

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

**2023/2024**

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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 2024 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 2023/24 ("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 2023/24 is 31<sup>st</sup> May for the unaudited statement of accounts and 30<sup>th</sup> September for the audited statement of accounts. Our accounts were published on 5<sup>th</sup> July 2024.

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 514km<sup>2</sup> of the eastern part of the county of Hampshire. There are roughly 120,000 people living in the district, which benefits from being part of the South Downs National Park. The district is home to more than 6,000 businesses (most of which are small businesses) and is mostly rural with the largest towns being Petersfield and Alton.

East Hampshire District Council is comprised of 43 councillors (elected every four years) and operates according to the leader and cabinet model. In 2023/24, following an Election in May 2023, the Council was controlled by a coalition between Conservative (19) and Whitehill & Bordon Community Party (6). The remaining seats were shared between Liberal Democrat (14), Green (2), Labour (1) and Independent (1).

The councillors are supported by around 300 full time equivalent members of staff, who co-ordinate the provision of more than 70 services from Monterey House 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.

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.

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## 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

- All-out Council elections were delivered successfully, with polling occurring on 4 May 2023 and ballot counting completed on 5 May 2023 which led into New Councillor Induction programme delivered for 22 new councillors
- New administration in place – officers supporting the coalition arrangements and working closely with the administration to define the corporate action plan and enable the continued delivery of the corporate strategy.
- The SEHF Corporate Transformation Plan gained approval setting the direction of travel which will lead to transformational change across the entire organisation. This sets the scene of ensuring that we are fit for the future. The programme continues at pace with the first three directorate transformation plans progressing to the formal stages of approval.
- Stand-alone Joint Venture (EHN) became fully operational in the first week of April and ongoing steps have been taken to improve waste collection services through direct control of operations, including the commencement of the third garden waste round. Complaints data is expected to see a reduction in volumes leading to Q2.
- IT exit notice served to HBC 29 June 2023. This means that EHDC can progress towards the delivery of an inhouse IT service which will enable transformation to be delivered and significantly contribute to the delivery of transformation savings.
- Successful bidding rounds have been held for both CIL and S106. Subject to being approved, this has the potential to see £4m committed to support local schemes across the district. This will also lever in an additional £2m from HCC.
- Successful staff trial of New Barn, including new Teams room and other facilities. Useful feedback received from staff to highlight areas that could be changed during the fit-out phase. Successfully hosted a range of meetings including Cabinet Briefings.
- Successful Business East Hants and Rural Business Network Event held on 30 June to support the district local economy and Grow Up project.
- Hosted a successful tour of Whitehill & Bordon for the RTPi President and Committee in June to showcase the Green Loop and W & B regeneration.

### Quarter 2

- All directorate transformation plans have now gained formal approval meaning that the implementation of the plans can commence to enable the council to deliver the efficiencies needed and enhance the resident experience of future services.
- An investment of £25k has been made by the council into a Speedwatch camera scheme which will help to keep the roads of East Hampshire safe. This Speedwatch camera scheme was announced in February by EHDC Leader Cllr Richard Millard as one of 12 new welfare projects.
- EHDC recruited an in-house ecologist to help the council create the greenest plan ever. This is the council's commitment to combating climate change and to make sure the local environment remains rich in wildlife.
- EHDC was honoured with an armed forces silver award, demonstrating the council's commitment to supporting current and former armed forces personnel.
- Approval was given to aim for carbon neutral for council services by 2035 rather than the previously set timeframe of 2050. This ambitious deadline is the council's commitment to reduce its own carbon footprint as well as supporting community groups, residents and businesses to reduce their own environmental impact.
- Council meetings were taken on the road bringing democracy to residents across the district. This is another step in ensuring transparency and responding to feedback from residents.
- A reduction in time spent in B&B compared to Q1 with no households accommodated in B&B for a few days

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- More than £4m has been raised from developers that build homes in the district and is being put towards 27 infrastructure projects across the district. These schemes will range from safer roads to bigger GP surgeries and from better sports facilities to school improvements.
- Launch and implementation of the L&D offer to all staff to ensure that staff are adequately trained in areas of key risk for the council thereby mitigating risk which if realised could cause service failure, financial penalty and detrimental impact across the organisation.
- First meeting of the cross party Climate Task and Finish Panel (September 2023) established to support the delivery of the green agenda.
- EHDC funded an outreach worker employed by CAEH to support people during the cost of living crisis.
- Community Climate Action Fund 2nd round (£50k) closed 30 October 2023 – 16 applications received, decision due early December 2023
- Grow Up! Rural England Prosperity Fund (£196K) closed on 29 Sept – 44 applications received, decision due November 2023

## Quarter 3

- Completion of Energy Audit (Carbon Audit)
- Community Climate Action Fund – 8 projects awarded for a total of £52,000
- Rural England Prosperity Fund (£196K) bidding process closed on 29 Sept – 6 awards totally £193K; delivery of projects underway
- Monterey House - refurbishment contract completed in December.
- Commercial property Investment Portfolio – Strategic review complete and reported to Cabinet (December)
- Residents survey
- B&B use reduced – weeks spent in B&B down from 90 in Q2 to 38 in Q3
- Rough Sleeper Count in November recorded only 2 people
- Fees and charges agreed and adopted, mainly from 1<sup>st</sup> January 2024.
- Supporting 411 Ukrainian households
- Household Support Fund Food Vouchers – 5069 vouchers distributed with a value of £260,830
- Fees and charges
- 2022/23 Statement of Accounts signed off by our External Auditors

## Quarter 4

- Monterey House – occupation has taken place with staff relocating from Penns Place.
- Monterey House: Installation of 165kwp solar panel system, batteries and 6 EV charging points (still not connected to the grid due DNO), Workplace travel plan relaunched
- Grow Up Programme
- 16 community projects approved and being delivered – this include the planting of 1,082 Trees And 14,600 Hedges
- REPF projects – Butser Ancient farm project completed. Other 5 projects are due to be completed in Q1 2024/25
- Decisions made on key commercial ventures (EHCS/ RegenCo)
- Increased Parking Charges went live from 1st January
- 6-week consultation on the draft Local Plan concluded
- CIL bidding window opened and closed during the period with 33 applications received
- 18 parishes have received funding to support the purchase of Autospeed Watch cameras
- 37 Affordable Housing developed in Q4 – total of 144
- 412 Ukraine guests were supported
- Ongoing delivery of Leaders priorities
- Preparation work for the upcoming PCC Elections
- External audit completed on Information Governance
- 370 children participated in the 12-week free swimming lessons
- Successful application of a grant to install solar panels at Alton Sports Centre
- Switch over of the IT infrastructure from Capita to Inhouse including issuing of new laptops

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## **Key Business Indicators**

The table below contains some of our key corporate performance indicators in 2023/24, with comparison figures from 2022/23 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.

<b>Key Performance Indicator</b>	<b>2022/23</b>	<b>2023/24</b>
Business Rates collection rate	97.4%	97.8%
Council Tax collection rate	98.2%	98.4%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	75%	
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	87%	
All planning applications decided within 26 weeks (above 98%)	92%	
Homelessness interventions (above 600 for the year)	857	939
Customer satisfaction with service centre (above 97%)	99.1%	98.4%
Freedom of Information requests responded within statutory deadline (above 95%)	98%	99%

## **3. Governance**

Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved. For example, the Strategy Board meets weekly and considers, when appropriate, internal audit, risk management, health and safety, emergency planning, information governance, and any complaints received from the Local Government Ombudsman.

### ***The Council***

East Hampshire District Council is made up of 43 councillors elected every four years. Councillors are democratically accountable to the residents of their ward. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

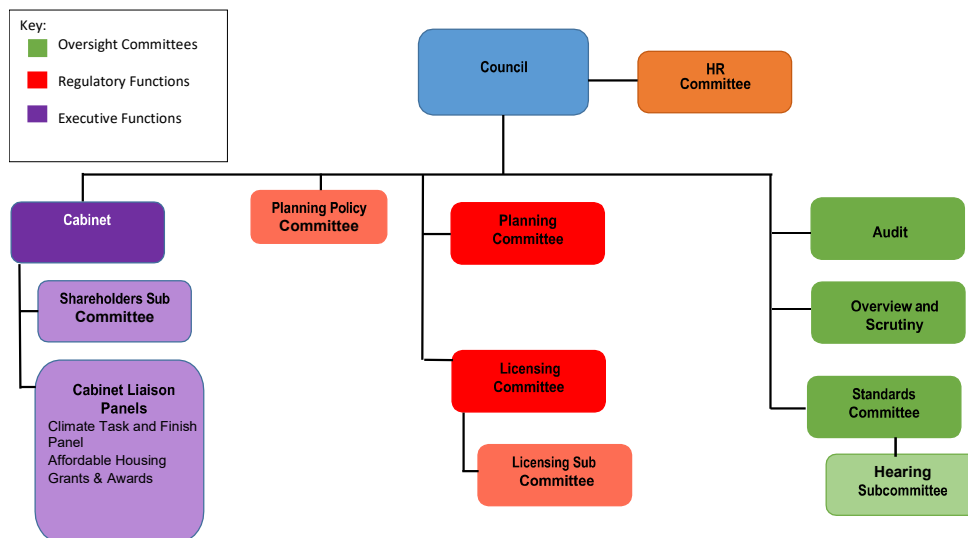
All councillors meet together for Full Council meetings six times a year. These are held in public and are used to decide the council's overall policies and set the budget each year.

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 2023/24.

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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 coalition 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 8 Councillors and met 9 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 4 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 met 5 times during the year.

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 15 Councillors and meets as required. The Licensing Committee is responsible for licensing and registration functions.

The full list of matters includes:

- hackney carriage and private hire taxis (and drivers);
- theatre licences; game dealers;
- entertainment licences; and
- lotteries.

## **Standards Committee**

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

The Standards functions are:

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

## **Planning Policy Committee**

The Committee is made up of 10 Councillors and met 4 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.



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- to agree the draft East Hampshire District Council Community Infrastructure Levy (CIL) charging schedule and draft spending protocol.

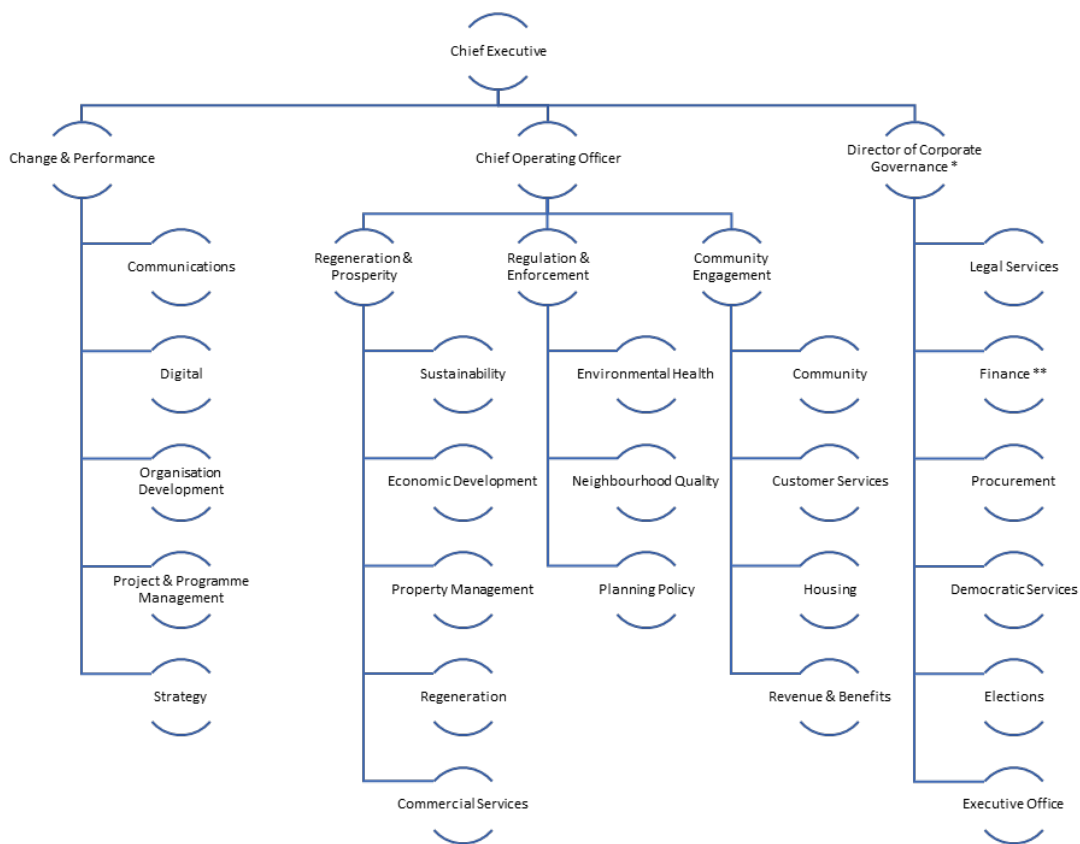
## Human Resources Committee

The Committee is made up of 6 Councillors and met 3 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 for 2023/24 and is shown below however an interim structure was in place following the Director of Corporate Governance post being vacant from December 2023:



\* Monitoring Officer

\*\* Section 151 Officer

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## Staffing

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

<b>Employees</b>	<b>2022/23</b>	<b>2023/24</b>
Total number of current permanent full and part time employees	308	291
Total number of current temporary / fixed term employees	*	*
<b>Total number of employees</b>	<b>308</b>	<b>291</b>
Total number of employees expressed as full-time equivalents	281	265

\*- Not available

Sickness and accident statistics are shown in the table below:

	<b>2022/23</b>	<b>2023/24</b>
Short term sickness (days per FTE)	5.2	2.2
Long term sickness (days per FTE)	2.8	7.3
Overall sickness (days per FTE)	8.0	9.5

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## 4. A Summary of the 2023/24 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 overspend of £307,000 which was achieved during significant change to the Council and continued pressures being experienced.

	2023/2024		
	Final Budget £000	Outturn £000	Variance £000
<b>Change &amp; Performance</b>			
Communications	380	381	0
Digital	1,581	1,740	159
Organisational Development	441	418	(23)
Project & Programme Management	323	294	(28)
Strategy	197	174	(23)
<b>Community Development &amp; Engagement</b>			
Community	1,102	968	(135)
Customer Service	1,464	1,231	(233)
Housing	151	138	(12)
Revenues & Benefits	606	694	89
<b>Corporate Governance</b>			
Contract Management	4,851	4,297	(554)
Democratic Services	557	614	57
Elections	220	240	20
Executive Office	983	982	(0)
Finance	304	(135)	(438)
Legal Services	512	820	308
<b>Regeneration &amp; Prosperity</b>			
Climate Change	100	100	(0)
Commercial Services	234	179	(55)
Economic Development	70	21	(50)
Property	(6,970)	(5,731)	1,240
Regeneration	654	619	(35)
<b>Regulation &amp; Enforcement</b>			
Environmental Health	968	941	(27)
Neighbourhood Quality	(1,504)	(807)	697
Planning	1,944	2,709	765
Other Operating I&E			
<b>Total Cost of Services</b>	<b>9,167</b>	<b>10,889</b>	<b>1,722</b>
Other Operating I&E (Corporate Pension Costs)	4,802	4,830	28
Finance Charges			0
Interest from Investments			0
Interest payments			0
<b>Net Cost of Services</b>	<b>13,970</b>	<b>15,719</b>	<b>1,750</b>
<b>Funded by:</b>			
Business rates Retention	(17,352)	(17,352)	0
Council Tax Demand on the Collection Fund (inc precepts)			0
Parish precepts	4,953	4,953	0
General Grants	(2,590)	(2,834)	(244)
Contributions to/(From) Earmarked Reserves	1,021	(179)	(1,200)
<b>Total Funding</b>	<b>(13,970)</b>	<b>(15,412)</b>	<b>(1,442)</b>
<b>Net (Surplus)/Deficit</b>	<b>(0)</b>	<b>307</b>	<b>307</b>

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The main variances over £50,000 by service are detailed below: -

**Digital (£159,000 overspent)** - related to increased costs relating to some additional software licences and the Capita contract however offset by lower salary costs through vacancies.

**Community (£135,000 underspent)** - A combination of reduced grant payments and retrospective drawdowns following a full review and reconciliation of historical projects

**Customer Services (£233,000 underspent)** - is mainly due to underspends on staffing budgets from vacancies held throughout the year in preparation for Case Management. Additional income received across the service.

**Revenue & Benefits (£89,000 overspent)** - relates to a change in the % used for Housing Benefit Subsidy which has been mitigated through vacancies across the service, additional income/grants received and release of bad debt provision.

**Contract Management (£554k underspent)** - relating to an in year Mixed Recycling rebate received from Hampshire County Council. This rebate is to end this year and is not factored into the budget. Additional income within the Garden Waste service was also achieved in excess of the Shaping East Hampshire's Future contribution.

**Democratic Services (£57,000 overspent)** - related to the cost of roving councils and this is not expected to occur in the future

**Finance (£438,000 underspent)** – through investment opportunities as part of our Treasury Management strategy

**Legal Services (£308,000 overspent)** - due to contractors covering the vacancies within the team for the majority of the year

**Commercial Services (£55,000 underspent)** - This relates to a combination of a vacancy within RegenCo and the income generated from their current projects. EHCS ceased trading on the 31st March 2024 and the company will be closed during 2024/25 and RegenCo is earmarked to wind down its existing contractual arrangements with a view of stopping providing the service.

**Property (£1,240,000 overspent)** - relates to incurring overheads (cleaning, security, rates etc) on vacant properties and the combined effect of loss of rent. Increased Repairs and Maintenance activities across the estate. Additional costs have been incurred as part of a large dilapidation claim for one of our Investment assets. This overspend is being funded from the Property Reserve and the compensating drawdown from reserves is captured in Funding against Movement in Reserves

**Neighbourhood Quality (£697,000 overspent)** - relates to lower than anticipated parking income. The parking charges were recently increased from the 1<sup>st</sup> January so these figures do not include the full year effect. The parking strategy is under review for implementation during 2024/25.

**Planning (£765,000 overspent)** - lower than expected income in this area due to a reduction in applications. Additionally, there have been some one-off staffing costs at the beginning of 2023/24 whilst the service restructured. A full review of this area is being undertaken to implement in 2024/25 with a view to reducing the financial pressures.

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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	2023/24 Budget £'000	2023/24 Outturn £'000	2023/24 Variance £'000
<b>Housing</b>			
Disabled Facilities Grants	1,691	1,257	(434)
<b>Operational Land &amp; Buildings</b>			
Leisure Centre Refurb - Feasibility study	100	85	(15)
Waste Depot - feasibility review	100	0	(100)
Leisure centre replacement (W&B)	0	0	0
Pinewood Village Hall	0	80	80
Penns Regeneration	0	32	32
Festival Hall	0	105	105
Woodland Hall	0	4	4
<b>Investment Properties</b>			
Investment Properties	0	0	0
<b>IT Equipment</b>			
Asset Management System	125	86	(39)
ICT Equipment	200	168	(32)
Audio Visual Equipment	220	214	(6)
ICT Improvement Programme	1,500	1,177	(323)
<b>Vehicles</b>			
Replacement vehicles	85	0	(85)
<b>Other Capital Expenditure</b>			
Alton Station Forecourt	250	316	66
Changing Places Toilets	170	33	(137)
UK Prosperity Fund	129	87	(42)
Rural England Prosperity Fund	245	177	(68)
Local Authority Housing Fund (LAHF)	0	3,080	3,080
<b>Total Capital Programme</b>	<b>4,815</b>	<b>6,901</b>	<b>2,086</b>
<b>Funding</b>			
REFCUS (Revenue funded as Capital under Statute)	1,691	1,257	(434)
External Grants & Contributions	794	3,693	2,899
Use of Specific Reserves	2,330	1,951	(379)
Use of Capital Receipts	0	0	0
Borrowing Requirements	0	0	0
<b>Total Funding</b>	<b>4,815</b>	<b>6,901</b>	<b>2,086</b>

## 5. Strategic Risks

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

## 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.

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The Council's net Pension Liability valued on an IAS 19 basis decreased from £10.168 million at 31st March 2023 to £9.327 million at 31st March 2024. It is detailed in Note 41 to the accounts. Gross liabilities have decreased by £6.932 million mainly due to changes in financial assumptions, and the fair value of assets has decreased by £3.401 million.

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

## **7. Future Plans**

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

The Medium Term Financial Strategy 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 Council's Medium Term Financial Strategy has been updated for 2023/24 in February 2023 and 2024/25 in February 2024. This takes into account inflation (both pay and contract) and other known changes. This showed a balance MTFS over the next 5 years. This is being updated for 2025/26 budget setting to reflect changes arising from the Shaping East Hampshire's Future programme.

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The medium term financial strategy for the period 2024/25 to 2028/29 is set out in the table below was approved by Full Council in February 2024

## East Hampshire District Council

### General Fund Summary

#### 2024/25 to 2028/29 Medium Term Financial Strategy

	2024/25 Final £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
<b>Change &amp; Performance</b>					
Communications	380	380	380	380	380
Digital	1,799	1,799	1,799	1,799	1,799
Organisational Development	441	441	441	441	441
Project & Programme Management	323	323	323	323	323
Strategy	197	197	197	197	197
<b>Community Development &amp; Engagement</b>					
Community	1,086	1,064	1,064	1,064	1,064
Customer Services	1,495	1,495	1,495	1,495	1,495
Housing	151	151	151	151	151
Revenue & Benefits	756	756	756	756	756
<b>Corporate Governance</b>					
Contract Management	5,634	6,105	6,352	6,612	6,872
Democratic Services	679	679	679	679	679
Elections	220	220	220	220	220
Executive Office	983	983	983	983	983
Finance	184	184	184	184	184
Legal Services	512	512	512	512	512
<b>Regeneration &amp; Prosperity</b>					
Climate Change	100	100	100	100	100
Economic Development	70	70	70	70	70
Property Management	(6,544)	(6,775)	(6,731)	(6,686)	(6,641)
Regeneration	604	604	604	604	604
Commercial Services	184	184	184	184	184
<b>Regulation &amp; Enforcement</b>					
Environmental Health	968	968	968	968	968
Neighbourhood Quality	(1,854)	(1,854)	(1,854)	(1,854)	(1,854)
Planning Policy	1,644	1,644	1,644	1,644	1,644
<b>Total Cost of Services</b>	<b>10,012</b>	<b>10,230</b>	<b>10,521</b>	<b>10,826</b>	<b>11,131</b>
<b>Savings to be identified</b>					
Political priorities	30	30	30	30	30
Future Year savings	(500)	(500)	(500)	(500)	(500)
Salary inflation	685	1,157	1,624	2,131	2,662
Revenue cost of capital expenditure	3,878	3,878	3,878	3,878	3,878
<b>Net Cost of Services</b>	<b>13,505</b>	<b>13,995</b>	<b>14,303</b>	<b>14,615</b>	<b>14,951</b>
<b>Parish Precepts</b>					
Parish Precepts	4,952	4,952	4,952	4,952	4,952
<b>Business Rates Retention</b>					
Business Rates Retention	(2,921)	(3,201)	(3,265)	(3,330)	(3,397)
<b>Section 31 grant</b>					
Section 31 grant	(2,804)	(2,860)	(2,917)	(2,975)	(3,035)
Levy payment	476	486	496	506	506
Business Rates Collection Fund (surplus)/Deficit	0	0	0	0	0
<b>Council Tax growth inc base</b>					
Council Tax growth inc base	(12,680)	(12,872)	(13,069)	(13,268)	(13,477)
Council Tax Collection Fund (surplus)/Deficit	0	0	0	0	0
<b>General Grants</b>					
General Grants	0	0	0	0	0
New Homes Bonus Grant	(234)	0	0	0	0
<b>New Service Grant</b>					
New Service Grant	(12)	0	0	0	0
Funding Guarantee	(2,608)	(500)	(500)	(500)	(500)
Contributions to/(from) Earmarked Reserves	2,326	0	0	0	0
<b>Funding</b>	<b>(13,505)</b>	<b>(13,995)</b>	<b>(14,303)</b>	<b>(14,615)</b>	<b>(14,951)</b>
<b>Balance Deficit/(Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# ANNUAL REPORT – FINANCE NARRATIVE REPORT

## Capital Strategy 2024/25

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 2024/25 was approved by Full Council in February 2024 and is available on the Council's website. Within the capital strategy is the Capital Programme for 2024/25 to 2028/29 was prepared to mirror the 5 year timeframe of the MTFS.

East Hants District Council Capital Programme Summary		2023/24 £'000	PROGRAMME 2024-2029 £'000	5 YEAR CAPITAL PROGRAMME FOR MODELLING					TOTAL 2024-2029 £'000
Project			2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000		
<b>Previously approved Project/Capital Activity</b>									
Leisure centres refurbishment - feasibility study	100	0	0	0	0	0	0	0	0
Waste Depot - feasibility review	100	100	100	0	0	0	0	0	100
Asset Maintenance Management System	125	0	0	0	0	0	0	0	0
ICT Equipment	200	750	150	150	150	150	150	150	750
ICT Improvement Programme	1,500	500	500	0	0	0	0	0	500
Replacement Vehicles	85	0	0	0	0	0	0	0	0
Audio Visual equipment	220	0	0	0	0	0	0	0	0
Waste Vehicles	125	125	0	125	0	0	0	0	125
<b>New Capital Activity subject to Business Cases</b>									
Investment Portfolio Activity	0	10,000	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Waste Depot	0	1,500	0	1,500	0	0	0	0	1,500
Sustainability Projects	0	500	100	100	100	100	100	100	500
Leisure Provision	0	2,000	2,000	0	0	0	0	0	2,000
Housing Initiatives	500	2,800	2,800	0	0	0	0	0	2,800
<b>Externally funded Capital Activity</b>									
Disabled Facilities Grants	1,691	8,455	1,691	1,691	1,691	1,691	1,691	1,691	8,455
Alton Station Forecourt	250	0	0	0	0	0	0	0	0
Changing Places Toilets	170	0	0	0	0	0	0	0	0
UK Prosperity Fund - Development of Grow Up Farm	129	807	807	0	0	0	0	0	807
Rural England Prosperity Fund - Assistance to small rural business and community infrastructure	245	294	294	0	0	0	0	0	294
<b>Grand Totals</b>	<b>5,440</b>	<b>27,831</b>	<b>10,442</b>	<b>5,566</b>	<b>3,941</b>	<b>3,941</b>	<b>3,941</b>	<b>3,941</b>	<b>27,831</b>
<b>APPROVED</b>									
<b>5 YEAR CAPITAL PROGRAMME FOR MODELLING</b>									
East Hants District Council Capital Programme Summary		2023/24 £'000	2024-2029 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	TOTAL 2024-2029 £'000
<b>Projected Capital Financing</b>									
1. REFCUS (Revenue funded as Capital under Statute)	1,691	8,455	1,691	1,691	1,691	1,691	1,691	1,691	8,455
2. External Grants & Contributions	794	1,101	1,101	0	0	0	0	0	1,101
3. Use of Specific Reserves	2,330	1,475	750	275	150	150	150	150	1,475
4. Use of Capital Receipts/Future Sales	0	10,800	4,900	3,600	2,100	100	100	100	10,800
5. Borrowing Requirement	625	4,000	0	0	0	2,000	2,000	0	4,000
6. Use of Developer Contributions	0	2,000	2,000	0	0	0	0	0	2,000
<b>Total Projected Funding</b>	<b>5,440</b>	<b>27,831</b>	<b>10,442</b>	<b>5,566</b>	<b>3,941</b>	<b>3,941</b>	<b>3,941</b>	<b>3,941</b>	<b>27,831</b>

## 8. Material assets/liabilities

The Council purchased 8 houses within the district as part of the Governments Local Authority Housing Fund in order to assist with resettlement of refugees. These houses were funded from a combination of Government Grants and Developer Contributions.



# ANNUAL REPORT – FINANCE NARRATIVE REPORT

## 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  
18<sup>th</sup> June 2024

# ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

## Annual Governance Statement

### Opinion

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

Signed:

Gill Kneller

Chief Executive

Cllr Richard Millard

Leader

# Statements to the Accounts

# Annual Accounts – Statement to the Accounts

## The Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibility

The Council is required:

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

### The Chief Financial Officer Responsibility

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records that were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Chief Financial Officer Certificate

I certify that I have fulfilled my responsibilities noted above and that the accounts set out as above to give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2024 and its income and expenditure for the year ended 31<sup>st</sup> March 2024.

Matthew Tiller

Chief Finance Officer

## Approval of Accounts

The accounts will be presented to the Audit Committee on the 11<sup>th</sup> July 2024.

## Annual Accounts – Key Financial Statements

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

This will be added following the completion of the annual audit.

# KEY FINANCIAL STATEMENTS

# Annual Accounts – Key Financial Statements

## Comprehensive Income & Expenditure Statement

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

	2023/2024			2022/2023		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
<b>Change &amp; Performance</b>						
Communications	458	0	458	549	(36)	513
Digital	3,975	0	3,975	2,119	(135)	1,984
Organisational Development	512	(70)	442	580	(77)	503
Project & Programme Management	288	0	288	349	(21)	328
Strategy	144	0	144	458	(123)	335
<b>Community Development &amp; Engagement</b>						
Community	2,583	(974)	1,609	2,906	(1,555)	1,351
Customer Service	1,991	(729)	1,262	2,003	(614)	1,389
Housing	1,084	(947)	137	30	(576)	(546)
Revenues & Benefits	16,173	(15,473)	700	16,230	(15,879)	351
<b>Corporate Governance</b>						
Contract Management	8,277	(3,020)	5,257	7,045	(1,744)	5,301
Democratic Services	697	0	697	670	(60)	610
Elections	471	(59)	412	207	(40)	167
Executive Office	988	0	988	470	(72)	398
Finance	1,965	(1,688)	277	3,080	(538)	2,542
Legal Services	883	(62)	821	1,086	(160)	926
<b>Regeneration &amp; Prosperity</b>						
Climate Change	210	(25)	185	158	(6)	152
Commercial Services	1,518	(1,339)	179	1,797	(1,653)	144
Economic Development	491	(328)	163	428	(284)	144
Property	13,297	(9,213)	4,084	11,215	(10,312)	903
Regeneration	755	(133)	622	541	(98)	443
<b>Regulation &amp; Enforcement</b>						
Environmental Health	1,239	(289)	950	(360)	(382)	(742)
Neighbourhood Quality	1,188	(1,926)	(738)	2,233	(3,108)	(875)
Planning	742	(1,738)	(996)	5,151	(2,169)	2,982
Other Operating I&E	(546)	(26)	(572)	92	0	92
<b>Net Cost of Service</b>	<b>59,383</b>	<b>(38,039)</b>	<b>21,344</b>	<b>59,037</b>	<b>(39,642)</b>	<b>19,395</b>
<b>Other Operating Expenditure</b>		<b>Note 5</b>	<b>4,953</b>			<b>4,655</b>
<b>Financing and Investment Income and Expenditure</b>		<b>Note 6</b>	<b>7,085</b>			<b>8,355</b>
<b>Taxation and non-specific grant income</b>		<b>Note 7</b>	<b>(20,193)</b>			<b>(20,850)</b>
<b>(Surplus)/Deficit on Provision of Services</b>			<b>13,189</b>			<b>11,555</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(3,981)			(239)
Actuarial (gains)/losses on pension assets / liabilities			(1,417)			(36,366)
<b>Other Comprehensive Income and Expenditure</b>			<b>(5,398)</b>			<b>(36,605)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>7,791</b>			<b>(25,050)</b>

# 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
<b>Balance at 1 April 2022</b>	(27,555)	(4,418)	(16,920)	(48,893)	7,586	(41,307)
<b>Movement in reserves during 2021/2022</b>						
<b>Total Comprehensive Income and Expenditure</b>	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
<b>Net (Increase)/Decrease before Transfers Adjustment</b>	5,330	(609)	(1,728)	2,993	(28,043)	(25,050)
<b>Balance at 31 March 2023 carried forward</b>	<b>(22,225)</b>	<b>(5,027)</b>	<b>(18,648)</b>	<b>(45,900)</b>	<b>(20,457)</b>	<b>(66,357)</b>
<b>Movement in reserves during 2022/2023</b>						
Opening adjustment	(56)			(56)		(56)
<b>Total Comprehensive Income and Expenditure</b>	13,245			13,245	(5,398)	7,847
Adjustments between accounting basis & funding basis under regulations (note 12)	(6,875)	211	(1,051)	(7,715)	7,715	0
Adjustment re opening roundings						
<b>Net (Increase)/Decrease before Transfers</b>	6,314	211	(1,051)	5,530	2,317	7,791
<b>Balance at 31 March 2024 carried forward</b>	<b>(15,911)</b>	<b>(4,816)</b>	<b>(19,699)</b>	<b>(40,426)</b>	<b>(18,140)</b>	<b>(58,566)</b>



# Annual Accounts – Key Financial Statements

## Balance Sheet

This statement summarises the Council's assets and liabilities as at 31<sup>st</sup> March for the years 2024 and 2023.

	NOTES	31 March 2024		31 March 2023
		£000	£000	£000
<b>Property, Plant and Equipment</b>	<b>14</b>	80,076		74,750
<b>Investment Properties</b>	<b>20</b>	102,730		115,253
<b>Intangible Assets</b>	<b>21</b>	208		268
<b>Long Term Debtors</b>		2,186		2,702
<b>Long Term Assets</b>			<b>185,200</b>	<b>192,973</b>
<b>Current Assets</b>				
Short Term Debtors	<b>22</b>	4,581		6,768
Cash and Cash Equivalents	<b>23</b>	30,786		37,693
<b>Current Assets</b>			<b>35,367</b>	<b>44,461</b>
<b>Current Liabilities</b>				
Cash and Cash Equivalents	<b>23</b>	(650)		(464)
Short Term Creditors	<b>24</b>	(8,737)		(14,694)
Short Term Borrowing	<b>28</b>	(3,092)		(5,410)
Provisions	<b>25</b>	(283)		(283)
<b>Current Liabilities</b>			<b>(12,762)</b>	<b>(20,851)</b>
<b>Long Term Liabilities</b>				
Capital Grants receipts in advance	<b>36</b>	(14,860)		(17,038)
Long Term Borrowing	<b>28</b>	(116,440)		(115,569)
Other Long Term Liabilities		(330)		(327)
Finance Lease	<b>27</b>	(5,046)		(5,080)
Pension Fund Liability	<b>41</b>	(9,327)		(10,168)
Provisions	<b>25</b>	(3,236)		(2,044)
<b>Long Term Liabilities</b>			<b>(149,239)</b>	<b>(150,226)</b>
<b>Net Assets</b>			<b>58,566</b>	<b>66,357</b>
<b>Financed by</b>				
<b>Usable Reserves</b>	<b>29</b>		<b>(40,426)</b>	<b>(45,900)</b>
<b>Unusable Reserves</b>	<b>31</b>		<b>(18,140)</b>	<b>(20,457)</b>
<b>Total Reserves</b>			<b>(58,566)</b>	<b>(66,357)</b>

Matthew Tiller  
Chief Finance Officer  
18<sup>th</sup> June 2024

# 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	2023/2024 £000	2022/2023 £000
<b>Net (surplus) or deficit on the provision of services</b>		13,189	11,555
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(10,127)	(10,127)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,231	2,177
<b>Net cash flows from Operating Activities</b>		<b>4,293</b>	<b>3,605</b>
Investing Activities	39	(5,934)	(580)
Financing Activities	40	1,729	239
Net decrease or (increase) in cash and cash equivalents		<b>88</b>	<b>3,264</b>
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		40,405	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.

	2023/2024			2022/2023		
	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis (see note 12) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis (see note 12) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
<b>Change &amp; Performance</b>						
Communications	381	77	458	362	151	513
Digital	1,740	2,235	3,975	1,896	88	1,984
Organisational Development	418	24	442	446	57	503
Project & Programme Management	294	(6)	288	272	56	328
Strategy	174	(30)	144	278	57	335
<b>Community Development &amp; Engagement</b>						
Community	968	641	1,609	1,057	294	1,351
Customer Service	1,231	31	1,262	1,048	341	1,389
Housing	138	(1)	137	472	(1,018)	(546)
Revenues & Benefits	693	7	700	157	194	351
<b>Corporate Governance</b>						
Contract Management	4,297	960	5,257	3,458	1,844	5,301
Democratic Services	614	83	697	582	28	610
Elections	240	172	412	146	21	167
Executive Office	982	6	988	329	69	398
Finance	(133)	410	277	1,329	1,214	2,542
Legal Services	820	1	821	788	138	926
<b>Regeneration &amp; Prosperity</b>						
Climate Change	100	85	185	398	(246)	152
Commercial Services	179	0	179	103	41	144
Economic Development	21	142	163	28	116	144
Property	1,419	2,665	4,084	1,099	(196)	903
Regeneration	619	3	622	900	(457)	443
<b>Regulation &amp; Enforcement</b>						
Environmental Health	941	9	950	776	(1,518)	(742)
Neighbourhood Quality	(807)	69	(738)	(1,134)	259	(875)
Planning	2,709	(3,705)	(996)	2,012	970	2,982
Other Operating I&E		0			0	
<b>Net Cost of Service General Fund</b>	<b>18,038</b>	<b>3,878</b>	<b>21,916</b>	<b>16,801</b>	<b>2,502</b>	<b>19,303</b>
Other Income & Expenditure	(6,889)	(90)	(6,979)	4,626	(4,534)	92
Movement in Earmark Reserves	(179)	179	0		0	
<b>Net Cost of Service</b>	<b>10,970</b>	<b>3,967</b>	<b>14,937</b>	<b>21,427</b>	<b>(2,032)</b>	<b>19,395</b>
<b>Other Operating Expenditure</b>	<b>4,253</b>	<b>700</b>	<b>4,953</b>	<b>(8,524)</b>	<b>13,179</b>	<b>4,655</b>
<b>Financing and investment income and Expenditure</b>	<b>5,270</b>	<b>1,815</b>	<b>7,085</b>		<b>8,355</b>	<b>8,355</b>
<b>Taxation and non-specific grant income</b>	<b>(20,186)</b>	<b>(7)</b>	<b>(20,193)</b>	<b>(13,151)</b>	<b>(7,392)</b>	<b>(20,850)</b>
<b>(Surplus)/ Deficit</b>	<b>307</b>	<b>6,475</b>	<b>6,782</b>	<b>(248)</b>	<b>12,110</b>	<b>11,555</b>
<b>Balance Summary</b>						
Opening General Fund Balance at 1 April	(4,109)			(3,861)		
Adjustment						
Add (Surplus)/ Deficit on General Fund Balances in Year	307			(248)		
Closing General Fund Balance at 31 March	(3,802)			(4,109)		
<b>Analysed between type of balance</b>	<b>General Fund</b>	<b>Earmarked Reserves</b>		<b>Total Balances</b>		
Opening Balance at 1 April 2022	(3,861)	(23,694)		(27,555)		
Add (Surplus)/ Deficit in year 2022/2023	(248)	5,578		5,330		
Transfer between reserves				-		
<b>Closing Balance at 31 March 2023</b>	<b>(4,109)</b>	<b>(18,116)</b>		<b>(22,225)</b>		
Adjustment						
Add (Surplus)/Deficit in year 2023/2024	307	6,006		6,313		
<b>Closing balances at 31 March 2024</b>	<b>(3,802)</b>	<b>(12,110)</b>		<b>(15,912)</b>		

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

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## Notes to the Core Financial Statements

### Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 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 overspend against the 2023/24 budget was £0.307 million which was a drawdown from 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

	2023/2024 £000	2022/2023 £000
<b>Expenditure</b>		
Employee expenses	17,335	21,307
Other Services expenses	42,117	44,523
Depreciation, amortisation and impairment	1,759	1,711
Interest payments	2,818	2,854
Precept and levies	4,953	4,655
Movements in the market value of Investment Properties	12,523	13,571
<b>Total Expenditure</b>	<b>81,505</b>	<b>88,621</b>
<b>Income</b>		
Fees, charges and other service income	(19,953)	(21,594)
Interest and investment income	(1,596)	(677)
Movements in the market value of Investment Properties		0
Income from Council Tax and Business Rates	(21,711)	(24,861)
Grants and contributions	(24,867)	(29,393)
Gains of disposal of assets	(189)	(541)
<b>Total Income</b>	<b>(68,316)</b>	<b>(77,066)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>13,189</b>	<b>11,555</b>

#### 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 2023/24 or 2022/23.

# EXPLANATORY NOTES

## Note 5 Other Operating Expenditure

	2023/2024	2022/2023
	£000	£000
Parish council precepts	4,953	4,655
(Gains)/losses on the disposal of non-current assets		
<b>Total</b>	<b>4,953</b>	<b>4,655</b>

## Note 6 Financing and Investment Income and Expenditure

	2023/2024	2022/2023
	£000	£000
Income & Expenditure in relation to investment properties	(7,150)	(8,524)
Interest payable and similar charges	2,818	2,854
Interest and investment income	(1,587)	(677)
Pension Interest Costs and expected return on pension assets	481	1,131
Movements in the market value of Investment Properties	12,523	13,571
<b>Total</b>	<b>7,085</b>	<b>8,355</b>

## 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.

	2023/2024	2022/2023
	£000	£000
Council Tax Transfer	(12,452)	(11,732)
Collection Fund Deficit/ (Surplus)	0	(322)
Adjustment for statutory requirements		
<b>Council Tax Income</b>	<b>(12,452)</b>	<b>(12,054)</b>
General Government Grants	(2,841)	(2,547)
General Government Grants (S31 business rates)	(13,125)	(17,337)
Business Rates Retention Scheme	8,225	11,088
Capital grants and contributions		
<b>Total</b>	<b>(20,193)</b>	<b>(20,850)</b>

## Note 8 Members' Allowances

The Council paid the following amounts to Members of the Council

	2023/2024	2022/2023
	£000	£000
Allowances	419	338
Expenses	7	3
<b>Total</b>	<b>426</b>	<b>341</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## 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 £	2023/2024	2022/2023
	No. Employees	No. Employees
50,000-54,999	13	11
55,000-59,999	10	13
60,000-64,999	15	6
65,000-69,999	1	5
70,000-74,999	4	1
75,000-79,999	3	4
80,000-84,999	4	2
85,000-89,999	3	0
90,000-94,999	0	1
95,000-99,999	1	0
100,000-104,999	1	1
105,000-109,999	0	1
110,000-114,999	1	0
115,000-119,999	0	0
120,000-124,999	0	0
125,000-129,999	0	1
130,000-134,999	0	0
135,000-139,999	0	1
140,000-144,999	1	0
<b>TOTAL</b>	<b>57</b>	<b>47</b>

### Notes:

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

### 2023/2024 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)

2023/2024 Post Holder	Salary (including fees and allowances) £	Additional Payments £	Total Remuneration excluding pension contributions 2023/2024	Employers Pension Contributions £	Total Remuneration including pension contributions 2023/2024
			£		£
Chief Executive	140,187	0	140,187	24,673	164,860
Chief Operating Officer	112,662	0	112,662	19,828	132,490
Director of Corporate Governance*	95,487	0	95,487	11,501	106,988
Director of Change and Performance	78,863	0	78,863	13,880	92,743
Chief Finance Officer	82,492	0	82,492	14,170	96,662
	509,691	0	509,691	84,052	593,743

\*Role covered by a temporary contractor from December 2023

# EXPLANATORY NOTES

## 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) £	Additional Payments £	Total Remuneration excluding pension contributions 2022/2023	Employers Pension Contributions £	Total Remuneration including 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

### 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	
	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023 £000s	2023/2024 £000s
0-20,000		1				1		3
20,001-40,000			1		1		21	
40,001-60,000		1				1		52
60,001-80,000								
80,001-100,000								
100,001-150,000								
150,001-200,000								
201,000-250,000	1				1		213	
<b>Total</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>234</b>	<b>55</b>

### Note 10 External Audit Fees

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

	2023/2024 £000	2022/2023 £000
External audit services	151	78
Other services	0	10
<b>Total</b>	<b>151</b>	<b>88</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## Note 11 Related Parties

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

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

**Members of the Council** have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2023/24 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.



# EXPLANATORY NOTES

## Note 12 Note to the Funding Analysis

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

	2022/2023			
	Adjustments for Net change for the			Total
	Capital Purposes (Note 12a)	Pension Adjustments (Note 12b)	Other Differences (Note 12c)	Adjustments
	£000	£000	£000	£000
<b>Change &amp; Performance</b>				
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
<b>Community Development &amp; Engagement</b>				
Community	0	85	209	294
Customer Service	31	193	117	341
Housing	(1,136)	114	4	(1,018)
Revenues & Benefits	2	174	18	194
<b>Corporate Governance</b>				
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
<b>Regeneration &amp; Prosperity</b>				
Climate Change	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)
<b>Regulation &amp; Enforcement</b>				
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)
<b>Net Cost of Service</b>	<b>(1,664)</b>	<b>2,634</b>	<b>(3,002)</b>	<b>(2,032)</b>
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)
<b>(Surplus)/ Deficit</b>	<b>(1,664)</b>	<b>2,634</b>	<b>10,833</b>	<b>11,803</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

	2023/2024			
	Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments
	(Note 12a)	(Note 12b)	(Note 12c)	
	£000	£000	£000	£000
<b>Change &amp; Performance</b>				
Communications	39	2	36	77
Digital	168	2	2,065	2,235
Organisational Development	0	2	22	24
Project & Programme Management	0	3	(9)	(6)
Strategy	0	1	(31)	(30)
<b>Community Development &amp; Engagement</b>				
Community	0	5	636	641
Customer Service	22	10	(1)	31
Housing	0	4	(5)	(1)
Revenues & Benefits	2	7	(2)	7
<b>Corporate Governance</b>				
Contract Management	865	3	92	960
Democratic Services	0	1	82	83
Elections	0	1	171	172
Executive Office	0	5	1	6
Finance	0	3	407	410
Legal Services	0	3	(2)	1
<b>Regeneration &amp; Prosperity</b>				
Climate Change	0	1	84	85
Commercial Services	0	1	(1)	0
Economic Development	141	2	(1)	142
Property	703	6	1,956	2,665
Regeneration	0	3	0	3
<b>Regulation &amp; Enforcement</b>				
Environmental Health	1	7	1	9
Neighbourhood Quality	67	3	(1)	69
Planning	(3,869)	21	143	(3,705)
Other Operating I&E			89	89
<b>Net Cost of Service</b>	<b>(1,861)</b>	<b>96</b>	<b>5,732</b>	<b>3,967</b>
Other operating Expenditure			700	700
Financing and Investment Income and Expenditure			1,815	1,815
Taxation and non-specific grant income			(7)	(7)
<b>(Surplus)/ Deficit</b>	<b>(1,861)</b>	<b>96</b>	<b>8,240</b>	<b>6,475</b>

## 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

## EXPLANATORY NOTES

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

### **Note 12c Other Differences**

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

### **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.

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Reserves 2022/2023	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment</b>				
<b>Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	2,356			2,356
Capital expenditure charged against the General Fund balances				0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	1,728			1,728
Application of grants to capital financing transferred to the Capital Adjustment Account			(1,728)	(1,728)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	(72)	72		0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	541	(541)		0
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(3,765)			(3,765)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	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
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	25			25
<b>Total Adjustments</b>	<b>(6,225)</b>	<b>(609)</b>	<b>(1,728)</b>	<b>8,562</b>

# EXPLANATORY NOTES

Reserves 2023/2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation of non-current assets	(1,543)			1,543
Charges for impairment/ revaluations of plant, property and equipment	(155)			155
Movements in the market value of Investment Properties	(12,522)			12,522
Amortisation of intangible assets	(61)			61
Drawdown of earmarked reserves				0
Revenue expenditure funded from capital under statute	1,257			(1,257)
REFCUS income	(1,257)			1,257
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	189	(260)		71
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	2,452			(2,452)
Capital expenditure charged against the General Fund balances				0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	5,256			(5,256)
Application of grants to capital financing transferred to the Capital Adjustment Account	1,051		(1,051)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	(255)	471		(216)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement				0
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(576)			576
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(25)			25
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	(685)			685
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			1
<b>Total Adjustments</b>	<b>(6,875)</b>	<b>211</b>	<b>(1,051)</b>	<b>7,715</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## BALANCE SHEET NOTES RELATING TO CAPITAL

### Note 14 Property, Plant and Equipment (PPE)

	Land & Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, and Plant & Equipment £000
<b>Cost or Valuation</b>							
Opening Balance 1 April 2022	70,953	2,562	371	439	0	0	74,325
Opening Balance adjustments	888		(218)				
Additions	855	0	1,140	0	0	0	1,995
Derecognition - Disposals		0	0	0	0	0	0
Impairment losses	(11)			(118)			(129)
Revaluation adjustment	(761)			(56)			(817)
Category Adjustments	2,200				0		2,200
							0
<b>Book value at 31 March 2023</b>	<b>74,124</b>	<b>2,562</b>	<b>1,293</b>	<b>265</b>	<b>0</b>	<b>0</b>	<b>77,574</b>
<b>Depreciation and Impairments</b>							
Restated Opening Balance 1 April 2022	(603)	(2,349)	0	(77)	0	0	(3,029)
Depreciation	(1,454)	(60)	0	(6)	0	0	(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
Category Adjustments & other movements							0
Revaluation adjustment							0
Depreciation At 31 March 2023	(1,058)	(2,409)	0	(27)	0	0	(3,494)
<b>Net Book Value at 31 March 2023</b>	<b>73,066</b>	<b>153</b>	<b>1,293</b>	<b>238</b>	<b>0</b>	<b>0</b>	<b>74,750</b>

	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, and Plant & Equipment £000
<b>Cost or Valuation</b>							
Opening Balance 1 April 2023	74,124	2,562	1,293	265	0	0	78,244
Opening Balance adjustments							0
Additions	3,041						3,041
Derecognition - Disposals							0
Impairment losses	(155)						(155)
Revaluation adjustment	1,995					90	2,085
Category Adjustments	(1,909)					1,909	0
							0
<b>At 31 March 2024</b>	<b>77,096</b>	<b>2,562</b>	<b>1,293</b>	<b>265</b>	<b>0</b>	<b>1,999</b>	<b>83,215</b>
<b>Depreciation and Impairments</b>							
Opening Balance 1 April 2023	(1,058)	(2,409)	0	(27)	0	0	(3,494)
Depreciation	(1,489)	(50)		(3)			(1,543)
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							0
Category Adjustments & other movements	44					(43)	2
Revaluation adjustment	1,893					3	1,896
At 31 March 2024	(610)	(2,459)	0	(30)	0	(39)	(3,139)
<b>Net Book Value at 31 March 2024</b>	<b>76,486</b>	<b>103</b>	<b>1,293</b>	<b>235</b>	<b>0</b>	<b>1,960</b>	<b>80,076</b>

# EXPLANATORY NOTES

## 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 2024		31 March 2023
	£000	£000	£000
<b>Opening Capital Financing Requirement (see below)</b>		<b>161,424</b>	<b>162,005</b>
Prior year adjustment			
<b>Capital Investment</b>			
Plant Property & equipment Assets	<b>3,041</b>		<b>1,776</b>
Investment Properties			<b>466</b>
Intangible assets			<b>0</b>
Revenue Expenditure Funded from Capital under Statute	<b>1,257</b>		<b>1,492</b>
		<b>4,298</b>	<b>3,734</b>
<b>Sources of Finance</b>			
Government Grants	<b>(2,824)</b>		<b>0</b>
Grants & Contributions toward REFCUS	<b>(1,257)</b>		<b>(1,492)</b>
Capital Receipts	<b>(2,431)</b>		
Sums set aside from revenue & reserves	<b>(217)</b>		<b>(466)</b>
Repayment of capital long term assets			
Minimum Revenue Provision	<b>(2,452)</b>		<b>(2,357)</b>
Voluntary Revenue Provision			
Minimum Revenue Provision - PFI Schemes			
		<b>(9,181)</b>	<b>(4,315)</b>
<b>Closing Capital Financing Requirement</b>		<b>156,541</b>	<b>161,424</b>
<b>Explanation of Movements in the Year</b>			
Increase / (decrease) in underlying need to borrow		<b>(4,883)</b>	<b>(581)</b>
Increase / (decrease) in Capital Financing Requirement		<b>(4,883)</b>	<b>(581)</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## 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 2023/24 include car parks and investment properties. 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 2023/24.

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

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost		2,562	1,293	265			4,120
Valued at current value in:							
2023/2024	57,916					300	58,216
2022/2023	9,629						9,629
2021/2022	5,694					1,640	7,334
2020/2021	3,210					59	3,269
2019/2020	257						257
2018/2019	390						390
Book Value at 31 March 2023	0	77,096	2,562	1,293	265	0	1,999
							83,215

## 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<sup>st</sup> March 2024.

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.



## EXPLANATORY NOTES

### 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.

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>£000</b>	<b>£000</b>
Rental income from investment property	<b>(9,013)</b>	<b>(9,708)</b>
Direct operating expenses arising from investment property	<b>1,863</b>	<b>1,184</b>
Net (gain)/loss from fair value adjustments	<b>12,522</b>	<b>13,571</b>
Net (Gain)/ Loss	<b><u>5,372</u></b>	<b><u>5,047</u></b>

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:

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>£000</b>	<b>£000</b>
Balance at start of the year	<b>115,252</b>	<b>130,557</b>
Additions: Subsequent expenditure		<b>466</b>
Disposals		
Gains from fair value adjustments		
Losses from fair value adjustments	<b>(12,522)</b>	<b>(13,571)</b>
Impairments losses		
Transfers (to)/from Property, Plant and Equipment		<b>(2,200)</b>
Balance at end of the year	<b><u>102,730</u></b>	<b><u>115,252</u></b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## 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.

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Purchased</b>	<b>Purchased</b>
	<b>Software</b>	<b>Software</b>
	<b>Licences</b>	<b>Licences</b>
	<b>£000</b>	<b>£000</b>
Gross carrying amounts	503	503
Accumulated amortisation	(233)	(172)
Net Carrying amount	<u>270</u>	<u>331</u>
Additions		
Amortisation for the period	(62)	(61)
Disposals		
Category Adjustments		
Net carrying amount at end of year	<u>208</u>	<u>270</u>
Comprising:		
Gross carrying amounts	503	503
Accumulated amortisation	(295)	(233)
	<u>208</u>	<u>270</u>

# EXPLANATORY NOTES

## OTHER NOTES TO BALANCE SHEET

### Note 22 Short Term Debtors

These represent sums owed to the Council for supplies and services provided before 31<sup>st</sup> March 2024 but not received at that date.

	2023/2024	2022/2023
	£000	£000
Other Local Authorities	(163)	0
Government Departments	1,611	2,372
<b>Other entities &amp; individuals:</b>		
Share of Business Rates and Council Tax	779	779
Housing Benefit Overpayments	1,672	1,777
All other bodies	847	462
Payments in Advance	1,838	3,407
<b>Total Short Term Debtors</b>	<b>6,584</b>	<b>8,797</b>
Less: Allowance for expected credit losses		
General Fund debtors	(943)	(969)
Housing Benefit Overpayments	(717)	(717)
Council Tax arrears	(115)	(115)
Business Rates Arrears	(228)	(228)
<b>Total Allowance for expected credit losses</b>	<b>(2,003)</b>	<b>(2,029)</b>
<b>Net Debtors</b>	<b>4,581</b>	<b>6,768</b>

### Note 23 Cash and Cash Equivalents

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

	2023/2024	2022/2023
	£000	£000
Cash in hand		
Call accounts and short term deposits	30,773	37,693
Bank Balances	(637)	(464)
	<b>30,136</b>	<b>37,229</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## Note 24 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31<sup>st</sup> March 2024 but not paid for at that date.

	2023/2024 £000	2022/2023 £000
Other Local Authorities	0	0
Government Departments	(5,573)	(8,119)
Government Departments - Covid		
Business grants	(286)	(916)
All other bodies	(673)	(3,224)
Receipts in Advance	(1,992)	(2,222)
Accumulated Absences	(213)	(213)
<b>Total Short Term Creditors</b>	<b>(8,737)</b>	<b>(14,694)</b>

## 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 £3,236,848.
- 2) A provision to cover the expected exit costs of the ICT contract; £283,253.
- 3) Bad and doubtful debt: £2,002,623

## Note 26 Income from Grants and Contributions

	2023/2024 £000	2022/2023 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Covid grants	0	(2)
New Homes Bonus	(699)	(1,703)
Government Grants	(2,142)	0
Grants and contributions towards capital expenditure		(2,023)
Business Rates Retention Scheme	(13,125)	(17,338)
<b>Total</b>	<b>(15,966)</b>	<b>(21,066)</b>
<b>Credited to Services</b>		
Housing Benefit	(14,687)	(14,823)
Grants for REFCUS	0	(1,492)
Hardship relief funding		
Benefits Administration Grant	(166)	(175)
Other Grants and Contributions	(1,329)	(3,962)
<b>Total</b>	<b>(16,182)</b>	<b>(20,452)</b>
<b>Total Grants, Contributions &amp; Donations</b>	<b>(32,148)</b>	<b>(41,518)</b>

# EXPLANATORY NOTES

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

	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>
Investment Property	5,046	5,080
Vehicles, Plant and Equipment	0	0
	<b>5,046</b>	<b>5,080</b>

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

	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>
Not later than one year	11	10
Later than one year	5,046	5,080
Finance Costs payable in future years	11,708	12,001
Total Minimum Lease payments	<b>16,708</b>	<b>17,091</b>

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

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

	31 March 2024 £'000	31 March 2023 £'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	15,567
Minimum Lease payments	17,091	17,091

	31 March 2024 £'000	31 March 2023 £'000
Not later than one year	12	11
Later than one year and not later than five years	56	53
Over 5 years	4,990	5,018
Finance Lease Liabilities	5,058	5,082

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

Minimum Lease Payments under non-cancellable leases:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	5	5
Later than one year and not later than five years	21	21
Over 5 years	29	34
	55	60

## 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.

## EXPLANATORY NOTES

The future minimum lease payments receivable under non-cancellable leases are:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	9,179	9,142
Later than one year and not later than five years	27,584	30,667
Over 5 years	7,619	14,579
	<b>44,382</b>	<b>54,388</b>

### Note 28 Borrowing

An analysis of loans by maturity is as follows:

	2023/2024 £000	2022/2023 £000
<b>Short Term Borrowing</b>		
Maturing within 1 year Temporary Loans		0
Maturing within 1 year Long Term Borrowing	(3,092)	(2,300)
	<b>(3,092)</b>	<b>(2,300)</b>
<b>Long Term Borrowing</b>		
Maturing in 1 to 2 years	(1,997)	(2,240)
Maturing in 2 to 5 years	(15,956)	(6,133)
Maturing in 5 to 10 years	(26,820)	(36,231)
Maturing in more than 10 years	(71,668)	(74,076)
Total Maturing after 1 year	<b>(116,441)</b>	<b>(118,680)</b>
<b>Total Borrowing</b>	<b>(119,533)</b>	<b>(120,980)</b>

The total borrowing can be further analysed by lender category:

	2023/2024 £000	2022/2023 £000
Temporary Loans	0	0
Long Term Loans:		
Public Works Loans Board	(119,533)	(120,980)
Money Market	0	0
	<b>(119,533)</b>	<b>(120,980)</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## 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	2023/2024 £000	2022/2023 £000
General Fund		(3,801)	(4,109)
Earmarked Reserves	30	(12,110)	(18,116)
<b>General Fund balance per Movement in Reserves Statement</b>		<b>(15,911)</b>	<b>(22,225)</b>
<b>Closing General fund per Expenditure &amp; Funding Statement</b>		<b>(15,911)</b>	<b>(22,225)</b>
Other Usable Reserves			
Usable Capital Receipts Reserve		(4,816)	(5,027)
Capital Grants and Contributions Unapplied Account		(19,699)	(18,648)
<b>Total Usable Reserves</b>		<b>(40,426)</b>	<b>(45,900)</b>

### 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 2023/24 and 2022/23.

Earmarked Reserves	2022/2023 £000	Movement £000	2023/2024 £000
Asset Management Fund	(1,081)		(1,081)
Externally Funded Reserve	(401)		(401)
Corporate Planning Reserve	(3,674)	2,569	(1,105)
Service Management Reserve	(1,255)	148	(1,107)
Financial Stability Reserve	(491)		(491)
Welfare Fund Reserve	(570)	(927)	(1,497)
Community Grant Fund Reserve	(975)	401	(574)
Property Financial Resilience Reserve	(3,400)	1,700	(1,700)
Environmental Initiatives Reserve	(506)	84	(422)
Pensions Resilience Reserve	(1,970)	280	(1,690)
Digital Strategy Reserve	(2,500)	1,751	(749)
S31 Business Rates Reserve	(24)		(24)
Insurance Reserve	(300)		(300)
Housing Reserve	(719)		(719)
Environmental Services Reserve	(250)		(250)
<b>Total</b>	<b>(18,116)</b>	<b>6,006</b>	<b>(12,110)</b>



# EXPLANATORY NOTES

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

## Note 31 Unusable Reserves

Reserve	Note	2023/2024	2022/2023
		£000	£000
Revaluation Reserve	32	(31,800)	(28,414)
Capital Adjustment Account	33	5,330	(432)
Deferred capital receipts		(189)	(260)
Pensions Reserve	34	9,327	10,168
Collection Fund Adjustment Account	35	(1,022)	(1,732)
Accumulated Absences Account		214	213
<b>Total Unusable Reserves</b>		<b>(18,140)</b>	<b>(20,457)</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## Note 32 Revaluation Reserve

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

<b>Revaluation Reserve</b>	<b>2023/2024</b>	<b>2022/2023</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(28,414)</b>	<b>(28,763)</b>
<b>Opening Balance at 1 April</b>	<b>(28,414)</b>	<b>(28,763)</b>
Upward revaluation of assets	(3,981)	(238)
Downward revaluations of not charged to surplus/ deficit on the provision of services		
Impairment reversals to the Revaluation reserve		
<b>Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services</b>	<b>(32,395)</b>	<b>(29,001)</b>
Difference between fair value depreciation and historic cost depreciation	595	587
Accumulated gains on assets sold or scrapped		
<b>Balance at 31 March</b>	<b>(31,800)</b>	<b>(28,414)</b>

# 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

	2023/2024 £000	2022/2023 £000
<b>Opening balance at 1 April</b>	(432)	(11,414)
<b>Prior Year adjustment</b>		(890)
<b>Opening movement</b>		
<b>Revised Opening Balance 1 April</b>	(432)	(12,304)
<b>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account</b>		
- charges for depreciation of non-current assets	1,543	1,520
- charges for impairment/revaluations of plant, property and equipment	155	129
- (gains)/losses in fair value on Investment properties	12,523	13,571
- amortisation of intangible assets	60	61
- revenue expenditure funded from capital under statute	1,257	1,492
- disposals		
	<b>15,538</b>	<b>16,773</b>
<b>Adjusting amounts written out of Revaluation Reserve</b>	(595)	(587)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>14,943</b>	<b>16,186</b>
<b>Capital financing applied in the year</b>		
-Use of capital receipts reserve to finance new capital expenditure	(217)	(466)
- revenue expenditure funded from capital under statute	(1,257)	(1,492)
-application of capital grants	(2,824)	
-statutory provision for the financing of capital investment	(2,431)	
charged against the general fund	(2,452)	(2,356)
-capital expenditure financed from revenue		
<b>Balance at 31 March</b>	<b>5,330</b>	<b>(432)</b>

## Note 34 Pension Reserve

	2023/2024 £000	2022/2023 £000
<b>Pensions Reserve</b>		
<b>Balance at 1 April</b>	10,168	42,769
Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability	(1,417)	(36,366)
Accounting/Financing Adjustments		
Difference between accounting and statutory credit for pension costs depreciation	576	3,765
<b>Balance at 31 March</b>	<b>9,327</b>	<b>10,168</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## Note 35 Collection Fund Adjustment Account

Collection Fund Adjustment Account	2023/2024 £000	2022/2023 £000
Balance at 1 April	(1,732)	5,016
Prior year adjustment to match 19/20 NNDR 3		
Difference between accounting and statutory credit for Council Tax	25	(322)
Difference between accounting and statutory credit for Non-Domestic Rates	685	(6,426)
<b>Balance at 31 March</b>	<b>(1,022)</b>	<b>(1,732)</b>

## Note 36 Capital Grants Receipts in Advance

	2023/2024 £000	2022/2023 £000
Amounts falling due after one year (all other bodies)		
S106	(9,165)	(12,847)
Other	(5,695)	(4,192)
	<b>(14,860)</b>	<b>(17,038)</b>

## Note 37 Financial Instruments

### Categories of Financial Instruments

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

Financial Assets	31 March 2024		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	0	0	0	0
Financial assets at amortised Cost	63	63	68	68
<b>Long term Assets</b>	<b>63</b>	<b>63</b>	<b>68</b>	<b>68</b>
Short Term Debtors	728	728	559	559
Trade accounts receivable	723	723	1,932	1,932
Bank deposits less than 3 months	10,773	10,773	12,693	12,693
Cash and bank accounts	19,363	19,363	24,536	24,536
<b>Other financial assets at amortised cost</b>	<b>31,587</b>	<b>31,587</b>	<b>39,720</b>	<b>39,720</b>
<b>Total Financial Assets</b>	<b>31,650</b>	<b>31,650</b>	<b>39,788</b>	<b>39,788</b>

# EXPLANATORY NOTES

Financial Liabilities	31 March 2024		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Creditors	(5,058)	(5,058)	(7,147)	(7,147)
Public Works Loan Board	(3,092)	(2,819)	(2,300)	(2,582)
Finance Lease	(12)	(12)	(10)	(10)
			0	0
<b>Short Term Financial liabilities at amortised cost</b>	<b>(8,162)</b>	<b>(7,889)</b>	<b>(9,457)</b>	<b>(9,739)</b>
Public Works Loan Board	(116,441)	(93,350)	(118,680)	(97,163)
Finance Lease	(5,046)	(5,046)	(5,080)	(5,080)
<b>Long Term Liabilities at amortised cost</b>	<b>(121,487)</b>	<b>(98,396)</b>	<b>(123,760)</b>	<b>(102,243)</b>
<b>Total Financial Liabilities</b>	<b>(129,649)</b>	<b>(106,285)</b>	<b>(133,217)</b>	<b>(111,982)</b>

## NOTES RELATING TO CASH FLOW STATEMENT

### Note 38 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2023/2024 £000	2022/2023 £000
Purchase of Property, plant and equipment, investment property and intangible assets	3,041	1,994
Investments - Purchase of and deposits made		
Investments - Sale of and returning of deposits made		
To review		
Use of Capital Financing	1,257	
Use of Capital Receipts	(9,181)	
Proceeds from sale of property, plant and equipment, investment property and intangible assets		(218)
Other receipts from investing activities	(1,051)	(2,356)
<b>Net cash flows from investing activities</b>	<b>(5,934)</b>	<b>(580)</b>

### Note 39 Cash Flow Investing Activities

	2023/2024 £000	2022/2023 £000
Cash Receipts of short and long term borrowing	1,729	239
<b>Net cash flows from financing activities</b>	<b>1,729</b>	<b>239</b>

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## Note 40 Cash Flow Financing Activities

	2023/2024	2022/2023
	£000	£000
Interest Received	(1,587)	(677)
Interest Payable	2,818	2,854
	<u>1,231</u>	<u>2,177</u>

## 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 2024.

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<sup>st</sup> March 2024 and 2023 are as follows:

Local Government Pension Scheme	31 March 2024	31 March 2023
	£000	£000
<b>Fair Value of Employer Assets</b>	110,915	103,069
Present Value of Funded Liabilities	(118,107)	(111,175)
Net (Under)/Overfunding in Funded Plans	<b>(7,192)</b>	<b>(8,106)</b>
Present value of Unfunded Liabilities	(2,054)	(2,062)
<b>Net Asset/(Liability)</b>	<b>(9,246)</b>	<b>(10,168)</b>
Amount on balance sheet		
<b>Asset</b>	<b>110,915</b>	<b>103,069</b>
<b>Liability</b>	<b>(120,161)</b>	<b>(113,237)</b>
<b>Liability Amount in Balance Sheet</b>	<b>(9,246)</b>	<b>(10,168)</b>

# EXPLANATORY NOTES

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

	Period ended 31 March 2024			Period ended 31 March 2023		
	Assets	Liabilities	(liability)/ asset	Assets	Liabilities	(liability)/ asset
	£000	£000	£000	£000	£000	£000
Fair value of employer assets	0	0	0	0	0	0
Present value of funded liabilities	103,069	0	103,069	109,337	0	109,337
Present value of unfunded liabilities	0	(113,237)	(113,237)	0	(152,106)	(152,106)
<b>Opening Position</b>	<b>103,069</b>	<b>(113,237)</b>	<b>(10,168)</b>	<b>109,337</b>	<b>(152,106)</b>	<b>(42,769)</b>
Service cost						
Current service cost	0	(2,106)	(2,106)	0	(4,397)	(4,397)
Past service cost (including curtailments)	0	(322)	(322)	0	0	0
Effect of settlements	0	0	0	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>(2,428)</b>	<b>(2,428)</b>	<b>0</b>	<b>(4,397)</b>	<b>(4,397)</b>
Net interest						
Interest income on plan assets	4,811	0	4,811	2,930	0	2,930
Interest cost on defined benefit obligation	0	(5,292)	(5,292)	0	(4,061)	(4,061)
Impact of asset ceiling on net interest	0	0	0	0	0	0
<b>Total net interest</b>	<b>4,811</b>	<b>(5,292)</b>	<b>(481)</b>	<b>2,930</b>	<b>(4,061)</b>	<b>(1,131)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>4,811</b>	<b>(7,720)</b>	<b>(2,909)</b>	<b>2,930</b>	<b>(8,458)</b>	<b>(5,528)</b>
Cash flows						
Plan participants' contributions	811	(811)	0	726	(726)	0
Employer contributions	2,333	0	2,333	1,763	0	1,763
Contributions in respect of unfunded benefits	0	0	0	0	0	0
Benefits paid	(4,367)	4,367	0	(4,199)	4,199	0
Unfunded benefits paid	(187)	187	0	0	0	0
<b>Expected closing position</b>	<b>106,470</b>	<b>(117,214)</b>	<b>(10,744)</b>	<b>110,557</b>	<b>(157,091)</b>	<b>(46,534)</b>
Remeasurements						
Change in demographic assumptions	0	1,311	1,311	0	586	586
Change in financial assumptions	0	(39)	(39)	0	54,732	54,732
Other experience	0	(4,219)	(4,219)	0	(11,464)	(11,464)
Return on assets excluding amounts included in net interest	4,364	0	4,364	(7,488)	0	(7,488)
<b>Total remeasurements recognised in Comprehensive Income and Expenditure</b>	<b>4,364</b>	<b>(2,947)</b>	<b>1,417</b>	<b>(7,488)</b>	<b>43,854</b>	<b>36,366</b>
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	110,834	0	110,834	103,069	0	103,069
Present value of funded liabilities	0	(120,161)	(120,161)	0	(113,237)	(113,237)
Present value of unfunded liabilities	0	0	0	0	0	0
<b>Closing position</b>	<b>110,834</b>	<b>(120,161)</b>	<b>(9,327)</b>	<b>103,069</b>	<b>(113,237)</b>	<b>(10,168)</b>

## 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 2024	31 March 2023
	% per annum	% per annum
Rate of inflation	2.8%	2.7%
Pension Increase Rate	2.8%	2.7%
Salary Increase Rate	3.8%	3.7%
Discount Rate	4.8%	4.7%

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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:

<b>Mortality assumptions:</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
Longevity at 65 for current pensioners:		
Men	22.1	23.3
Women	24.7	25.7
Longevity at 45 for future pensioners:		
Men	22.6	23.8
Women	25.7	26.7

## 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.

	<b>Liability split</b>
	<b>%</b>
Active members	34
Deferred members	20
Pensioner members	46
<b>Total</b>	<b>100</b>

## 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 2024			31 March 2023		
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
Equities	42.8%	0.0%	42.8%	42.0%	15.6%	57.6%
Government Bonds	20.8%	12.0%	32.9%	16.5%	0.0%	16.5%
Corporate Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property	0.0%	7.1%	7.1%	1.4%	5.4%	6.8%
Cash	0.6%	0.0%	0.6%	1.1%	0.0%	1.1%
Others	0.0%	16.5%	16.5%	0.0%	18.0%	18.0%
<b>Totals</b>	<b>64.3%</b>	<b>35.7%</b>	<b>100.0%</b>	<b>61.0%</b>	<b>39.0%</b>	<b>100.0%</b>

## Projected defined benefit costs for the period to 31 March 2024

The employer contributions for the year to 31 March 2024 was £1.935 million.



# EXPLANATORY NOTES

## NOTES RELATING TO ACCOUNTING DECISION-MAKING

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

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2023/24 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 2024/25 Code are;

- IFRS 16 Leases requires all leases to be recognised on the Balance Sheet, subject to a de-minimis and exemptions CIPFA/LASAAC deferred the mandatory requirement to account for leases in accordance with IFRS from 1<sup>st</sup> April 2022 to April 2024. The Council chose not to adopt IFRS 16 on a voluntary basis for 2022/23 and 2023/24.
- Classification of Liabilities as Current or Non-current
- Lease liability in a Sale and Leaseback (amendment to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurements for sale and leaseback transactions
- Non-current liabilities with Covenants (Amendments to IAS 1) issued October 2022
- International Tax Reform: Pillar Model Rules (Amendment to IAS 12) issued in May 2023
- Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 17) issued in May 23
- 

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 uncertainty of Local Government Funding. There is a general uncertainty on both Revenue and Capital which brings a level of risk to the Council and the effect on services being provided.

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 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Property, Plant and Equipment

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

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

## **Investment Property**

The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. A 10% change in the valuation of the Investment Property Portfolio represents c£10 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 2024, the Council had a balance of short term debtors of £4.58 million. An allowance for expected credit losses of £2 million or around 43.7% of the debt has been made. The current economic climate has made the estimation of debt impairment more difficult, and this will continue to be monitored and adjusted as more information/stability arises.

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

## **Business Rates**

The Council has set aside £3.236 million, to cover any potential appeals in relation to incorrect rateable values of Business Rates.

## **Note 45 Authorisation of Accounts for Issue**

These accounts were considered and authorised by the Chief Financial Officer of East Hampshire District Council on 18<sup>th</sup> June 2024.

## **Note 46 Events after the Balance Sheet Date**

The Statement of Accounts were authorised by the Chief Financial Officer on 18<sup>th</sup> June 2024. 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 2023/24.

# 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 31<sup>st</sup> March 2024.

## 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.

## 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:

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

- 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.

## **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)

## EXPLANATORY NOTES

- The immediate and ultimate parent undertaking is East Hampshire District Council
- The Council holds 100% ownership of the company
- Further information when the EHCS accounts have been finalised.

# ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

## 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 2023/24 financial year and its position at the year-end of 31 March 2024. 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.

# EXPLANATORY NOTES

## 3. Accounting for Council Tax and Non Domestic Rates

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

The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 4. Cash and Cash Equivalents

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

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

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

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

## 6. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory

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

## 7. Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the 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



## EXPLANATORY NOTES

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

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

### Discretionary Benefits

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

### 8. Events after the Reporting Period

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

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

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

### 9. Fair Values

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

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

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

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

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

## 10. Financial Instruments

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

### Financial Liabilities

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

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

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

### Financial Assets

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

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

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

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

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

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

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the

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

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

### *Expected Credit Loss Model*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 11. Government Grants and Contributions

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

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

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

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

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

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

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

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

## 12. Investment Property

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

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not

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

### 13. Intangible Assets

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

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

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

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

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

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

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

### 14. Interest in Companies and Other Entities

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

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

Consideration has been given to the relationship with all potential entities. The Council has a controlling interest in 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.

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

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

## 15. Leases

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

#### **Operating Leases**

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

### **The Authority as Lessor**

#### **Finance Leases**

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

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

### 16. Overheads and Support Services

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

### 17. Property, Plant and Equipment

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase prices
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.
- Community assets and assets under construction - historic cost.
- Land and buildings - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy 2.9 above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or fair value at the year-end. All investment properties are subject to a full valuation every year including surplus assets. In addition, the top 10 assets in value and the top 20% across the portfolio are subject to a valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- 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:



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- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 50 years depending on the asset.
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 3 and 20 years.
- Infrastructure - straight-line allocation over 10 to 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Componentisation of Property Assets**

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has assessed that there are no assets where the components have a significant cost and need to be depreciated as components.

### **Disposals**

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

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

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.

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## Contingent Assets

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

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

## 19. Reserves

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

Usable reserves comprise the following:

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

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

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

## EXPLANATORY NOTES

pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

- **Collection Fund Adjustment Account:** this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- **Accumulated Absences Reserve:** this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- **Financial Instrument Revaluation Reserve:** this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
  - revalued downwards or impaired and the gains are lost.
  - disposed of and the gains are realised.

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

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

### **21. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from 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 Rates			Non-Domestic Rates		
	2023/2024	Council Tax 2023/2024	Total 2023/2024 £000	2022/2023	Council Tax 2022/2023	Total 2022/2023 £000
<b>Income</b>						
Council Tax	0	(106,710)	(106,710)	0	(101,711)	(101,711)
Non-Domestic Rates	(27,652)	0	(27,652)	(26,350)	0	(26,350)
Transferred from General Fund						
Transitional Relief	(4,029)	0	(4,029)	(54)	0	(54)
Section 13A relief						0
<b>Total Income</b>	<b>(31,681)</b>	<b>(106,710)</b>	<b>(138,391)</b>	<b>(26,404)</b>	<b>(101,711)</b>	<b>(128,115)</b>
<b>Disbursement</b>						
Precepts and Demands						
- East Hampshire District Council	12,879	12,415		9,669	11,877	
- Hampshire County Council	2,898	76,782		2,175	72,198	
- Police & Crime Commissioner	0	13,222		0	12,274	
- Hampshire Fire Authority	322	4,229		242	3,915	
- Central Government	16,098			12,086		
Share of surplus/(deficit) on Collection Fund			138,845			124,436
- East Hampshire District Council	546	(53)		(2,689)	(135)	
- Hampshire County Council	123	(328)		(605)	(822)	
- Police & Crime Commissioner	0	(57)		(67)	(138)	
- Hampshire Fire Authority	14	(18)		0	(43)	
- Central Government	683			(3,361)	0	
			910			(7,859)
Cost of collection allowance	158	0		156	0	
Movement in allowance for Bad Debts	762	(54)		0	490	
Write-offs						
Appeals	(1,192)	0		103	0	
Other transfers to general fund	83	0		74	0	
			(244)			824
<b>Total Expenditure</b>	<b>33,373</b>	<b>106,138</b>	<b>139,511</b>	<b>17,784</b>	<b>99,617</b>	<b>117,401</b>
<b>Fund (surplus)/deficit for the year</b>	<b>1,692</b>	<b>(572)</b>	<b>1,120</b>	<b>(8,620)</b>	<b>(2,093)</b>	<b>(10,714)</b>
	<b>Non-Domestic Rates</b>	<b>Council Tax</b>	<b>Total</b>	<b>Non-Domestic Rates</b>	<b>Council Tax</b>	<b>Total</b>
Fund balance b/f	(2,979)	(3,899)	(6,878)	5,641	(1,806)	3,836
(Surplus)/deficit for year	1,692	(572)	1,120	(8,620)	(2,093)	(10,713)
Fund balance c/f	(1,287)	(4,471)	(5,757)	(2,979)	(3,899)	(6,878)

# 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 £141.92 for 2023/24 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	2023/2024 Band D Equivalent Dwellings	2022/2023 Band D Equivalent Dwellings
Band A Disabled	5/9	6	2	5
Band A	6/9	1,589	1,163	1,131
		1,594	1,165	1,136
Band B	7/9	4,110	3,120	3,002
Band C	8/9	10,631	9,529	9,378
Band D	9/9	10,522	10,168	10,041
Band E	11/9	10,387	10,241	10,218
Band F	13/9	9,264	9,186	9,058
Band G	15/9	8,036	7,973	7,881
Band H	18/9	1,204	1,200	1,194
<b>Council Tax Base</b>		<b>55,746</b>	<b>52,581</b>	<b>51,909</b>

## 2 National Non-Domestic Rates

The total non-domestic rateable value at 31<sup>st</sup> March 2024 was £97,231,917 (£86,436,432 at 31<sup>st</sup> March 2023). The national non domestic multiplier for the year was 51.2p (51.2p in 2022/23) and the small business rates relief multiplier was 49.9p (49.9p in 2022/23).

## 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 Rates 2023/2024 £000	Council Tax 2023/2024 £000	Total 2023/2024 £000	Non-domestic Rates 2022/2023 £000	Council Tax 2022/2023 £000	Total 2022/2023 £000
Hampshire County Council	(430)	(2,382)	(2,811)	(619)	(2,009)	(2,628)
Police		(406)	(406)		(346)	(346)
Fire	(48)	(129)	(176)	(68)	(110)	(178)
Central Government	(2,390)	0	(2,390)	(3,441)	0	(3,441)
	<b>(2,867)</b>	<b>(2,916)</b>	<b>(5,784)</b>	<b>(4,128)</b>	<b>(2,465)</b>	<b>(6,593)</b>

# 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.