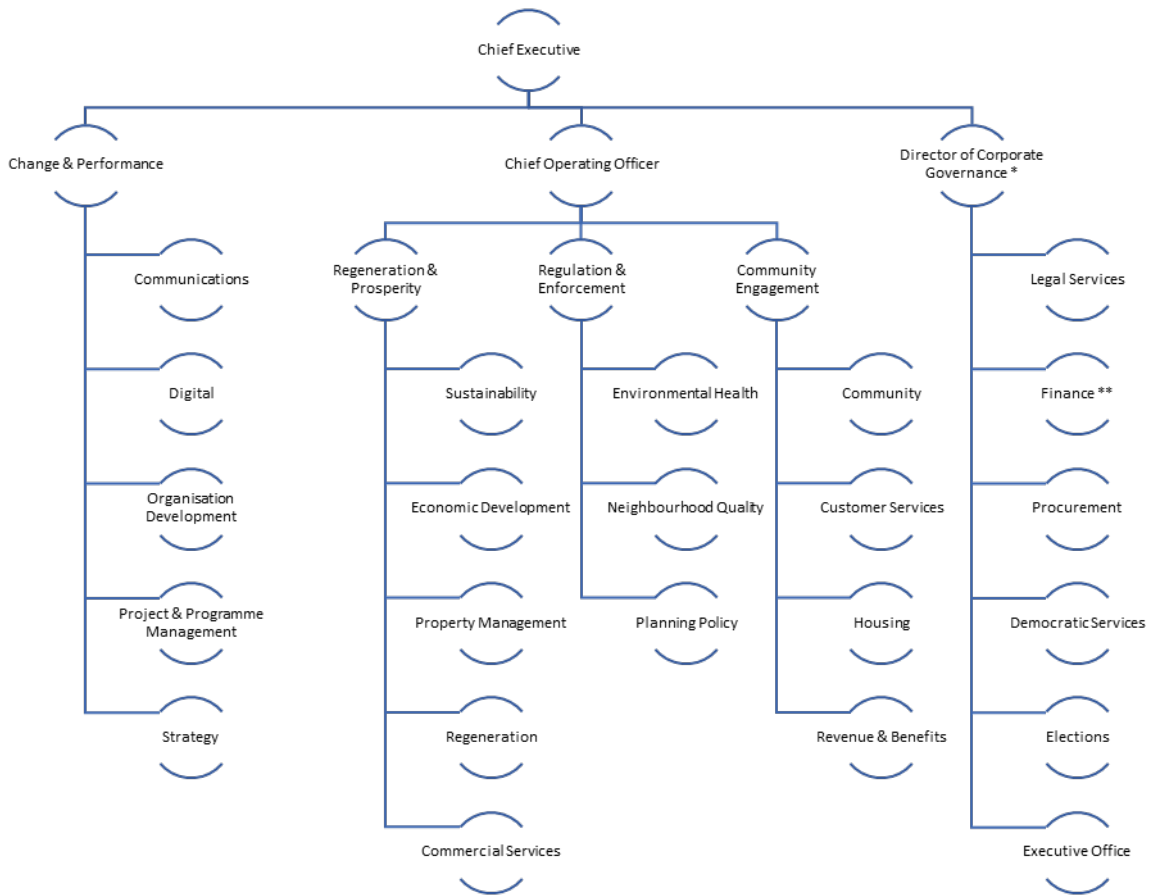
Human Resources Committee

The Committee is made up of 6 Councillors and met 4 times during the year.

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

Management Structure

Supporting the work of elected Members is the organisational structure of the Council headed by the Executive Team. This is comprised of East Hampshire District Council's most senior officers. The Council appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. The structure was updated in early 2022/23 and is shown below:



* Monitoring Officer

** Section 151

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Staffing

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

Employees	2021/22	2022/23
Total number of current permanent full and part time employees	297	308
Total number of current temporary / fixed term employees	*	*
Total number of employees	297	308
Total number of employees expressed as full-time equivalents	270	281

Posts	2021/22	2022/23
Total number of permanent full and part time posts	328	328
Total number of temporary / fixed term posts	*	*
Total number of posts	328	328
Total number of posts expressed as full-time equivalents	300	301

*- Not available

Sickness and accident statistics are shown in the table below:

	2021/22	2022/23
Short term sickness (days per FTE)	4.1	5.2
Long term sickness (days per FTE)	2.2	2.8
Overall sickness (days per FTE)	6.3	8.0

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4. A Summary of the 2022/23 Financial Performance of the Council

General Fund

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year. Our overall position was an underspend of £248,000 which was achieved during significant change to the Council and continued pressures being experienced.

	2022/2023		
	Final Budget £000	Outturn £000	Variance £000
Change & Performance			
Communications	362	362	(1)
Digital	1,818	1,896	78
Organisational Development	518	446	(72)
Project & Programme Management	303	272	(31)
Strategy	434	278	(156)
Community Development & Engagement			
Community	920	1,057	137
Customer Service	1,113	1,048	(65)
Housing	201	472	271
Revenues & Benefits	613	157	(456)
Corporate Governance			
Contract Management	3,433	3,458	25
Democratic Services	542	582	40
Elections	209	146	(64)
Executive Office	341	329	(12)
Finance	1,845	1,329	(516)
Legal Services	621	788	167
Regeneration & Prosperity			
Climate and Sustainability	398	398	0
Commercial Services	103	103	0
Economic Development	58	28	(30)
Property	(7,499)	(7,425)	74
Regeneration	1,020	900	(120)
Regulation & Enforcement			
Environmental Health	905	776	(129)
Neighbourhood Quality	(1,388)	(1,134)	254
Planning	1,778	2,012	234
Other Operating I&E			
Total Cost of Services	8,648	8,276	(372)
Other Operating I&E (Corporate Pension Costs)	0	93	93
Finance Charges	1,757	2,357	600
Interest from Investments	0	(677)	(677)
Interest payments	2,695	2,854	159
Net Cost of Services	13,100	12,903	(197)
Funded by:			
Parish precepts	4,436	4,655	219
Business rates Retention	(4,620)	(4,809)	(189)
Council Tax Demand on the Collection Fund (inc precepts)	(11,624)	(11,732)	(108)
General Grants	(2,574)	(2,547)	27
Contributions to/(From) Earmarked Reserves	1,282	1,282	0
Total Funding	(13,100)	(13,151)	(51)
Net (Surplus)/Deficit	0	(248)	(248)

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

Service Area	Variance to budget (£000)	Reasons
ICT Services	78	Increased costs relating to software licences and the capita contract offset by lower salaries through vacancies
Human Resource	(72)	Lower external spend such as training, workplace Health schemes and additional one-off income received
Project & Programme Management	(31)	Lower salaries due to staff being charged to Transformation
Strategy	(156)	Mainly related to vacancies held for the majority of the year
Community	137	Overspent in salaries due to pressures within the service
Customer Services	(65)	Mainly related to vacancies within the service
Housing	271	Increased demand on Bed and Breakfast and Homelessness activity arising from current climate
Revenue & Benefits	(456)	Largely related to additional grant income received from Central Government in relation to Energy/New Burdens relief
Democratic Services	40	Agency costs covering vacancies within the team
Elections	(64)	Combination of vacancies within the service, lower external spend and a one off Government Grant
Finance	(516)	Additional income received from our investing activities and achieving good rates of return.
Legal Services	167	Agency costs covering vacancies within the team
Economic Development	(30)	Largely related to vacancies within the service
Property	74	Small overspend related to overhead costs on vacant properties and marketing costs
Regeneration and Economy	(120)	Largely related to vacancies within the service and reduced external spend
Environmental Health	(129)	Largely related to vacancies within the service and one-off income received partially offset with reduced income in Taxi Licences
Neighbourhood Quality	254	Reduced income in Off-Street Parking reduced by increased income through Traffic Management
Planning	234	Shortfall in income through lower than expected demand and increased costs to clear the backlog of cases
Operating Expenses	123	Small increase in our financing charge and additional Pension related costs

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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	2022/23 Budget £'000	2022/23 Outturn £'000	2022/23 Variance £'000
Housing			
Disabled Facilities Grants	1.381	0.776	(0.605)
Operational Land & Buildings			
Leisure centre replacement (Alton)	0.000	0.270	0.270
Leisure centre replacement (W&B)	0.000	0.014	0.014
Pinewood Village Hall	0.000	0.545	0.545
Station regeneration	0.000	1.140	1.140
Penns Regeneration	0.000	0.026	0.026
Investment Properties	0.000	0.466	0.466
IT Equipment	0.000	0.072	0.072
Vehicles	0.000	0.000	0.000
Total Capital Programme	<u>1.381</u>	<u>3.309</u>	<u>1.928</u>
Funding			
REFCUS (Revenue funded as Capital under Statute)	1.381	0.776	(0.605)
External Grants & Contributions	0.000	0.000	0.000
Use of Specific Reserves	0.000	0.466	0.466
Use of Capital Receipts	0.000	2.067	2.067
Borrowing Requirements	0.000	0.000	0.000
Total Funding	<u>1.381</u>	<u>3.309</u>	<u>1.928</u>

5. Strategic Risks

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

6. Liability for Pensions Costs

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The Council's net Pension Liability valued on an IAS 19 basis decreased from £42.769 million at 31st March 2022 to £10.168 million at 31st March 2023. It is detailed in Note 41 to the accounts. Gross liabilities have decreased by £38.870 million mainly due to changes in financial assumptions, and the fair value of assets has decreased by £6.268 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

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7. Future Plans

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

The Medium Term Financial Strategy continues to indicate 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 East Hampshire's 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 for 2023/24 in February 2023 and takes into account inflation (both pay and contract), superannuation and national insurance changes. This is being updated for 2024/25 budget setting to reflect the move to a standalone Council and changes arising from the Shaping East Hampshire's Future programme.

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The medium term financial strategy for the period 2023/24 to 2027/28 is set out in the table below was approved by Full Council in February 2023

	2023/24 Approved £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Change & Performance					
Communications	350	350	350	350	350
Digital	1,814	1,814	1,814	1,814	1,814
Organisational Development	448	548	548	548	548
Project & Programme Management	710	710	710	710	710
Strategy	239	239	239	239	239
Community Development & Engagement					
Community	744	744	744	744	744
Customer Services	836	836	836	836	836
Housing	174	174	174	174	174
Revenue & Benefits	649	649	649	649	649
Corporate Governance					
Contract Management	4,637	4,974	5,445	5,692	5,952
Democratic Services	536	536	536	536	536
Elections	184	184	184	184	184
Executive Office	533	533	533	533	533
Finance	1,102	1,102	1,102	1,102	1,102
Legal Services	609	609	609	609	609
Regeneration & Prosperity					
Asset Management	0	0	0	0	0
Climate and Sustainability	20	20	20	20	20
Economic Development	115	115	115	115	115
Property Management	(7,142)	(8,116)	(8,346)	(8,301)	(8,255)
Regeneration	1,004	1,004	1,004	1,004	1,004
Commercial Services	218	218	218	218	218
Regulation & Enforcement					
Development Management	0	0	0	0	0
Environmental Health	826	826	826	826	826
Neighbourhood Quality	(1,290)	(1,290)	(1,290)	(1,290)	(1,290)
Planning Policy	1,770	1,770	1,770	1,770	1,770
Total Cost of Services	9,086	8,549	8,790	9,082	9,388
Savings to be identified					
Prior Year savings	0	0	0	0	0
Political priorities	350	30	30	30	30
Future Year savings	(1,000)	(1,500)	(1,500)	(1,500)	(1,500)
Salary inflation	1,656	2,191	2,668	3,156	3,659
Shaping our Future costs	0	0	0	0	0
Other cost inflation	0	250	250	250	250
Revenue cost of capital expenditure	3,878	3,878	3,878	3,878	3,878
Net Cost of Services	13,970	13,398	13,916	14,246	14,555
Parish Precepts					
Business Rates Retention	4,952	4,952	4,952	4,952	4,952
Section 31 grant	(2,655)	(2,921)	(3,201)	(3,265)	(3,330)
Levy payment	(2,749)	(2,804)	(2,860)	(2,917)	(2,975)
Business Rates Collection Fund (surplus)/Deficit	467	476	485	496	506
Council Tax growth inc base	0	0	0	0	0
Council Tax Collection Fund (surplus)/Deficit	(12,415)	(12,602)	(12,794)	(12,991)	(13,193)
General Grants					
New Homes Bonus Grant	(698)	(500)	(500)	(500)	(500)
New Service Grant	(74)	0	0	0	0
Funding Guarantee	(1,818)	0	0	0	0
Contributions to/(from) Earmarked Reserves	1,020	0	0	0	0
Contributions to/(from) General Fund Balance	0	0	0	0	0
Funding	(13,970)	(13,399)	(13,917)	(14,224)	(14,539)
Balance Deficit/(Surplus)	0	(0)	(1)	22	16

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Capital Strategy 2022/23

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

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

The Council's Capital Strategy for 2023/24 was approved by Full Council in February 2023 and is available on the Council's website. Within the capital strategy is the Capital Programme for 2023/24 to 2027/28 was prepared to mirror the 5 year timeframe of the MTF5.

East Hants District Council Capital Programme Summary Project	2022/23 £'000
Housing	
Disabled Facilities Grants	1,381
Operational Land and Buildings	
Leisure centres refurbishment - feasibility study	0
Waste Depot - feasibility review	0
IT Equipment	
Asset Maintenance Management System	0
ICT Equipment	0
Audio Visual equipment	0
ICT Improvement Programme (subject to approval)	0
Vehicles and Equipment	
Replacement Vehicles	0
Other Capital Expenditure	
Alton Station Forecourt	0
Changing Places Toilets	0
UK Prosperity Fund- Development of Grow Up Farm	0
Rural England Prosperity Fund - Assistance to small rural business and community infrastructure	0
Grand Totals	1,381

5 YEAR CAPITAL PROGRAMME				
2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
1,691	1,691	1,691	1,691	1,691
100	0	0	0	0
100	0	0	0	0
125	46	46	0	0
200	150	150	150	150
220	0	0	0	0
1,500	0	0	0	0
85	0	0	0	0
250	0	0	0	0
170	0	0	0	0
129	807	0	0	0
245	245	0	0	0
4,815	2,939	1,887	1,841	1,841

East Hants District Council Capital Programme Summary Project	2022/23 £'000
Projected Capital Financing	
REFCUS (Revenue funded as Capital under Statute)	1,381
External Grants & Contributions	0
Use of Specific Reserves	0
Use of Capital Receipts	0
Borrowing Requirement	0
Revenue Funding	0
Total Projected Funding	1,381

5 YEAR CAPITAL PROGRAMME				
2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
1,691	1,691	1,691	1,691	1,691
794	1052	0	0	0
2330	196	196	150	150
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
4,815	2,939	1,887	1,841	1,841

8. Material assets/liabilities

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

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9. Explanation of the Financial Statements

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

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

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

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

Statement of Accounts

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

10. Acknowledgements

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

Matthew Tiller
Chief Finance Officer
31st July 2023

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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 2022-23.

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.

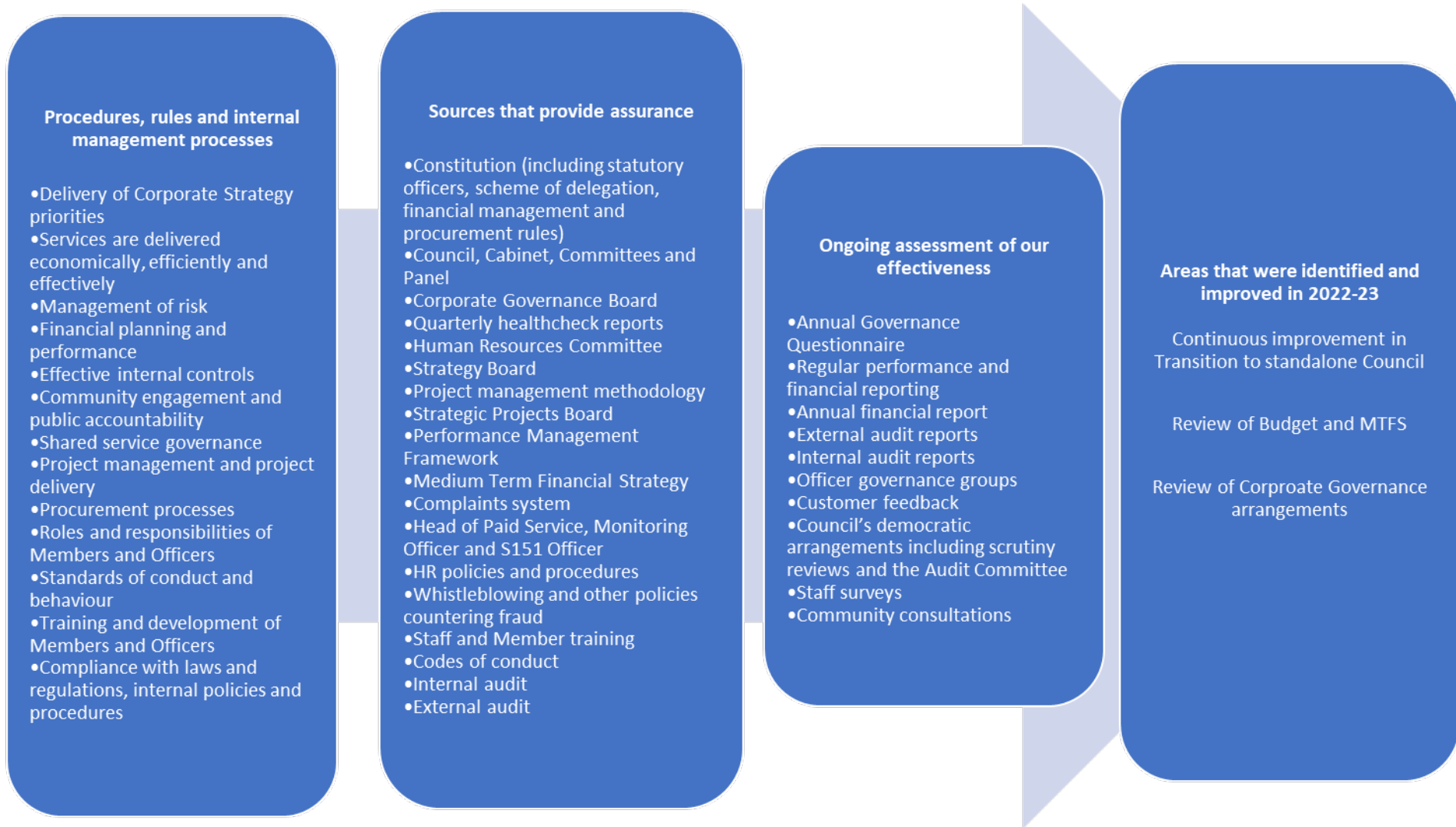
The governance framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities.

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 2022-23

The last year has seen the Council complete the separation of senior management and services from Havant Borough Council and move to standalone status. Work on service redesign, transformation and the priorities identified in 'Shaping East Hampshire's Future' have continued at pace. A new senior management structure was approved by the Council and all posts on the Leadership Team have been filled. The Council appointed individuals to the three statutory officer positions and also appointed a new Returning Officer. A busy year has also seen the Council identify and take steps to relocate to a new HQ and take direct control of essential contracted services (terminating the delegated arrangement for the provision of environmental services with Havant Borough Council and negotiating a new contract). Allied to its new standalone status, constitutional changes saw the creation of a single HR Committee, a change to the terms of reference of the Planning Committee and adjustments to Financial Procedure Rules intended to improve the speed and quality of decision-making. The governance framework for decision-making has been strengthened during the year by a review of the Scheme of Officer Delegations, the creation of new templates for Executive Decision Notices and officer reports, and the Monitoring Officer's separate review of and implementation of constitutional changes within his delegated authority (reported to Standards Committee and Council). The Council's arrangements in respect of the Regulation of Investigatory Powers were commended following inspection by the Office of Surveillance Commissioners and a new policy reflecting new the management structure was approved by the Audit Committee.

How do we know the governance framework is working?



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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 as consultees on the investigation of 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. The Constitution was 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 statutory 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. The online Register of Member Interests was reviewed and improved in 2022-23 to provide greater transparency and earlier publication of changes.</p> <p>The Council has in place a complaints procedure including weekly reminders to responsible managers, and the number of complaints and completion rate are monitored in quarterly performance reports. The Ombudsman's Annual Report is provided to Audit Committee in September with analysis of any learning points arising from decided cases.</p> <p>The Council has a Monitoring Officer who is a member of the Management Team. The officer is kept appraised of the Council's projects and actions and is ultimately responsible for legal compliance. The Monitoring Officer also chairs the Strategic Risk Management group.</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</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>

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lawfully. The Data Protection Officer role was reviewed and outsourced in 2022-23.

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. The Corporate Strategy received a comprehensive refresh and a new, updated Strategy to take the Council up to 2024 was approved by Full Council in February 2022.</p> <p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the Government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500.</p> <p>The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. During the Covid-19 pandemic, Council meetings were held remotely and/or in a hybrid manner according to government guidance and legislative requirements at the time, and these have been livestreamed via the Council's website which has resulted in increased public engagement with these meetings. Meetings are now held face to face but continue to be livestreamed for the public to view.</p> <p>The Council established an online panel of residents who volunteer to take part in questionnaires and polls to express their views on council services and the local area. These views help us to shape services and make decisions that are right for our residents.</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>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. The Communications Team have made regular updates to dedicated pages on the website to provide residents and business with reliable information on the cost-of-living crisis, legislative changes and public health guidance as it has shifted throughout the year.</p> <p>The Statement of Accounts provides a clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p> <p>Let's Talk events are run by the Council to allow residents to express their opinions on particular themes.</p>	<p>http://www.easthants.gov.uk/performance-and-strategy</p> <p>Freedom of Information</p> <p>Committees and Papers</p> <p>Partners magazine EHDC Facebook Twitter Instagram YouTube</p> <p>Town & Parish Charter</p> <p>http://www.easthants.gov.uk/</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 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) have been restored to the Council's direct contract management in 2022-23 with the creation of a new joint venture partnership with 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 2023-24 as approved by the Council on the 23 February 2023. 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 2022-23 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>On 14 April 2022, the Council approved a new senior leadership structure designed to align the Council's resources to the delivery of its Corporate Strategy 2022-2026 and to align with the organisational design principles set out in the Target Operating Model. The Council engaged the Local Government Association to assist with a review of the existing structure using the Decision-Making Accountability (DMA) approach. The Directors (newly appointed in 2022-23) are responsible for taking the design to the next level within the organisation by restructuring their services in line with DMA principles and transforming the way their teams work through the Applied Programme in Service Re-design.</p> <p>The Organisational Development Strategy sets out how the Council will deliver on its vision by employing the right people with the right skills and attitude, in the right job, in the right environment, and paid the right rate.</p> <p>The Council has a performance management framework which includes a comprehensive induction programme for new starters. Performance appraisal processes for all employees include regular 1:1 meetings with line managers and assessment against the Staff Competency Framework. In 2022-23 new mandatory e-learning courses were introduced for all staff (including health and safety, equality and diversity, and time management), alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services.</p>	<p>Management structure</p> <p>Organisational Development Strategy</p> <p>Councillor Competency Framework</p> <p>Charter status case study</p>

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<p>Following the District Council elections, all Councillors are required to undertake a comprehensive training programme which ensures that they have an understanding of the procedures and protocols of the Council. This may include training on planning and licensing matters and Councillors are not allowed to sit on the Planning, Licensing or Audit Committees until such training has been undertaken.</p> <p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme and accompanying Competency Framework, during the course of a Councillor's four-year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements. The Council was awarded Charter status (Charter for Elected Member Development) in 2017 and continues its commitment to excellence in Councillor training.</p>	
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F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT	
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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 Strategy 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>The Strategic Risk Management group was established following review in 2022 with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Group 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 Group 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 Group's Terms of Reference were reviewed in light of the management team changes and move to a standalone Council during 2022-23.</p> <p>The Council has in place a number of policies and procedures to ensure decisions made are robust. These include the Finance and Contracts Procedure Rules in the Constitution. Compliance with these policies is the responsibility of all Officers.</p>	<p>Council structure</p> <p>Committee structure</p> <p>Forward Plan</p> <p>Corporate Governance Policy</p> <p>Local Code of Corporate Governance</p>

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G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY	
How the Council meets these principles	Where you can see Governance in action
<p>The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.</p> <p>The Council has an Audit Committee to provide assurance to the Council on the effectiveness of internal audit and the robustness of the Council’s Annual Accounts. Risk management is controlled through the Strategic Risk Management group and reported to Strategy 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 2022-23 these quarterly performance reports were 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 budgetary 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"> • The Governance Improvement Action Plan was reported in full to the Standards Committee at regular intervals and all recommended actions were confirmed as achieved. • 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 remained an effective and up-to-date document, and a further review was undertaken in 2022-23 following the Council's transition to standalone status. The document has been modernised and streamlined in order to make it easier to understand and to put into practice. • The Strategic Risk Management group covers matters of governance covering risk, health and safety, business continuity, emergency planning, information governance and financial risk. Updates are also provided to Audit Committee through the quarterly performance report which underwent 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 2022-23 further work on improving performance reporting took place. The Strategic Risk Management group Terms of Reference were reviewed to reflect the new management arrangements put in place in 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 2022-23 was agreed by Full Council on 24 February 2022 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 annually which asks officers for their self-assessment of the effectiveness of governance arrangements in their service area. Participation has improved in recent years following the extension of the questionnaire to all staff to reflect that good governance is everyone's responsibility - the number of responses received for the January 2022 survey had decreased slightly (13% down) compared to the 2021 survey, although responses were still significantly above the 2020 survey. The results of the questionnaire highlighted the following: <ul style="list-style-type: none"> ○ There were reasonable levels of confidence in governance arrangements, indicated by the majority of scores assigned to 1 ('Evidence of consistently meeting criteria') or 2 ('Meets criteria, but room for improvement'). ○ Areas of strength: <ul style="list-style-type: none"> ▪ Regular meetings between managers and staff ▪ Compliance with FOI procedure ○ Areas for improvement: <ul style="list-style-type: none"> ▪ Engaging with Members ▪ Awareness of structure of council ▪ Feedback from stakeholders

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	<ul style="list-style-type: none"> ○ 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' during the COVID-19 pandemic ▪ 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 2023-24 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. However, a fresh canvass of views will be undertaken in 2023-24.</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 Director of Corporate Governance. The Chief Finance Officer has direct access to the Chief Executive. They are responsible for delivering and overseeing the financial management arrangements of the Council. • 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 Strategic Risk Management group every quarter to provide an update on progress of management actions. Any outstanding actions are reported to Strategy Board to ensure that these are escalated where necessary and completed within a reasonable timescale. • The Southern Internal Audit Partnership delivered 17 internal audit opinions over the course of the year ending 31 March 2023 with 4 'substantial' assurance reports, 13 'reasonable' assurance reports, 0 '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 secure Value for Money.

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Last year's key improvement areas

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

Improvement area	Key Improvement	Objectives and actions taken
Transition to standalone Council	<p>The Council successfully completed a move towards a standalone Council, ending the current shared management arrangements with Havant Borough Council.</p> <p>The move towards a standalone Council after 12 years of shared management presented a number of challenges that were successfully overcome and with all risks appropriately managed.</p>	<ul style="list-style-type: none"> Establishment of a transition team and clear work programme enabled the move towards a standalone Council. Establishment of new management structure and new team structures Consideration of people, financial, process and IT implications of ending shared arrangements – all successfully actioned
Review of budget and MTFS	<p>Following the move to a standalone Council, the review ensured that the budget and MTFS going forward remained robust.</p>	<ul style="list-style-type: none"> During 2022/23 the Council implemented new structures that were consistent with decision making accountability (DMA) principles. This helped ensure a common approach to the number of layers in the organisational and the spans of control each manager has. The restructure created clusters of services that aligned more closely with their customers and provided transformational opportunities as a result of their synergies. A fully reviewed Budget and MTFS was approved by Council on 23 February 2023
Review of Corporate Governance arrangements	<p>As the Council completed its transition to a standalone Council the review ensured that governance arrangements were in place that reinforced the smooth running of the authority.</p>	<ul style="list-style-type: none"> Risk Strategy Board was developed alongside an Operational Board to ensure that key risks and governance arrangements were in place and addressed Constitutional maintenance and improvement took place within a framework that allowed consideration by Liaison Panel, approval by Standards Committee and endorsement by Council

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2023-24:

1. Shaping East Hampshire's Future (SHEF)/Transformation Agenda (including IT changes)

The Council has embarked on an ambitious transformation programme which reviews all areas of the Council. This will deliver continual improvement to the service we deliver to our residents and deliver, more efficient, effective and economic services. This is an ongoing programme, which will deliver savings in 2023/24 and 2024/25, as well as putting in place processes for future reviews. All directors are leading in their areas and summary of progress is reported to Members quarterly within the quarterly performance reporting.

Key improvements to IT include:

Completion of Directorate Transformation Plans and implementation of improved IT service delivery to include new IT financial systems.

Lead Officers: Chief Executive, senior leadership team in particular, the CFO (s.151) and the Director of Change & Performance

Actions:

- Completion of Directorate Transformation Plans and commencement of Directorate Transformation projects; and
- Completion of IT data transfer in readiness for new IT systems (which includes the replacement of 'Integra' and existing Payroll IT system) in line with the approved IT roadmap.

2. Investment Property Portfolio – Risk Management

The Council owns an investment property portfolio which delivers a good income stream and has allowed additional service provision, whilst keeping council tax low. These properties are held exclusively for yield. A lot of work is undertaken in the area to review the investment portfolio and to plan for the future. This has become even more important given the current economic climate. An update report will be brought to Members in 2022/23, showing current position and future plans for our investment property portfolio.

As part of the ongoing review of the property portfolio the Council will identify risk and risk mitigation in relation to individual properties within the investment portfolio.

Lead Officers: CFO (s.151 Officer), the Monitoring Officer and the Director of Regeneration & Prosperity.

Actions:

- Review of individual properties via professional consultants;
- Undertake a Comprehensive Review of the Portfolio; and
- Implementation of any recommendations following review.

3. Commercial Ventures - Gateway decision making and monitoring on an ongoing and quarterly review basis

The Council operates a few commercial ventures, which are operated to make a return to the Council. Given the current economic climate, this area is being reviewed in 2023/24. Updated business plans are being produced for key commercial ventures. These will map the future of these ventures, whilst protecting the overall finances of the Council.

Lead Officers: CFO (s.151 Officer) and Monitoring Officer working with the Director of Regeneration & Prosperity.

Actions:

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

- complete review of existing commercial ventures and procedures working as part of the SEHF transformation programme;
- implementation of any new recommended procedures and processes; and
- Quarterly review of commercial ventures to ensure good governance.

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 – Key Financial Statements

The Statement of Responsibilities for the Statement of Accounts

TO INSERT POST AUDIT

Annual Accounts – Statement to the Accounts

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.

	2022/2023			2021/2022		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
Change & Performance						
Communications	549	(36)	513	461	(90)	371
Digital	2,119	(135)	1,984	2,301	(108)	2,193
Organisational Development	580	(77)	503	511	(141)	370
Project & Programme Management	349	(21)	328	367	(102)	265
Strategy	458	(123)	335	365	(104)	261
Community Development & Engagement						
Community	2,906	(1,555)	1,351	1,741	(345)	1,396
Customer Service	2,003	(614)	1,389	1,363	(1,115)	248
Housing	30	(576)	(546)	1,004	(694)	310
Revenues & Benefits	16,230	(15,879)	351	16,524	(16,375)	149
Corporate Governance						
Contract Management	7,045	(1,744)	5,301	6,940	(3,067)	3,873
Democratic Services	670	(60)	610	588	(62)	526
Elections	207	(40)	167	468	(256)	212
Executive Office	470	(72)	398	966	(329)	637
Finance	3,080	(538)	2,542	2,800	(1,328)	1,472
Legal Services	1,086	(160)	926	1,038	(300)	738
Regeneration & Prosperity						
Climate and Sustainability	158	(6)	152	63	(23)	40
Commercial Services	1,797	(1,653)	144	3,031	(2,576)	455
Economic Development	428	(284)	144	510	(423)	87
Property	11,215	(10,312)	903	3,184	(1,280)	1,904
Regeneration	541	(98)	443	1,179	(310)	869
Regulation & Enforcement						
Environmental Health	(360)	(382)	(742)	1,541	(613)	928
Neighbourhood Quality	2,233	(3,108)	(875)	2,525	(3,042)	(517)
Planning	5,151	(2,169)	2,982	4,069	(1,949)	2,120
Other Operating I&E	92		92	0		0
Net Cost of Service	59,037	(39,642)	19,395	53,539	(34,632)	18,907
Other Operating Expenditure		Note 5	4,655			4,436
Financing and Investment Income and Expenditure		Note 6	8,355			(7,336)
Taxation and non-specific grant income		Note 7	(20,850)			(23,135)
(Surplus)/Deficit on Provision of Services			11,555			(7,128)
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(239)			(3,704)
Actuarial (gains)/losses on pension assets / liabilities			(36,366)			(15,799)
Other Comprehensive Income and Expenditure			(36,605)			(19,503)
Total Comprehensive Income and Expenditure			(25,050)			(26,631)

Annual Accounts – Key Financial Statements

Movement in Reserves Statement

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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000 Note 29	Unusable Reserves £000 Note 31	Total Authority Reserves £000
Balance at 1 April 2021	(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)	2,282	199	(2,767)	(286)	289	3
Net (Increase)/Decrease before Transfers Adjustment	(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)
Movement in reserves during 2022/2023						
Total Comprehensive Income and Expenditure	11,555			11,555	(36,605)	(25,050)
Adjustments between accounting basis & funding basis under regulations (note 12)	(6,225)	(609)	(1,728)	(8,562)	8,562	0
Adjustment re opening roundings						
Net (Increase)/Decrease before Transfers	5,330	(609)	(1,728)	2,993	(28,043)	(25,050)
Balance at 31 March 2023 carried forward	(22,225)	(5,027)	(18,648)	(45,900)	(20,457)	(66,357)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2023 and 2022.

	NOTES	31 March 2023		31 March 2022
		£000	£000	£000
Property, Plant and Equipment	14	74,750		71,296
Investment Properties	20	115,253		130,558
Intangible Assets	21	268		329
Long Term Debtors		2,702		815
Long Term Assets			192,973	202,998
Current Assets				
Short Term Debtors	22	6,768		9,677
Cash and Cash Equivalents	23	37,723		40,493
Current Assets			44,491	50,170
Current Liabilities				
Cash and Cash Equivalents	23	(494)		0
Short Term Creditors	24	(14,694)		(24,189)
Short Term Borrowing	28	(5,410)		(5,421)
Provisions		(283)		(317)
Current Liabilities			(20,881)	(29,927)
Long Term Liabilities				
Capital Grants receipts in advance	36	(17,038)		(14,191)
Long Term Borrowing	28	(115,569)		(117,430)
Other Long Term Liabilities		(327)		(317)
Finance Lease	27	(5,080)		(5,080)
Pension Fund Liability	41	(10,168)		(42,769)
Provisions		(2,044)		(2,147)
Long Term Liabilities			(150,226)	(181,934)
Net Assets			66,357	41,307
Financed by				
Usable Reserves	29		(45,900)	(48,893)
Unusable Reserves	31		(20,457)	7,586
Total Reserves			(66,357)	(41,307)

Matthew Tiller
Chief Finance Officer
TBC

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	2022/2023 £000	2021/2022 £000
Net (surplus) or deficit on the provision of services		11,555	(7,128)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(10,127)	(10,226)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,177	2,893
Net cash flows from Operating Activities		3,605	(14,461)
Investing Activities	37	(580)	(4,134)
Financing Activities	38	239	2,028
Net decrease or (increase) in cash and cash equivalents		<u>3,264</u>	<u>(16,567)</u>
Cash and cash equivalents at the beginning of the reporting period		40,493	23,926
Cash and cash equivalents at the end of the reporting period		37,229	40,493

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.

	2022/2023			2021/2022		
	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
Change & Performance						
Communications	362	151	513	306	65	371
Digital	1,896	88	1,984	2,176	17	2,193
Organisational Development	446	57	503	321	49	370
Project & Programme Management	272	56	328	226	39	265
Strategy	278	57	335	212	49	261
Community Development & Engagement						
Community	1,057	294	1,351	1,107	289	1,396
Customer Service	1,048	341	1,389	250	(2)	248
Housing	472	(1,018)	(546)	193	117	310
Revenues & Benefits	157	194	351	(50)	199	149
Corporate Governance						
Contract Management	3,458	1,844	5,301	3,070	803	3,873
Democratic Services	582	28	610	493	33	526
Elections	146	21	167	191	21	212
Executive Office	329	69	398	508	129	637
Finance	1,329	1,214	2,542	1,277	195	1,472
Legal Services	788	138	926	685	53	738
Regeneration & Prosperity						
Climate and Sustainability	398	(246)	152	29	11	40
Commercial Services	103	41	144	376	79	455
Economic Development	28	116	144	(33)	120	87
Property	1,099	(196)	903	1,385	519	1,904
Regeneration	900	(457)	443	773	96	869
Regulation & Enforcement						
Environmental Health	776	(1,518)	(742)	709	219	928
Neighbourhood Quality	(1,134)	259	(875)	(894)	377	(517)
Planning	2,012	970	2,982	1,645	475	2,120
Other Operating I&E		0			0	
Net Cost of Service General Fund	16,801	2,502	19,303	14,955	3,952	18,907
Other Income & Expenditure	4,626	(4,534)	92	5,063	(5,063)	
Movement in Earmark Reserves		0	0	4,390	(4,390)	
Net Cost of Service	21,427	(2,032)	19,395	24,408	(5,501)	18,907
Other Operating Expenditure	(8,524)	13,179	4,655	(9,023)	13,459	4,436
Financing and Investment Income and Expenditure		8,355	8,355		(7,336)	(7,336)
Taxation and non-specific grant income	(13,151)	(7,699)	(20,850)	(15,743)	(7,392)	(23,135)
(Surplus)/ Deficit	(248)	11,803	11,555	(358)	(6,770)	(7,128)
Balance Summary						
Opening General Fund Balance at 1 April	(3,861)			(3,503)		
Adjustment						
Add (Surplus)/ Deficit on General Fund Balances in Year	(248)			(358)		
Closing General Fund Balance at 31 March	(4,109)			(3,861)		
Analysed between type of balance	General Fund	Earmarked Reserves		Total Balances		
Opening Balance at 1 April 2021	(3,503)	(19,202)		(22,705)		
Add (Surplus)/ Deficit in year 2021/2022	(358)	(4,492)		(4,850)		
Transfer between reserves				-		
Closing Balance at 31 March 2022	(3,861)	(23,694)		(27,555)		
Adjustment				-		
Add (Surplus)/Deficit in year 2022/2023	(248)	5,578		5,330		
Closing balances at 31 March 2023	(4,109)	(18,116)		(22,225)		

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

EXPLANATORY NOTES

Notes to the Core Financial Statements

Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 1 Revenue Outturn

The overall underspend against the revised 2022/23 budget was £0.248 million which was returned to 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

	2022/2023 £000	2021/2022 £000
Expenditure		
Employee expenses	21,307	18,780
Other Services expenses	44,523	48,233
Depreciation, amortisation and impairment	1,711	1,508
Interest payments	2,854	2,897
Precept and levies	4,655	4,436
Movements in the market value of Investment Properties	13,571	0
Total Expenditure	88,621	75,854
Income		
Fees, charges and other service income	(21,594)	(25,102)
Interest and investment income	(677)	(12)
Movements in the market value of Investment Properties	0	(2,325)
Income from Council Tax and Business Rates	(24,861)	(12,551)
Grants and contributions	(29,393)	(42,872)
Gains of disposal of assets	(541)	(120)
Total Income	(77,066)	(82,982)
(Surplus)/Deficit on the Provision of Services	11,555	(7,128)

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 2022/23 or 2021/22.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 5 Other Operating Expenditure

	2022/2023	2021/2022
	£000	£000
Parish council precepts	4,655	4,436
(Gains)/losses on the disposal of non-current assets		
Total	4,655	4,436

Note 6 Financing and Investment Income and Expenditure

	2022/2023	2021/2022
	£000	£000
Income & Expenditure in relation to investment properties	(8,524)	(9,029)
Interest payable and similar charges	2,854	2,897
Interest and investment income	(677)	(4)
Pension Interest Costs and expected return on pension assets	1,131	1,125
Movements in the market value of Investment Properties	13,571	(2,325)
Total	8,355	(7,336)

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.

	2022/2023	2021/2022
	£000	£000
Council Tax Transfer	(11,732)	(11,448)
Collection Fund Deficit/ (Surplus)	(322)	(786)
Adjustment for statutory requirements		
Council Tax Income	(12,054)	(12,234)
General Government Grants	(2,547)	(3,467)
General Government Grants (S31 business rates)	(17,337)	(15,755)
Business Rates Retention Scheme	11,088	11,088
Capital grants and contributions		(2,767)
Total	(20,850)	(23,135)

Note 8 Members' Allowances

The Council paid the following amounts to Members of the Council

	2022/2023	2021/2022
	£000	£000
Allowances	336	338
Expenses	5	3
Total	341	341

EXPLANATORY NOTES

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 £	2022/2023	2021/2022
	No. Employees	No. Employees
50,000-54,999	11	11
55,000-59,999	13	13
60,000-64,999	6	7
65,000-69,999	5	1
70,000-74,999	1	4
75,000-79,999	4	4
80,000-84,999	2	1
85,000-89,999	0	0
90,000-94,999	1	1
100,000-104,999	1	0
105,000-109,999	1	0
110,000-114,999	0	0
115,000-119,999	0	0
120,000-124,999	0	0
125,000-129,999	1	0
130,000-134,999	0	0
135,000-139,999	1	0
TOTAL	47	42

Notes:

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

2022/2023 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)

2022/2023 Post Holder	Salary (including fees and allowances)		Total Remuneration excluding pension contributions		Total Remuneration including pension contributions	
	£	Additional Payments £	2022/2023 £	Employers Pension Contributions £	2022/2023 £	£
Chief Executive	137,912	0	137,912	23,997	161,909	
Chief Operating Officer	105,387	0	105,387	18,337	123,724	
Director of Corporate Governance	95,369	9,000	104,369	16,594	120,963	
Director of Change and Performance	61,168	0	61,168	10,643	71,811	
Chief Finance Officer	72,097	0	72,097	12,545	84,642	
Director for Corporate Services & Chief Finance Officer - left Sept 2022	125,342	0	125,342	6,434	131,776	
	597,275	9,000	606,275	88,550	694,825	

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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)	One off Additional Payments - split of councils *	Total Remuneration excluding pension contributions 2021/2022	Employers Pension Contributions	Total Remuneration including pension contributions 2021/2022	Net Cost to East Hants	Net Cost to Havant
	£	£	£	£	£	£	£
Chief Executive - Gill Kneller	135,912	135,000	270,912	23,649	294,561	228,072	66,489
Director for Regeneration & Place - Simon Jenkins	109,232	50,000	159,232	17,989	177,221	113,611	63,610
	245,144	185,000	430,144	41,638	471,782	341,683	130,099

* The figures include the full payments made to the individuals relating to the separation of the Partnership with Havant.

The termination of joint roles with Havant BC had employment law implications, irrespective of whether an individual remained working at EHDC.

Each case was considered separately, with the benefit of external legal advice, to address the risks to the authority in relation to employment law.

Robust business cases were developed to ensure the Council obtained the best value for money.

One off payments were made to retain skills and expertise of key individuals following the separation the joint management team so there was continuity and stability in the leadership of the council at an uncertain time.

2021/2022 Post Holder	Salary (including fees and allowances)	Additional Payments	Total Remuneration excluding pension contributions 2021/2022	Employers Pension Contributions	Total Remuneration including pension contributions 2021/2022	Net Cost to East Hants	Net Cost to Havant
	£	£	£	£	£	£	£
Director for Corporate Services & Chief Finance Officer	106,639	0	106,639	18,555	125,194	62,597	62,597
Head of Legal	93,461	0	93,461	16,262	109,723	54,862	54,861
	200,100	0	200,100	34,817	234,917	117,459	117,458

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	
	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022 £000s	2022/2023 £000s
£								
0-20,000	1				1		3	
20,001-40,000	1			1	1	1	21	21
40,001-60,000								
60,001-80,000								
80,001-100,000								
100,001-150,000								
150,001-200,000								
201,000-250,000		1				1		213
Total	2	1	0	1	2	2	24	234

Note 10 External Audit Fees

EXPLANATORY NOTES

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

	2022/2023	2021/2022
	£000	£000
External audit services	90	78
Other services	0	10
Total	90	88

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 2022/23 is shown in note 8. If a Member declares an interest in a transaction which involves the Council, these transactions are recorded in the Register of Members' Interests,

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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

	2021/2022			
	Adjustments for Net change for the Capital Purposes (Note 12a) £000	Pension Adjustments (Note 12b) £000	Other Differences (Note 12c) £000	Total Adjustments £000
Change & Performance				
Communications	39	73	(48)	65
Digital	0	20	(3)	17
Organisational Development	0	51	(3)	49
Project & Programme Management	0	40	(2)	39
Strategy	0	50	(1)	49
Community Development & Engagement				
Community	0	87	202	289
Customer Service	31	221	(254)	(2)
Housing	0	123	(6)	117
Revenues & Benefits	2	205	(9)	199
Corporate Governance				
Contract Management	808	49	(55)	803
Democratic Services	0	33	0	33
Elections	0	22	(2)	21
Executive Office	0	150	(21)	129
Finance	0	80	123	195
Legal Services	0	55	(1)	53
Regeneration & Prosperity				
Climate and Sustainability	0	11	0	11
Commercial Services	0	81	(2)	79
Economic Development	79	44	(3)	120
Property	353	172	(13)	519
Regeneration	0	166	(69)	96
Regulation & Enforcement				
Environmental Health	1	221	(3)	219
Neighbourhood Quality	69	316	(8)	377
Planning	5	669	(196)	475
Other Operating I&E	0	0	(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)

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2022/2023

	Adjustments for Net change for the			
	Capital	Pension	Other	Total
	Purposes	Adjustments	Differences	Adjustments
	(Note 12a)	(Note 12b)	(Note 12c)	
	£000	£000	£000	£000
Change & Performance				
Communications	39	61	51	151
Digital	0	17	71	88
Organisational Development	0	54	3	57
Project & Programme Management	0	52	4	56
Strategy	0	55	2	57
Community Development & Engagement				
Community	0	85	209	294
Customer Service	31	193	117	341
Housing	(1,136)	114	4	(1,018)
Revenues & Benefits	2	174	18	194
Corporate Governance				
Contract Management	844	46	954	1,844
Democratic Services	0	29	(1)	28
Elections	0	20	1	21
Executive Office	0	66	3	69
Finance	0	378	836	1,214
Legal Services	0	56	82	138
Regeneration & Prosperity				
Climate and Sustainability	0	11	(257)	(246)
Commercial Services	0	45	(4)	41
Economic Development	80	36	0	116
Property	(467)	124	147	(196)
Regeneration	0	98	(555)	(457)
Regulation & Enforcement				
Environmental Health	(1,689)	178	(7)	(1,518)
Neighbourhood Quality	68	217	(26)	259
Planning	564	525	(119)	970
Other Operating I&E			(4,534)	(4,534)
Net Cost of Service	(1,664)	2,634	(3,002)	(2,032)
Other operating Expenditure			13,179	13,179
Financing and Investment Income and Expenditure			8,355	8,355
Taxation and non-specific grant income			(7,699)	(7,699)
(Surplus)/ Deficit	(1,664)	2,634	10,833	11,803

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

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accumulated absences, PFI service charges and items reported to members but not included in statutory net cost of service (e.g. general government grants, movement on reserves and interest).

Note 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.

EXPLANATORY NOTES

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 41)	(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

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Reserves 2022/2023	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	(1,521)			1,521
Charges for impairment/ revaluations of plant, property and equipment	(129)			129
Movements in the market value of Investment Properties	(13,571)			13,571
Amortisation of intangible assets	(61)			61
Drawdown of earmarked reserves	466			(466)
Revenue expenditure funded from capital under statute	1,492			(1,492)
REFCUS income	(1,492)			1,492
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	1,030	(140)		(890)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,356			(2,356)
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	1,728		(1,728)	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	(72)	72		0
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	541	(541)		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 41)	(3,765)			3,765
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	322			(322)
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	6,426			(6,426)
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	25			(25)
Total Adjustments	(6,225)	(609)	(1,728)	8,562

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 2021	67,359	2,562	132	439	0	0	70,492
Additions	1,012	0	239	0	0	0	1,251
Derecognition - Disposals	(1)	0	0	0	0	0	(1)
Impairment losses	5						5
Revaluation adjustment	2,600						2,600
Category Adjustments	(22)				0		(22)
							0
Book value at 31 March 2022	70,953	2,562	371	439	0	0	74,325
Depreciation and Impairments							
Restated Opening Balance 1 April 2021	(387)	(2,244)	0	(71)	0	0	(2,702)
Depreciation	(1,341)	(105)	0	(6)	0	0	(1,452)
Accumulated depreciation written back on derecognition of assets							0
	1	0	0	0	0	0	
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							0
Revaluation adjustment	20						20
Depreciation 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

	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 2022	70,953	2,562	371	439	0	0	74,325
Opening Balance adjustments	888		(218)				670
Additions	855		1,140				1,995
Derecognition - Disposals							0
Impairment losses	(11)			(118)			(129)
Revaluation adjustment	(761)			(56)			(817)
Category Adjustments	2,200						2,200
							0
At 31 March 2023	74,124	2,562	1,293	265	0	0	78,244
Depreciation and Impairments							
Opening Balance 1 April 2022	(603)	(2,349)	0	(77)	0	0	(3,029)
Depreciation	(1,454)	(60)		(6)			(1,520)
Accumulated depreciation written back on derecognition of assets							0
Revaluation losses/impairment recognised in the surplus/deficit on provision							0
Revaluation losses/impairment recognised in the revaluation reserve	999			56			1,055
							0
Category Adjustments & other movements							0
Revaluation adjustment							0
At 31 March 2023	(1,058)	(2,409)	0	(27)	0	0	(3,494)
Net Book Value at 31 March 2023	73,066	153	1,293	238	0	0	74,750

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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 2023		31 March 2022
	£000	£000	£000
Opening Capital Financing Requirement (see below)		162,005	163,372
Prior year adjustment			
Capital Investment			
Plant Property & equipment Assets	1,776		1,251
Investment Properties	466		0
Intangible assets			7
Revenue Expenditure Funded from Capital under Statute	1,492		2,056
		3,734	3,314
Sources of Finance			
Government Grants			0
Grants & Contributions toward REFCUS	(1,492)		(2,056)
Capital Receipts			
Sums set aside from revenue & reserves	(466)		(319)
Repayment of capital long term assets			
Minimum Revenue Provision	(2,357)		(2,306)
Voluntary Revenue Provision			
Minimum Revenue Provision - PFI Schemes			
		(4,315)	(4,681)
Closing Capital Financing Requirement		161,424	162,005
Explanation of Movements in the Year			
Increase / (decrease) in underlying need to borrow		(581)	(1,367)
Increase / (decrease) in Capital Financing Requirement		(581)	(1,367)

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 2022/23 include car park, investment properties and any new assets acquired during 2022/23 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 2022/23.

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			2,561	1,292	265			4,118
Valued at current value in:								
2022/2023		50,137						50,137
2021/2022		14,764						14,764
2020/2021		5,544						5,544
2019/2020		3,292						3,292
2018/2019		0						0
2017/2018		390						390
Book Value at 31 March 2023	0	74,127	2,561	1,292	265	0	0	78,245

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 2023.

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.

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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.

	2022/2023 £000	2021/2022 £000
Rental income from investment property	(9,708)	(10,124)
Direct operating expenses arising from investment property	1,184	1,095
Net (gain)/loss from fair value adjustments	13,571	(2,325)
Net (Gain)/ Loss	<u>5,047</u>	<u>(11,354)</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:

	2022/2023 £000	2021/2022 £000
Balance at start of the year	130,557	128,232
Additions: Subsequent expenditure	466	
Disposals		
Gains from fair value adjustments		2,325
Losses from fair value adjustments	(13,571)	
Impairments losses		
Transfers (to)/from Property, Plant and Equipment	(2,200)	
Balance at end of the year	<u>115,252</u>	<u>130,557</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.

	2022/2023 Purchased Software Licences £000	2021/2022 Purchased Software Licences £000
Gross carrying amounts	503	496
Accumulated amortisation	(172)	(112)
Net Carrying amount	<u>331</u>	<u>384</u>
Additions		7
Amortisation for the period	(61)	(60)
Disposals		0
Category Adjustments		
Net carrying amount at end of year	<u>270</u>	<u>331</u>
Comprising:		
Gross carrying amounts	503	503
Accumulated amortisation	(233)	(172)
	<u>270</u>	<u>331</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 2023 but not received at that date.

	2022/2023 £000	2021/2022 £000
Other Local Authorities	0	1,441
Government Departments	2,372	1,099
Other entities & individuals:		
Share of Business Rates and Council Tax	779	755
Housing Benefit Overpayments	1,777	1,808
All other bodies	462	2,851
Payments in Advance	3,407	3,950
Total Short Term Debtors	<u>8,797</u>	<u>11,904</u>
Less: Allowance for expected credit losses		
General Fund debtors	(969)	(1,120)
Housing Benefit Overpayments	(717)	(762)
Council Tax arrears	(115)	(115)
Business Rates Arrears	(228)	(228)
Total Allowance for expected credit losses	<u>(2,029)</u>	<u>(2,225)</u>
Net Debtors	<u>6,768</u>	<u>9,679</u>

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Note 23 Cash and Cash Equivalents

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

	2022/2023 £000	2021/2022 £000
Cash in hand		
Call accounts and short term deposits	37,693	40,437
Bank Balances	(464)	56
	<u>37,229</u>	<u>40,493</u>

Note 24 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2023 but not paid for at that date.

	2022/2023 £000	2021/2022 £000
Other Local Authorities	0	0
Government Departments	(8,119)	(13,168)
Government Departments - Covid		
Business grants	(916)	(3,677)
All other bodies	(3,224)	(6,034)
Receipts in Advance	(2,222)	(1,071)
Accumulated Absences	(213)	(238)
Total Short Term Creditors	<u>(14,694)</u>	<u>(24,188)</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 £2,044,100.
- 2) A provision to cover the expected exit costs of the ICT contract; £283,253.
- 3) Bad and doubtful debt: £2,029,060.

EXPLANATORY NOTES

Note 26 Income from Grants and Contributions

	2022/2023 £000	2021/2022 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax s31 Grant	0	317
Covid grants	(2)	(491)
Covid Income Support	0	(458)
New Homes Bonus	(1,703)	(2,114)
Grants and contributions towards capital expenditure	(2,023)	(3,625)
Business Rates Retention Scheme	(17,338)	(15,755)
Total	(21,066)	(22,126)
Credited to Services		
Housing Benefit	(14,823)	(15,645)
Grants for REFCUS	(1,492)	(2,056)
Hardship relief funding		0
Benefits Administration Grant	(175)	(177)
Other Grants and Contributions	(3,962)	(2,868)
Total	(20,452)	(20,746)
Total Grants, Contributions & Donations	(41,518)	(42,871)

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 2023	31 March 2022
	£'000	£'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 2023	31 March 2022
	£'000	£'000
Not later than one year	10	10
Later than one year	5,080	5,080
Finance Costs payable in future years	12,001	12,295
	17,091	17,385

Total Minimum Lease payments

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 2023	31 March 2022
	£'000	£'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	15,567	15,861
	17,091	17,385

Minimum Lease payments

	31 March 2023	31 March 2022
	£'000	£'000
Not later than one year	11	10
Later than one year and not later than five years	53	50
Over 5 years	5,018	5,021
	5,082	5,082

Finance Lease Liabilities

The Authority sub-lets individual units held under the investment property Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £11.6m at 31st March 2023 (£11.8m at 31st March 2022).

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 £60,074, £45,155 of this is included in assets that are sublet

EXPLANATORY NOTES

Minimum Lease Payments under non-cancellable leases:

	31 March 2023 £000	31 March 2022 £000
Not later than one year	5	5
Later than one year and not later than five years	21	21
Over 5 years	34	39
	60	65

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 2023 £000	31 March 2022 £000
Not later than one year	9,142	7,559
Later than one year and not later than five years	30,667	24,291
Over 5 years	14,579	16,795
	54,388	48,645

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 28 Borrowing

An analysis of loans by maturity is as follows:

	2022/2023	2021/2022
	£000	£000
Short Term Borrowing		
Maturing within 1 year Temporary Loans	0	0
Maturing within 1 year Long Term Borrowing	(5,410)	(5,421)
	<u>(5,410)</u>	<u>(5,421)</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	(72,747)	(74,607)
Total Maturing after 1 year	<u>(115,570)</u>	<u>(117,430)</u>
	<u>(120,980)</u>	<u>(122,851)</u>
Total Borrowing	<u>(120,980)</u>	<u>(122,851)</u>

The total borrowing can be further analysed by lender category:

	2022/2023	2021/2022
	£000	£000
Temporary Loans	0	0
Long Term Loans:		
Public Works Loans Board	(120,980)	(122,851)
Money Market	0	0
	<u>(120,980)</u>	<u>(122,851)</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	2022/2023	2021/2022
		£000	£000
General Fund		(4,109)	(3,861)
Earmarked Reserves	30	(18,116)	(23,694)
General Fund balance per			
Movement in Reserves			
Statement		(22,225)	(27,555)
Closing General fund per			
Expenditure & Funding			
Statement		(22,225)	(27,555)
Other Usable Reserves			
Usable Capital Receipts Reserve		(5,027)	(4,418)
Capital Grants and Contributions		(18,648)	(16,920)
Unapplied Account			
Total Usable Reserves		<u>(45,900)</u>	<u>(48,893)</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 2022/23 and 2021/22.

Earmarked Reserves	2021/2022 £000	Movement £000	2022/2023 £000
Asset Management Fund	(1,047)	(34)	(1,081)
Externally Funded Reserve	(1,113)	712	(401)
Financial Management Reserve	(1,342)	1,342	0
Corporate Planning Reserve	(4,140)	466	(3,674)
Service Management Reserve	(2,042)	787	(1,255)
Financial Stability Reserve	(2,883)	2,392	(491)
Welfare Fund Reserve	(659)	89	(570)
Community Grant Fund Reserve	(1,095)	120	(975)
Property Financial Resilience Reserve	(1,750)	(1,650)	(3,400)
Environmental Initiatives Reserve	(300)	(206)	(506)
Pensions Resilience Reserve	(1,314)	(656)	(1,970)
Digital Strategy Reserve	(1,000)	(1,500)	(2,500)
S31 Business Rates Reserve	(5,009)	4,985	(24)
Insurance Reserve	0	(300)	(300)
Housing Reserve	0	(719)	(719)
Environmental Services Reserve	0	(250)	(250)
Total	(23,694)	5,578	(18,116)

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
- 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
- Insurance Reserve** – A specific reserve to cover any potential Insurance claims made against the Council
- Housing Reserve** – Reserve specifically for Housing activities
- Environmental Reserve** – Reserve to cover potential costs arising from the Joint Venture for Waste

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Note 31 Unusable Reserves

Reserve	Note	2022/2023	2021/2022
		£000	£000
Revaluation Reserve	32	(28,414)	(28,763)
Capital Adjustment Account	33	(432)	(11,414)
Deferred capital receipts		(260)	(261)
Pensions Reserve	34	10,168	42,769
Collection Fund Adjustment Account	35	(1,732)	5,017
Accumulated Absences Account		213	238
Total Unusable Reserves		(20,457)	7,586

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	2022/2023	2021/2022
	£000	£000
Balance at 1 April	(28,763)	(25,615)
Opening Balance at 1 April	(28,763)	(25,615)
Upward revaluation of assets	(238)	(3,704)
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	(29,001)	(29,319)
Difference between fair value depreciation and historic cost depreciation	587	556
Accumulated gains on assets sold or scrapped		
Balance at 31 March	(28,414)	(28,763)

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.

Capital Adjustment Account

	2022/2023 £000	2021/2022 £000
Opening balance at 1 April	(11,414)	(7,416)
Prior Year adjustment	(890)	
Opening movement		
Revised Opening Balance 1 April	(12,304)	(7,416)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account		
- charges for depreciation of non-current assets	1,521	1,453
- charges for impairment/revaluations of plant, property and equipment	129	(5)
- (gains)/losses in fair value on Investment properties	13,571	(2,325)
- amortisation of intangible assets	61	60
- revenue expenditure funded from capital under statute	1,492	2,056
- disposals		
	16,774	1,239
Adjusting amounts written out of Revaluation Reserve	(587)	(556)
Net written out amount of the cost of non-current assets consumed in the year	16,187	683
Capital financing applied in the year		
-Use of capital receipts reserve to finance new capital expenditure	(466)	(319)
- revenue expenditure funded from capital under statute	(1,492)	(2,056)
-application of capital grants		
-statutory provision for the financing of capital investment charged against the general fund	(2,356)	(2,306)
-capital expenditure financed from revenue		
Balance at 31 March	(431)	(11,414)

Note 34 Pension Reserve

	2022/2023 £000	2021/2022 £000
Pensions Reserve		
Balance at 1 April	42,769	54,505
Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability	(36,366)	(15,799)
Accounting/Financing Adjustments		
Difference between accounting and statutory credit for pension costs depreciation	3,765	4,063
Balance at 31 March	10,168	42,769

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Note 35 Collection Fund Adjustment Account

Collection Fund Adjustment Account	2022/2023 £000	2021/2022 £000
Balance at 1 April	5,016	5,208
Prior year adjustment to match 19/20 NNDR 3		
Difference between accounting and statutory credit for Council Tax	(322)	(101)
Difference between accounting and statutory credit for Non-Domestic Rates	(6,426)	(91)
Balance at 31 March	(1,732)	5,016

Note 36 Capital Grants Receipts in Advance

	2022/2023 £000	2021/2022 £000
Amounts falling due after one year (all other bodies)		
S106	(12,847)	(9,712)
Other	(4,192)	(4,479)
	(17,038)	(14,191)

Note 37 Financial Instruments

Categories of Financial Instruments

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

Financial Assets	31 March 2023		31 March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	0	0	0	0
Financial assets at amortised Cost	68	68	86	86
Long term Assets	68	68	86	86
Short Term Debtors	559	559	208	208
Trade accounts receivable	1,932	1,932	461	461
Bank deposits less than 3 months	12,683	12,683	40,437	40,437
Cash and bank accounts	24,536	24,536	56	56
Other financial assets at amortised cost	39,710	39,710	41,162	41,162
Total Financial Assets	39,778	39,778	41,248	41,248

EXPLANATORY NOTES

Financial Liabilities	31 March 2023		31 March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Creditors	(7,147)	(7,147)	(5,297)	(5,297)
Public Works Loan Board	(5,410)	(5,693)	(5,421)	(6,168)
Finance Lease	(10)	(10)	(10)	(10)
			0	0
Short Term Financial liabilities at amortised cost	(12,567)	(12,850)	(10,728)	(11,475)
Public Works Loan Board	(115,570)	(94,053)	(117,430)	(123,609)
Finance Lease	(5,080)	(5,080)	(5,080)	(5,080)
Long Term Liabilities at amortised cost	(120,650)	(99,133)	(122,511)	(128,689)
Total Financial Liabilities	(133,217)	(111,983)	(133,239)	(140,164)

NOTES RELATING TO CASH FLOW STATEMENT

Note 38 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2022/2023 £000	2021/2022 £000
Purchase of Property, plant and equipment, investment property and intangible assets	1,994	1,257
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	(218)	(319)
Other receipts from investing activities	(2,356)	(5,072)
Net cash flows from investing activities	(580)	(4,134)

Note 39 Cash Flow Investing Activities

	2022/2023 £000	2021/2022 £000
Cash Receipts of short and long term borrowing	239	2,028
Net cash flows from financing activities	239	2,028

Note 40 Cash Flow Financing Activities

	2022/2023 £000	2021/2022 £000
Interest Received	(677)	(4)
Interest Payable	2,854	2,897
	2,177	2,893

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 41

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 (LGPS) 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 2023.

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 2023. 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 2023 and 2022 are as follows:

Local Government Pension Scheme	31 March 2023	31 March 2022
	£000	£000
Fair Value of Employer Assets	103	109
Present Value of Funded Liabilities	(111)	(150)
Net (Under)/Overfunding in Funded Plans	(8)	(40)
Present value of Unfunded Liabilities	0	0
Net Asset/(Liability)	(8)	(40)
Amount on balance sheet		
Asset	103	109
Liability	(111)	(150)
Liability Amount in Balance Sheet	(8)	(40)

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

EXPLANATORY NOTES

	Period ended 31 March 2023			Period ended 31 March 2022		
	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	109,337		109,337	103,317	0	103,317
Present value of unfunded liabilities		(152,106)	(152,106)	0	(157,822)	(157,822)
Opening Position	109,337	(152,106)	(42,769)	103,317	(157,822)	(54,505)
Service cost						
Current service cost	0	(4,397)	(4,397)	0	(4,759)	(4,759)
Past service cost (including curtailments)	0	0	0	0	0	0
Effect of settlements	0	0	0	0	0	0
Total service cost	0	(4,397)	(4,397)	0	(4,759)	(4,759)
Net interest						
Interest income on plan assets	2,930	0	2,930	2,156	0	2,156
Interest cost on defined benefit obligation	0	(4,061)	(4,061)	0	(3,281)	(3,281)
Impact of asset ceiling on net interest	0	0	0	0	0	0
Total net interest	2,930	(4,061)	(1,131)	2,156	(3,281)	(1,125)
Total defined benefit cost recognised in Profit or (Loss)	2,930	(8,458)	(5,528)	2,156	(8,040)	(5,884)
Cash flows						
Plan participants' contributions	726	(726)	0	729	(729)	0
Employer contributions	1,763	0	1,763	1,821	0	1,821
Contributions in respect of unfunded benefits	0	0	0	0	0	0
Benefits paid	(4,199)	4,199	0	(3,926)	3,926	0
Unfunded benefits paid	0	0	0	0	0	0
Expected closing position	110,557	(157,091)	(46,534)	104,097	(162,665)	(58,568)
Remeasurements						
Change in demographic assumptions	0	586	586	0	1,554	1,554
Change in financial assumptions	0	54,732	54,732	0	9,512	9,512
Other experience	0	(11,464)	(11,464)	0	(507)	(507)
Return on assets excluding amounts included in net interest	(7,488)	0	(7,488)	5,240	0	5,240
Total remeasurements recognised in Comprehensive Income and Expenditure	(7,488)	43,854	36,366	5,240	10,559	15,799
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	103,069	0	103,069	109,337	0	109,337
Present value of funded liabilities	0	(113,237)	(113,237)	0	(152,106)	(152,106)
Present value of unfunded liabilities	0	0	0	0	0	0
Closing position	103,069	(113,237)	(10,168)	109,337	(152,106)	(42,769)

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:

Assumptions as at Year Ended:	31 March 2023	31 March 2022
	% per annum	% per annum
Rate of inflation	2.7%	3.0%
Pension Increase Rate	2.7%	3.0%
Salary Increase Rate	3.7%	4.0%
Discount Rate	4.7%	2.7%

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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:

Mortality assumptions:	31 March 2023	31 March 2022
Longevity at 65 for current pensioners:		
Men	23.3	22.9
Women	25.7	25.4
Longevity at 45 for future pensioners:		
Men	23.8	24.7
Women	26.7	27.1

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 2023			31 March 2022		
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
Equities	42.0%	15.6%	57.6%	45.8%	11.1%	56.9%
Government Bonds	16.5%	0.0%	16.5%	17.2%	0.0%	17.2%
Corporate Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property	1.4%	5.4%	6.8%	0.9%	6.0%	6.9%
Cash	1.1%	0.0%	1.1%	0.9%	0.0%	0.9%
Others	0.0%	18.0%	18.0%	14.6%	3.5%	18.1%
Totals	61.0%	39.0%	100.0%	79.4%	20.6%	100.0%

EXPLANATORY NOTES

Projected defined benefit costs for the period to 31 March 2023

The employer contributions for the year to 31 March 2023 was £1.754 million.

NOTES RELATING TO ACCOUNTING DECISION-MAKING

Note 42 Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are to be introduced by the 2023/24 Code are;

- IFRS 16 Leases (but only for those Local Authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year);
- Where an Authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 Statements of Accounts;
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021;
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020
-

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

Note 43 Critical Judgements in applying accounting policies

In applying the Accounting Policies set out in the Notes to the Accounts, 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 44 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

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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.

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 41.

Arrears

At 31 March 2023, the Council had a balance of short term debtors of £6.74 million. An allowance for expected credit losses of £2 million or around 29.8% 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 £2.044 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 45 Authorisation of Accounts for Issue

These accounts were considered and authorised by the Chief Financial Officer of East Hampshire District Council on 31st July 2023. The final audited version of these accounts will be considered for approval by the Audit Committee in the future.

Note 46 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on tbc. 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 2022/23.

EXPLANATORY NOTES

Note 47 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council is required to disclose an estimate in respect of future costs that may occur that are not currently reflected in the accounts. The Council has no contingent liabilities as at 31st March 2023.

Note 48 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 required 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 2022/23 was approved by Full Council in February 2022 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.

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Note 49 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 PWLB loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 50 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.

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Note 51 Interest in Other Entities

The Council must consider all 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.

- The Council has a controlling interest in a Local Authority Trading Companies, which provide enforcement 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 company are East Hampshire Commercial Services Ltd (EHCS)
- The principal activities of the company are primarily enforcement work (EHCS)
- The immediate and ultimate parent undertaking is East Hampshire District Council
- The Council holds 100% ownership of the company
- Details of financial performance are set out below.

EHCS Ltd Income & Expenditure

	2022/2023	2021/2022
	£'s	£'s
Turnover	759,391	638,804
Gross Profit	<u>759,391</u>	<u>638,804</u>
Admin Expenses	(768,885)	(638,786)
Other Operating Income		6,355
Operating Profit	(9,494)	6,373
Interest Payable and Similar charges	(4,870)	(3,639)
Profit for the Finance Year	<u>(14,364)</u>	<u>2,734</u>

EHCS Ltd Balance Sheet

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	2022/2023 £'s	2021/2022 £'s
Fixed Assets		
Tangible Assets	<u>5,055</u>	<u>5,514</u>
	5,055	5,514
Current Assets		
Debtors	148,743	41,155
Cash at Bank/In Hand	<u>66,247</u>	<u>24,658</u>
	214,990	65,813
Creditors		
Amount falling due with 1 year	<u>(213,078)</u>	<u>(47,678)</u>
Net Current Assets (Liabilities)	<u>1,912</u>	<u>18,135</u>
Total Assets less Current Liabilities	<u>6,967</u>	<u>23,649</u>
Creditors		
Amount falling due more than 1 year	(52,767)	(53,967)
Net Liabilities	<u>(45,800)</u>	<u>(30,318)</u>
Capital and Reserves		
Called up Share Capital	100	100
Profit and Loss Account	<u>(45,900)</u>	<u>(30,418)</u>
Shareholder Funds	<u>(45,800)</u>	<u>(30,318)</u>

EXPLANATORY NOTES

Notes to Accounts 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 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices 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 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.

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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 Comprehensive Income and Expenditure Statement (CI&ES) when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

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

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period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- revaluations comprising:
 - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Hampshire pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

8. Events after the Reporting Period

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

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

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

9. Fair Values

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

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

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

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

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

- 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.

EXPLANATORY NOTES

Level 3 Unobservable inputs for the asset or liability.

10. Financial Instruments

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

11. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and

EXPLANATORY NOTES

- the grants or contributions will be received.

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

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

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

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

The CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the comprehensive income and expenditure statement in accordance with the accounting policy for government grants and contributions set out above. Part of the CIL income is retained to offset the cost of administration and is accounted for as income for the Planning service. Some is also payable to Town and Parish Councils: this is treated as an agency service and is excluded from the Comprehensive Income and Expenditure Statement. The rest is intended for use to finance capital and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income and is then transferred to the Capital Grants Unapplied Reserve. A small proportion of the monies may be used to fund revenue expenditure.

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

12. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and that authority will be able to generate

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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 a Local Authority Trading Companies, which provide enforcement and consultancy services, EH Commercial Services Limited. Fuller disclosures have been made in the interests in other entities note in the Core Financial Statements.

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

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

15. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be

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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 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.

EXPLANATORY NOTES

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.
- 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

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When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

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

19. Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.

EXPLANATORY NOTES

- Earmarked Reserves: The Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

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

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

20. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the CI&ES in the year.

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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 His Majesty's Revenue and Customs. VAT receivable is excluded from income.

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			Non-Domestic		
	Rates	Council Tax	Total	Rates	Council Tax	Total
	2022/2023	2022/2023	2022/2023	2021/2022	2021/2022	2021/2022
	£000					
Income						
Council Tax		(101,711)	(101,711)		(97,501)	(97,501)
Non-Domestic Rates	(26,350)		(26,350)	(24,670)		(24,670)
Transferred from General Fund						
Transitional Relief	(54)		(54)	(130)		(130)
Section 13A relief						0
Total Income	(26,404)	(101,711)	(128,115)	(24,800)	(97,501)	(122,301)
Disbursement						
Precepts and Demands						
- East Hampshire District Council	9,669	11,877		12,279	11,449	
- Hampshire County Council	2,175	72,198		2,763	69,423	
- Police & Crime Commissioner		12,274			11,642	
- Hampshire Fire Authority	242	3,915		307	3,621	
- Central Government	12,086			15,349		
Share of surplus/(deficit) on Collection Fund			124,436			126,832
- East Hampshire District Council	(2,689)	(135)		(5,238)	22	
- Hampshire County Council	(605)	(822)		(1,179)	130	
- Police & Crime Commissioner	(67)	(138)			21	
- Hampshire Fire Authority		(43)		(131)	7	
- Central Government	(3,361)			(6,548)	0	
			(7,859)			(12,916)
Cost of collection allowance	156			156		
Movement in allowance for Bad Debts		490		170	94	
Write-offs					220	
Appeals	103			(959)		
Other transfers to general fund	74			92		
			824			(227)
Total Expenditure	17,784	99,617	117,401	17,061	96,628	113,689
Fund (surplus)/deficit for the year	(8,620)	(2,093)	(10,714)	(7,740)	(873)	(8,612)
Fund balance b/f	5,641	(1,879)	3,763	13,381	(1,006)	12,375
(Surplus)/deficit for year	(8,620)	(2,020)	(10,640)	(7,740)	(873)	(8,612)
Fund balance c/f	(2,979)	(3,899)	(6,878)	5,641	(1,879)	3,763

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 £139.14 for 2022/23 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	2022/2023 Band D Equivalent Dwellings	2021/2022 Band D Equivalent Dwellings
Band A Disabled	5/9	7	5	5
Band A	6/9	1,576	1,131	1,130
		1,583	1,136	1,135
Band B	7/9	3,989	3,002	2,979
Band C	8/9	10,541	9,378	9,310
Band D	9/9	10,413	10,041	10,015
Band E	11/9	10,362	10,218	10,085
Band F	13/9	9,136	9,058	8,870
Band G	15/9	7,936	7,881	7,811
Band H	18/9	1,197	1,194	1,203
Council Tax Base		55,156	51,909	51,407

2 National Non-Domestic Rates

The total non-domestic rateable value at 31st March 2023 was £86,436,432 (£86,106,685 at 31st March 2022). The national non domestic multiplier for the year was 51.2p (51.2p in 2021/22) and the small business rates relief multiplier was 49.9p (49.9p in 2021/22).

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.

	Non-domestic			Non-domestic		
	Rates 2022/2023 £000	Council Tax 2022/2023 £000	Total 2022/2023 £000	Rates 2021/2022 £000	Council Tax 2021/2022 £000	Total 2021/22 £000
Hampshire County Council	(619)	(2,009)	(2,628)	508	(1,350)	(842)
Police		(346)	(346)		(232)	(232)
Fire	(68)	(110)	(178)	56	(75)	(19)
Central Government	(3,441)	0	(3,441)	2,821	0	2,821
	(4,128)	(2,465)	(6,593)	3,385	(1,657)	1,728

Glossary of Terms

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

Accruals

The recognition of income and expenditure as it falls due, not when cash is received or paid.

Actuarial gains & losses

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

Amortisation

The writing down of the value of intangible fixed assets in line with its programmed useful life.

Assets

These can be either:

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

Balance Sheet

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

Best Value

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

Budget

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

Capital Expenditure

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

Capital Receipts

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

Cash Flow Statement

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

Cash Equivalents

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

CIPFA

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

Code of Practice

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

Comprehensive Income and Expenditure Statement (CI&ES)

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

Creditors

Money owed by the Council to others.

Debtors

Money owed to the Council by others.

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserves

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

Employee Costs

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

Exceptional Items

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

Extraordinary Items

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

Fair Value

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

Financial Instruments

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

General Fund

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

Government Grants

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

Gross Expenditure

Expenditure before deducting any related income.

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 substantially all 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, Hampshire County Council and Fire Authority in line with the relevant statutory and accounting guidelines.

Past Service Cost

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

Precept

The amount of income demanded of the Collection Fund by an authority entitled to that income.

Preceptor

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

Provisions

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

Public Works Loan Board (PWLB)

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

Rateable Value

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

Reserves

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

Revaluation Reserve

A capital reserve where changes in the value of fixed assets are disclosed when they are revalued.

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.