

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

2023/2024

Contents

	Page
Annual Report	
Director of Finance's Narrative Report	2
Annual Governance Statement	17
Statements to the Accounts	
Statement of Responsibilities for the Statement of Accounts	35
Independent Auditors' Report to the Members of the Council	36
Key Financial Statements	
Comprehensive Income & Expenditure Account	42
Movement in Reserves Statement	43
Balance Sheet	44
Cash Flow Statement	45
Expenditure & Funding Analysis Statement	46
Explanatory notes	
Notes to the Core Financial Statements	47
Notes to Accounts Accounting Policies	83
Collection Fund (including notes)	97
Glossary of Terms	99

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 31st May for the unaudited statement of accounts and 30th September for the audited statement of accounts. Our accounts were published on 5th 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 514km² of the eastern part of the county of Hampshire. There are roughly 120,000 people living in the district, which benefits from being part of the South Downs National Park. The district is home to more than 6,000 businesses (most of which are small businesses) and is mostly rural with the largest towns being Petersfield and Alton.

East Hampshire District Council is comprised of 43 councillors (elected every four years) and operates according to the leader and cabinet model. In 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.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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

ANNUAL REPORT – FINANCE NARRATIVE REPORT

- 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 1st 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

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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.

Key Performance Indicator	2022/23	2023/24
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%	100%
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	87%	78.57%
All planning applications decided within 26 weeks (above 98%)	92%	tbc
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.

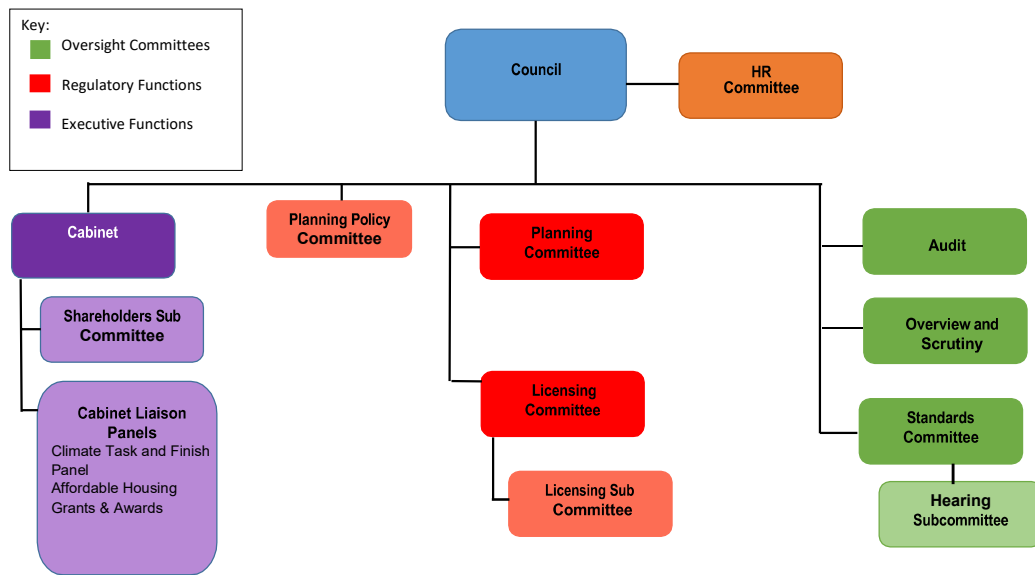
All councillors meet together for Full Council meetings six times a year. These are held in public and are used to decide the council's overall policies and set the budget each year.

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.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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

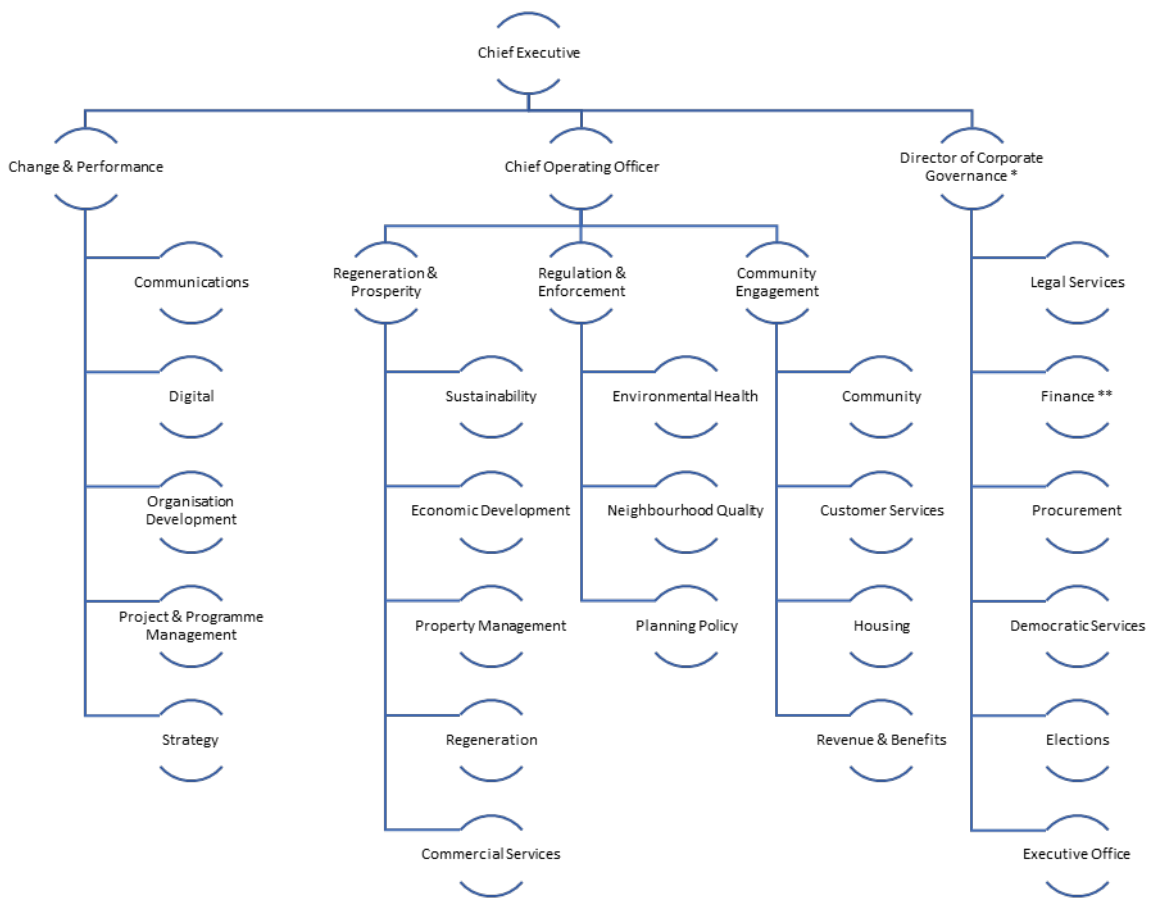
Human Resources Committee

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

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Staffing

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

Employees	2022/23	2023/24
Total number of current permanent full and part time employees	308	296
Total number of current temporary / fixed term employees	*	*
Total number of employees	308	296
Total number of employees expressed as full-time equivalents	281	270

*- Not available

Sickness and accident statistics are shown in the table below:

	2022/23	2023/24
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

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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
Change & Performance			
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)
Community Development & Engagement			
Community	1,102	968	(135)
Customer Service	1,464	1,231	(233)
Housing	151	138	(12)
Revenues & Benefits	606	694	89
Corporate Governance			
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
Regeneration & Prosperity			
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)
Regulation & Enforcement			
Environmental Health	968	941	(27)
Neighbourhood Quality	(1,504)	(807)	697
Planning	1,944	2,709	765
Other Operating I&E			
Total Cost of Services	9,167	10,889	1,722
Other Operating I&E (Corporate Pension Costs)	4,802	4,830	28
Finance Charges			0
Interest from Investments			0
Interest payments			0
Net Cost of Services	13,970	15,719	1,750
Funded by:			
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)
Total Funding	(13,970)	(15,412)	(1,442)
Net (Surplus)/Deficit	(0)	307	307

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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 1st 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.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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
Housing			
Disabled Facilities Grants	1,691	1,257	(434)
Operational Land & Buildings			
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
Investment Properties			
Investment Properties	0	0	0
IT Equipment			
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)
Vehicles			
Replacement vehicles	85	0	(85)
Other Capital Expenditure			
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
Total Capital Programme	4,815	6,901	2,086
Funding			
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
Total Funding	4,815	6,901	2,086

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.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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

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.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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
Change & Performance					
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
Community Development & Engagement					
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
Corporate Governance					
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
Regeneration & Prosperity					
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
Regulation & Enforcement					
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
Total Cost of Services	10,012	10,230	10,521	10,826	11,131
Savings to be identified					
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
Net Cost of Services	13,505	13,995	14,303	14,615	14,951
Parish Precepts					
Business Rates Retention	(2,921)	(3,201)	(3,265)	(3,330)	(3,397)
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
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
General Grants					
New Homes Bonus Grant	(234)	0	0	0	0
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
Funding	(13,505)	(13,995)	(14,303)	(14,615)	(14,951)
Balance Deficit/(Surplus)	0	0	0	0	0

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	
Previously approved Project/Capital Activity									
Leisure centres refurbishment - feasibility study	100	100	0	0	0	0	0	0	0
Waste Depot - feasibility review	100	100	100	100	0	0	0	0	100
Asset Maintenance Management System	125	125	0	0	0	0	0	0	0
ICT Equipment	200	750	750	150	150	150	150	150	750
ICT Improvement Programme	1,500	500	500	500	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	125	0	125	0	0	0	125
New Capital Activity subject to Business Cases									
Investment Portfolio Activity	0	10,000	10,000	2,000	2,000	2,000	2,000	2,000	10,000
Waste Depot	0	1,500	1,500	0	1,500	0	0	0	1,500
Sustainability Projects	0	500	500	100	100	100	100	100	500
Leisure Provision	0	2,000	2,000	2,000	0	0	0	0	2,000
Housing Initiatives	500	2,800	2,800	2,800	0	0	0	0	2,800
Externally funded Capital Activity									
Disabled Facilities Grants	1,691	8,455	8,455	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	807	0	0	0	0	807
Rural England Prosperity Fund - Assistance to small rural business and community infrastructure	245	294	294	294	0	0	0	0	294
Grand Totals	5,440	27,831	27,831	10,442	5,566	3,941	3,941	3,941	27,831
APPROVED									
East Hants District Council Capital Programme Summary		2023/24 £'000	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	
Projected Capital Financing									
1. REFCUS (Revenue funded as Capital under Statute)	1,691	8,455	8,455	1,691	1,691	1,691	1,691	1,691	8,455
2. External Grants & Contributions	794	1,101	1,101	1,101	0	0	0	0	1,101
3. Use of Specific Reserves	2,330	1,475	1,475	750	275	150	150	150	1,475
4. Use of Capital Receipts/Future Sales	0	10,800	10,800	4,900	3,600	2,100	100	100	10,800
5. Borrowing Requirement	625	4,000	4,000	0	0	0	2,000	2,000	4,000
6. Use of Developer Contributions	0	2,000	2,000	2,000	0	0	0	0	2,000
Total Projected Funding	5,440	27,831	27,831	10,442	5,566	3,941	3,941	3,941	27,831

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
18th June 2024

Annual Governance Statement

Introduction

The Leader of the Council (Councillor Richard Millard) and Chief Executive (Gill Kneller) both recognise the importance of having good systems in place to manage and deliver services to the residents of East Hampshire. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working by assessing the previous year's activities against the Local Code of Corporate Governance. This AGS is in respect of 2023-24.

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

The purpose of the governance framework

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

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

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

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

Governance during 2023-24

The 2023-2024 period has seen the Council -

- Deliver successfully on all our local elections for the District and for Town and Parishes in its area.
- Establish new political leadership and coalition administration.
- Successfully deliver a comprehensive Elected Member Induction and rolling training programme.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

- Update key parts of the Constitution to reflect updated practice and improve the speed and quality of decision-making.
- Improved democratic engagement and transparency at a local level by holding Council meetings at venues across the District.
- Review and implement changes to Elected Members' Allowances based on recommendations from an Independent Remuneration Panel.
- Successfully publish and distribute its 2024 Elections Register
- Continue to embed the governance changes arising from the separation with Havant Borough Council.
- Continue to develop its ongoing continuous professional development of its workforce by improving its online learning and development offer.
- Successfully establish its own Joint Venture waste company with clear governance processes in place allowing for scrutiny and challenge.
- Refresh governance and working arrangements for review of its Commercial Property Investment Portfolio (CPIP) and identify and manage associated risk.
- Made significant progress with the Shaping East Hampshire's Future (SEHF) transformation programme.
- Move its IT provision in-house as part of the SEHF transformation programme.
- Move its Headquarters from Council Offices, Penns Place to Monterey House, Bedford Road.
- Initiate its case management project for customer service provision
- Improve governance of procurement by implementing a Procurement Pipeline for each financial year
- Actively progress its climate change priorities by establishing its cross-party Climate Task and Finish Panel to support the delivery of its green agenda which will continue in the new Municipal year (2024/2025).
- Commence the review of its 2024/25 Corporate Strategy and development of an associated performance framework.

EAST HAMPSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

- Residents' Survey to help inform our future strategy. **How do we know the governance framework is working?**

Procedures, rules and internal management processes

- Delivery of Corporate Strategy priorities
- Services are delivered economically, efficiently and effectively
 - Management of risk
 - Financial planning and performance
- Effective internal controls
- Community engagement and public accountability
- Project management and project delivery
 - Procurement processes
- Roles and responsibilities of Members and Officers
- Standards of conduct and behaviour
- Training and development of Members and Officers
- Compliance with laws and regulations, internal policies and procedures

Sources that provide assurance

- Constitution (including statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Cabinet, Committees and Panel
 - Quarterly health check reports
- Human Resources Committee
 - Strategy Board
 - Project management methodology
 - Strategic Risk Group

- Performance Management Framework
 - Medium Term Financial Strategy
 - Complaints system
 - Head of Paid Service, Monitoring Officer and S151 Officer
 - HR policies and procedures
 - Whistleblowing and other policies countering fraud
 - Staff and Member training
 - Codes of Conduct
 - Internal audit
 - External audit

Ongoing assessment of our effectiveness

- Annual Governance Questionnaire
- Regular performance and financial reporting
 - Annual financial report
 - External audit reports
 - Internal audit reports
- Officer governance groups
 - Customer feedback
 - Council's democratic arrangements including scrutiny reviews and the Audit Committee
 - Staff surveys
- Community consultations

Areas identified in 2022-23 and improved on in 2023-24

- *Review of the Council's Commercial Property Investment Portfolio (CPIP) and implementation of recommendations post review. Strengthening of Governance arrangements around the management of the CPIP*
- A review of Commercial Ventures activity at the Council as part of the SEHF Transformation Programme
- Implementation of a new IT system and completion of IT data transfer. Completion of Directorate Transformation Plans

ANNUAL REPORT – FINANCE NARRATIVE REPORT

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

The Council aims to achieve effective corporate governance through its Local Code of Corporate Governance.

The table below highlights examples of how the Council has adhered to its governance commitments as set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented and actioned its commitments.

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW	
How the Council meets these principles	Where you can see Governance in action
<p>There are Codes of Conduct in place for both Elected Members and Officers which can be found in Part 4 of the Constitution. The Council has appointed Independent Persons as consultees on the investigation of any allegations of Elected Member misconduct, and the Standards Committee receives regular reports from the Monitoring Officer on any Elected Member Code of Conduct complaints.</p> <p>The Council's Constitution contains the Standing Orders, Scheme of Delegation, Financial Regulations and Contracts Procedure Rules. The Council has recently reviewed and refreshed its policies on anti-fraud and corruption, anti-bribery and whistleblowing disclosures. The Constitution is reviewed and updated on a twice annual basis to reflect updates in practice, efficiency and effectiveness to ensure a 'fit-for-purpose' Constitution.</p> <p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. Mandatory induction and performance objectives are set for all staff which ensure compliance with data protection law, Health & Safety regulations, and the Council's</p> <p>Safeguarding Policy. Staff must also undertake mandatory e-learning courses throughout the year on key topics to ensure their knowledge and understanding is kept up to date and their learning is continuous.</p> <p>There is a requirement for Elected Members to make a Declaration of Disclosable Pecuniary Interests (DPI) within 28 days of taking office and to notify the Council of any changes to their interests. Elected Members must also disclose interests which are not registered but which are relevant to matters to be determined at a public Committee meeting held by the Council. Elected Members are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a DPI. The Council publishes Elected Members Register of Interests and maintains an annual Register of these declarations and provides training as part of Elected Member Induction and refresher training in-year on Elected Member Code of Conduct matters. There are also two separate Register's for Gifts & Hospitality for Elected Members and Officers along</p>	<p>Elected Member Code of Conduct Officer/Staff Code of Conduct Standards Committee</p> <p>Constitution Anti-Fraud & Corruption Policy including Fraud Response Plan Whistleblowing Policy</p> <p>HR Policies and Procedures</p> <p>http://easthants.moderngov.co.uk/mgMemberIndex.aspx</p>

EAST HAMPSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

<p>with Policies that set out the Council's expectations regarding declaration of Gifts & Hospitality in relation to Elected Members and Officers.</p> <p>The Council has in place a Corporate Complaints procedure including weekly reminders to responsible managers, and the number of complaints and completion rate are monitored in quarterly performance reports. These Quarterly reports are shared with the Audit Committee and Elected Members. The Local Government and Social Care Ombudsman's Annual Letter to the Council is reported to the Council's Audit Committee in September with analysis of any relevant learning points arising from decided cases.</p> <p>The Council has in a place a Monitoring Officer who is a member of the Council's Strategy Board. The Monitoring Officer is kept apprised of the Council's key areas of risk, risk mitigation and is ultimately responsible for legal compliance and ensuring the Council acts lawfully. The Monitoring Officer is also a member of the Council's the Strategic Risk Management Group. The Monitoring Officer has two designated Deputy Monitoring Officers, the most recent joining the Council in January 2024.</p> <p>Other Statutory Officer roles are the Head of Paid Service (who is the Chief Executive), the Chief Finance Officer (S151 Officer), who has overall responsibility for the Council's financial administration. The Council's Returning Officer role is carried out by the s151 Chief Finance Officer. The Data Protection Officer role was reviewed in 2022-23 and is provided under a Shared Services arrangement with Thurrock Council.</p>	<p>http://www.easthants.gov.uk/complaints</p> <p>Office of the Monitoring Officer</p> <p>Council Statutory Officer Appointments</p>
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B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council has laid out its purpose, direction, vision and objectives in its Corporate Strategy which can be viewed on the Council's website. The Council Corporate Strategy is comprehensively reviewed on a regular basis. The current Corporate Strategy takes the Council up to 2024 and a refreshed strategy is currently being developed.</p> <p>The Council is committed to transparency and openness and publicises information in line with the publication scheme under the Freedom of Information Act (2000). In addition, the Council subscribes to the Government's transparency agenda and publishes information such as remuneration for senior management and information on items of expenditure over £500</p>	<p>https://www.easthants.gov.uk/media/3779/download?inline</p> <p>Freedom of Information Act (2000) Pay</p> <p>Policy Statement</p>

ANNUAL REPORT – FINANCE NARRATIVE REPORT

<p>The Council's Democratic Services function is responsible for ensuring Agendas and Key Decisions are published in line with the statutory requirements. Democratic Services is also responsible for supporting the Council's Scrutiny function and publishing a Corporate Calendar of all Committee dates annually. The Council's statutory meetings are held physically but continue to be livestreamed for the public to view/access. All Committee Agendas and non-exempt papers are accessible to the public via the Council's website. There is a hybrid option that enables Officers and invitees to attend statutory and non-statutory meetings remotely, if necessary.</p> <p>The Council has conducted a Residents' Survey to enable them to express their views on Council services and the local area. These views will help the Council to shape services and make decisions for the benefit of residents. Regular residents' e-newsletters are used to provide updates and information. To promote transparency and wider engagement with Council decisions, the Council also interacts with residents via social media platforms such as Facebook, Twitter/'X', 'LinkedIn', 'Nextdoor' and 'Instagram'.</p> <p>The Council has a Town & Parish Charter which sets out how we will work with Town and Parish Councils across the District. The Council also works closely with the South Downs National Park Authority as well as the 40 Town and Parish Councils within the District.</p> <p>The Council's website is set out in a clear and easily accessible way, using plain language. The information which residents use most, such as Council Tax and Waste and Recycling information and signposting, can be</p>	<p>Local Government Transparency Code</p> <p>Committees, Papers and Livestreams</p> <p>EHDC website</p> <p>EHDC social media</p> <p>Residents Survey</p> <p>Residents' newsletters</p> <p>Town & Parish Charter</p> <p>http://www.easthants.gov.uk/</p>
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EAST HAMPSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

<p>accessed quickly and easily from the 'Homepage'. The Communications Team makes regular updates to provide residents and business with reliable and up-to-date information throughout the year.</p> <p>The Council's Statement of Accounts provides a clear summary of the Council's financial activity over the previous year, so that residents can see where money has been spent and on what.</p>	<p>http://www.easthants.gov.uk/accounts</p>
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C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	
How the Council meets these principles	Where you can see Governance in action
<p>The four themes in the Council's current Corporate Strategy are:</p> <ul style="list-style-type: none"> • "A fit for purpose Council • A safer, healthier, and more active East Hampshire • A thriving local economy with infrastructure to support our ambitions • An environmentally aware and cleaner East Hampshire" <p>The above evidence-based themes are used to guide the Council's corporate planning and decision making. The Council has also developed a Digital Strategy which supports the Corporate Strategy delivery and to create digitally 'savvy' staff, Elected Members and services which are designed to be accessible and convenient for our customers/residents.</p> <p>The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Medium-Term Financial Strategy is reviewed annually and forms the basis of the Council's annual budgeting and budget setting process.</p> <p>The Corporate Strategy has been prepared to detail the key actions that are required to deliver the overall strategy. Within the Corporate Strategy actions are listed under each theme to be delivered the next financial year. Progress against the objectives in the Corporate Strategy is reported quarterly. Each Service areas Key Performance Indicators are monitored corporately and reported to the Strategy Board on a quarterly basis to ensure that the objectives in the Corporate Strategy are on target. Monthly financial forecasts are submitted to the Strategy Board and Quarterly to Elected Members alongside the Quarterly performance reports.</p> <p>The Council's major contracts are overseen by client teams. The Council's environmental services (waste collection, grounds maintenance, street cleaning and public conveniences cleaning) were restored to the Council's direct contract management in 2022-23 with the creation of a new Joint</p>	<p>http://www.easthants.gov.uk/performance-and-strategy</p> <p>Digital Strategy</p> <p>Council budget setting each February</p> <p>Quarterly Performance Reports</p> <p>Shareholders Sub-Committee</p>

ANNUAL REPORT – FINANCE NARRATIVE REPORT

<p>Venture partnership with Norse SE. The governance for overseeing the performance of this contract, to ensure that a good quality service is delivered and value for money is achieved. These aims have been strengthened due to the governance oversight provided by the Council’s Shareholders Sub-Committee who make recommendations to Cabinet. Overview & Scrutiny Committee play a key role in scrutiny of proposed Cabinet decision making and do so on a ‘pre-decision’ scrutiny basis.</p>	<p>Overview & Scrutiny Committee</p>
<p>The Council’s Budget report contains a summary of the Budget that has been set for the Council for 2024-25 as approved on 29th February 2024 by Budget Council. It shows how services are funded and by how much. The Budget report also sets out the forecast financial position over the next five years, taking into account changes in government funding, other income and spending.</p>	<p>Council Budget</p>
<p>The Council uses evidence-based insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the community.</p>	<p>Residents’ Survey Planning SCI (Statement of Community Involvement)</p>

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES	
How the Council meets these principles	Where you can see Governance in action
<p>The Council has a Medium-Term Financial Strategy (available on the Council’s website as part of the Budget for the forthcoming year) which is used to align resources to key priorities.</p>	<p>Medium Term Financial Strategy</p>
<p>As a key part of the process for ‘Key Decision’ decision making, the Council has report templates to ensure authors cover all the requirements to enable a Decision to be made by Elected Members with all relevant information available to them. The templates include an options appraisal (if required), cost and risk analysis, Legal and Finance Implication sections. Additionally, key signatories include the s151 Officer, Monitoring Officer and relevant Portfolio Holder. This report writing and internal approval process has been significantly improved in 2023-24 to increase the robustness of decision making to include all Key Decision reports being considered by Strategy Board before publishing.</p>	<p>Key Decision Report templates and internal approvals Committee structure</p>
<p>All decision-making meetings are held in public, and decisions made by Cabinet Members and Officers are published in line with the statutory legal requirements, although Exempt or confidential items are not published. exempt. Minutes of all Council Committee meetings are made available to the public, and members of the public can attend Full Council meetings and other Committee meetings.</p>	<p>EHDC website</p>

EAST HAMPSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

<p>The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p> <p>The Council has an Internal Audit service sourced through the Southern Internal Audit Partnership. The Internal Audit service has an Annual Audit Plan based on a risk analysis carried out by the Auditors each spring. Audit recommendations are monitored to ensure that they are completed by the relevant Service area within a reasonable timeframe, and any actions which are not completed are reported to Strategy Board.</p> <p>The Audit Committee provides independent overview of governance, audit, risk and risk mitigation processes.</p> <p>The Overview & Scrutiny Committee has responsibility for the performance of overview and scrutiny functions under the Local Government Act 2000 Section 9F. The role of Overview & Scrutiny Committee is to hold Cabinet decision makers to account by monitoring and scrutinising the decisions being made, both before and after they take effect. Members of the Overview & Scrutiny Committee must not be members of the Cabinet and, where possible, should be from different political parties. This Council actively operates pre-decision scrutiny, where all major proposed Cabinet decisions are reported to the Overview & Scrutiny Committee for any recommendations, in advance of the decision being taken.</p>	<p>http://www.easthants.gov.uk/complaints</p> <p>Internal audit</p> <p>Audit Committee</p> <p>Overview & Scrutiny Committee</p>
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E. DEVELOPING THE COUNCIL'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT	
How the Council meets these principles	Where you can see Governance in action
<p>Following the separation of senior management and services from Havant BC, the senior leadership structure is now well-embedded and aligns well with the Council's Corporate Priorities and ongoing Transformation Programme.</p> <p>The Organisational Development Strategy sets out how the Council will deliver on its vision by employing the right people with the right skills and attitude, in the right job, in the right environment, and paid the right rate.</p> <p>The Council has a performance management framework which includes a comprehensive induction programme for new starters. Performance appraisal processes for all employees include regular 1:1 meetings with line managers and assessment against the Staff Competency Framework. All staff attend mandatory e-learning courses (including health and safety, equality and diversity, and time management), alongside the ongoing leadership development programme, business continuity and emergency planning training, and specialist professional training for frontline services.</p>	<p>Management structure</p> <p>Organisational Development Strategy</p> <p>Staff Competency Framework</p>

ANNUAL REPORT – FINANCE NARRATIVE REPORT

<p>Following the District Council Elections in May 2023, all Elected Members have undertaken a comprehensive training programme to ensure that they have an understanding of the procedures and protocols of the Council. This included training on the Elected Member Code of Conduct, Planning and Licensing matters and Councillors do not participate in Planning, Licensing or Audit Committees until such training has been undertaken. Elected Member training is devised and delivered on a rolling basis throughout the Municipal year.</p>	<p>Councillor Competency Framework</p>
<p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme and accompanying Competency Framework, during the course of an Elected Member's four-year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements. The Council was awarded Charter status (Charter for Elected Member Development) in 2017 and continues its commitment to excellence in Elected Member training.</p>	<p>Charter status case study</p>

F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council ensures that the roles and responsibilities for decision-making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, with decision making based on specified Executive functions/responsibilities.</p> <p>There are also a number of Non-Executive Committees appointed to discharge regulatory and Scrutiny functions. Each Committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council's Constitution.</p> <p>The Cabinet operates within the policy framework set by Full Council and makes Key Decisions. All Cabinet meetings are held in public, apart for Exempt/confidential items. All decision records are publicly available, and the Forward Plan and Key</p>	<p>Cabinet – Executive functions</p> <p>Management and Decision-making Structure</p> <p>Forward Plan</p>

EAST HAMPSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

<p>Decision notices are published on the Council’s website. Decisions made by Cabinet can be ‘called-in’ for review by the Overview & Scrutiny Committee, although the Council also operates pre-decision scrutiny. Decisions can also be made by Officers under delegated powers and reported to Elected Members in line with the Council’s Constitution. Officer delegated authority to make decisions is set out within the Scheme of Delegation or by specific delegation by Cabinet or Council.</p>	
<p>Risk is considered and recorded as part of the business planning process and monitored throughout the year as part of the quarterly review of performance and financial management (Quarterly performance report). The Council has a wide range of performance indicators, which are used to measure progress against the Council’s priorities. Performance indicators are reported quarterly to the Strategy Board, to Audit Committee and informally to Cabinet. Performance indicators clearly link individual services to the corporate objectives in the Corporate Strategy and include details of national and local performance indicators and risk. Performance indicators are reviewed annually as part of the business planning process to ensure they continue to be relevant and stretching.</p>	<p>Strategy Board</p> <p>Cabinet</p> <p>Audit Committee</p>
<p>The Strategic Risk Management Group seeks to provide a pragmatic layer of assurance to the business. Specifically, the Group ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This will be underpinned by the Local Code of Corporate Governance. In addition, the Group is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks. The Group’s Terms of Reference is kept under regular review.</p>	<p>Strategic Risk Management Group</p> <p>Local Code of Corporate Governance</p>
<p>The Council has in place a number of policies and procedures to ensure decisions made are correctly and robustly. These include the Financial Procedure Rules and Contract Standing Orders in the Constitution. Compliance with these policies is the responsibility of all Officers.</p>	<p>Financial Procedure Rules</p> <p>Contract Standing Orders</p>

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY	
How the Council meets these principles	Where you can see Governance in action
<p>The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.</p>	<p>Statement of Accounts</p>
<p>The Council has an Audit Committee to provide assurance to the Council on the effectiveness of internal audit and the robustness of the Council’s Annual Accounts. Risk management is controlled through the Strategic Risk Management group and reported to Strategy Board through the quarterly performance report. Risks rated as above the risk threshold are reported as part of the quarterly performance report to Audit Committee. These quarterly performance reports for 2023-24 were published on the Council’s website.</p>	<p>Audit Committee</p> <p>https://www.easthants.gov.uk/performance</p>
<p>Full Council is responsible for agreeing new policies and amendments to existing policies falling within the Policy Framework. It also approves the annual Budget. Audit Committee approves the Annual Statement of Accounts.</p>	<p>Full Council</p>

ANNUAL REPORT – FINANCE NARRATIVE REPORT

<p>The Council is subject to independent external audit currently by 'EY'. The external audit plan outlines the work undertaken and the timing of external audit reports.</p>	<p>Audit Committee</p>
<p>The Council supplements this work with an internal audit service sourced through the Southern Internal Audit Partnership. The internal audit service has an annual audit plan based on a risk analysis carried out by the Auditor's each spring. This minimises the risk of fraud and error and provides management with assurance that policies and procedures are robust. The internal audit service is required to provide a written status report to Strategy Board, summarising the assurance opinions arising from the internal audit reviews carried out during the year.</p>	<p>Internal audit</p>
<p>The Council has appointed the Chief Finance Officer as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs.</p>	

EAST HAMPSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

Review of effectiveness

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

Area	Review of effectiveness
Political leadership	<ul style="list-style-type: none"> • A significantly improved and comprehensive Councillor Development Programme has been delivered with the objective that Members are equipped with the right skills and knowledge to be able to fulfil their duties. This is kept under review throughout the municipal year. • A refreshed Corporate Strategy is being developed for approval at July's Full Council, to ensure that it best reflects the Council's ambitions for the District in the coming years. The Corporate Strategy is a key strategic document that articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use. • During the year the Overview & Scrutiny Committee considered numerous items forming strategic corporate projects/policies, including, quarterly reviews of the Shaping our Future programme. The Chair of Overview & Scrutiny will be providing an annual report detailing the work of the Committee for July's Full Council.
Officer leadership	<ul style="list-style-type: none"> • The Council's Constitution has been modernised and streamlined in order to facilitate further effective and transparent decision making. The Constitution is reviewed bi-annually with changes effected using either the Monitoring Officer's delegated authority or if changes are significant, approval by Full Council. • The Strategic Risk Management Group covers matters of governance covering risk, health and safety, business continuity, emergency planning, information governance and financial risk. Updates are also provided to Audit Committee via quarterly performance reporting. The Strategic Risk Management Group's Terms of Reference and membership were reviewed and updated to reflect the Council's SEHF Transformation Programme.
Internal assessment and monitoring	<ul style="list-style-type: none"> • There are regular reporting arrangements in place regarding the financial affairs of the Council. The Budget for 2023-24 was agreed by Full Council on 23 February 2023 and financial performance is reported on a Quarterly basis to Members. • Effective operation of the Performance Management Framework throughout the year: monitoring information on key areas of performance has been provided by Strategy Board and related Officer panels for review and action. The majority of service performance indicators were met during the year. • An Annual Governance Questionnaire was a survey used this year and in previous years. This survey asks Service managers/officers for their self-assessment of the effectiveness of governance arrangements in their service area and at the Council. The questionnaire is high level and seeks to reflect that good governance is everyone's responsibility - the number of responses received for survey was 70%. The results of the questionnaire highlighted the following: <ul style="list-style-type: none"> ○ There were reasonable levels of confidence in governance arrangements, indicated by the majority of scores assigned to 1 ('Evidence of consistently meeting criteria') or 2 ('Meets criteria, but room for improvement'). ○ Areas of strength: <ul style="list-style-type: none"> ▪ <u>Good</u> general awareness of corporate governance requirements. ▪ <u>Good</u> sharing and understanding of key corporate messages. ▪ <u>Clear</u> corporate communications and messaging. ▪ <u>Good</u> and robust internal and external audit functions. ▪ <u>Good</u> induction and training programmes for Councillors. ▪ <u>Good</u> understanding of internal decision making processes. ▪ <u>Good</u> understanding of how and where Service and corporate risks can be identified. ▪ Audit Committee recommendations are prioritised and implemented in a timely way. ○ Areas for improvement: <ul style="list-style-type: none"> ▪ Increase communication, awareness and accessibility of corporate governance policies. ▪ Improving understanding of audit processes. ▪ Need for an updated Corporate Strategy as some are not aligned to current MTFS.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

	<ul style="list-style-type: none"> ▪ Current transformation work can impact on data quality. ▪ Need for an updated Organisational Development Strategy. ▪ Identifying further opportunities for Councillor training and development. ○ Actions arising: <ul style="list-style-type: none"> ▪ Work with stakeholders to devise appropriate training on corporate governance policies. ▪ Improved communications on audit and risk management processes. ▪ Corporate Strategy update and alignment with MTFS. ▪ Update Organisational Development Strategy. <p>The actions arising will be addressed during 2024-25. A questionnaire will be sent out as part of every annual AGS review to track areas identified for improvement in the previous year.</p>
<p>Responsibilities of Chief Finance Officer (s151)</p>	<ul style="list-style-type: none"> • The Chief Finance Officer (CFO) is the Responsible Financial Officer and is a member of the Strategy Board, reporting directly to the Chief Executive. The Chief Finance Officer is responsible for delivering and overseeing the financial management arrangements of the Council. • The CFO also responsible for ensuring alignment with the Code of Practice on Local Authority Accounting for 2023-24. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016).
<p>Internal Audit</p>	<ul style="list-style-type: none"> • The Council's internal audit service is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An Audit Plan, based on a full risk evaluation, is approved annually. • Progress against the Audit Plan is reported quarterly to the Audit Committee. Any outstanding high-risk actions are addressed as a matter of priority. • Internal audit attends Strategic Risk Management Group every quarter to provide an update on progress of management actions. Any outstanding actions are reported to Strategy Board to ensure that these are escalated where necessary and completed within a reasonable timescale. • The Southern Internal Audit Partnership delivered 10 internal audit opinions over the course of the year ending 31 March 2024 with 5 'substantial' assurance reports, 5 'reasonable' assurance reports with no 'limited' assurance or 'no assurance' reporting. Additional reviews were conducted which did not lead to an audit opinion as they were advisory reviews and/or follow-up reviews. • Internal Audit's annual opinion of the Council's framework of governance, risk management and management control are reasonable, and audit testing has demonstrated management and governance arrangements and controls to be working in practice.

EAST HAMPSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

Last year's key improvement areas

In the 2022-23 Annual Governance Statement, key issues were identified for improvement. Below are the issues and actions taken during 2023-24.

Improvement area	Key Improvement	Objectives and actions taken
<p>1. Shaping East Hampshire's Future (SHEF)/Transformation Agenda (including IT changes)</p> <p>The Council has embarked on an ambitious transformation programme which reviews all areas of the Council. This will deliver continual improvement to the service we deliver to our residents and deliver, more efficient, effective and economic services. This is an ongoing programme, which will deliver savings in 2023/24 and 2024/25, as well putting in place processes for future reviews. All Directors are leading in their areas and summary of progress is reported to the Strategic Risk Management Group, Strategy Board and Elected Members quarterly via Quarterly performance reporting.</p>	<p>Completion of Directorate Transformation Plans and implementation of improved IT service delivery to include new IT financial systems.</p>	<ul style="list-style-type: none"> • Completion of Directorate Transformation Plans and commencement of Directorate Transformation projects. • Completion of IT data transfer in readiness for new IT systems (which includes the replacement of 'Integra' and existing Payroll IT system) in line with the approved IT roadmap. • Successful move of the Council's HQ from Penns Place, Petersfield to Monterey House, Bedford Road, Petersfield as part of the SEHF Transformation Programme with linked reporting via the SHEF highlight report.
<p>2. Investment Property Portfolio – Risk Management</p> <p>The Council owns an investment property portfolio which delivers a good income stream and has allowed additional Service provision, whilst keeping Council Tax low for residents. These properties are held exclusively for yield. A significant amount of work has been and will continue to be undertaken in this area for continuous review of the investment portfolio (and, relative to prevailing and future market conditions) plan for and inform the Strategy for the</p>	<p>As part of the ongoing review of the property portfolio the Council has identified risk, risk mitigation measures and strengthen governance in relation to the investment portfolio.</p> <p>Executive/Cabinet decision making in relation to the Council's Investment Property Portfolio has been scrutinised by Overview & Scrutiny Committee with pre-decision scrutiny.</p> <p>Officer's with relevant delegated authority report operational and strategic activity to Strategy Board and the Strategic Risk Management Board. All operational activity is captured within a Director Decision Log.</p>	<ul style="list-style-type: none"> • Updated reporting to Members in 2023/24 showing current position and future plans for our investment property portfolio. • Completed review of individual properties via professional consultants. • Undertaken a comprehensive review of the Investment Property Portfolio and ongoing implementation of review recommendations with future implementation for medium-to-long term recommendations.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

<p>portfolio. Additionally, the governance arrangements in relation to Officer decision making has been reviewed and strengthened. All of the above factors have become even more important given the economic climate over the last year and currently</p>		
<p>3.Commercial Ventures - Gateway decision making and monitoring on an ongoing and quarterly review basis</p>	<p>The Council operates a few commercial ventures, which are operated to make a return to the Council to help it fund front line services. Given the current economic climate, this area is being reviewed in 2023/24. Updated business plans are being produced for key commercial ventures. These will map the future of these ventures, whilst protecting the overall finances of the Council.</p>	<ul style="list-style-type: none"> • Review completed of existing commercial ventures and associated procedures and governance as part of the SEHF Transformation Programme. • Implemented recommendations by Statutory Officers and endorsed by Strategy Board, Shareholder Sub-Committee, Overview & Scrutiny Committee and Cabinet. • Recommendations/outcomes of reviews mitigates exposure to risk and cost implications on the Council.

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control.

As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2024-25:

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

The Council is on an ambitious transformation programme journey which reviews all areas of the Council. The objectives are to deliver continual service improvements to residents and more efficient, effective and economic services. This ongoing programme is progressing well and has delivered on the targeted savings in 2023/24. For 2024/25, these will continue to be closely monitored. All Directors are leading in their areas and summaries of progress are reported to Members quarterly, within the quarterly performance reporting.

Key improvements to IT services have been implemented to include improved IT service delivery by transfer of the existing contracts with Capita, to an in-house provision. For 2024-25, the new IT service will be monitored as it embeds within EHDC. A priority during 2024-25 will be the next steps transfer of EHDC’s IT financial systems.

Lead Officers: Chief Executive, Senior Leadership Team/Strategy Board, in particular, the CFO (s.151) and the Director of Change & Performance.

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

Actions:

- Completion of Directorate Transformation Plans and commencement of Directorate Transformation projects.
- Embedding new IT systems.
- Complete replacement of 'Integra' and existing Payroll IT system, in line with the approved IT roadmap.
- Continue to identify and assess strategic risk and operational RAG risk via the Corporate Risk Register.

2. Investment Property Portfolio – Risk Management

The Council owns an investment commercial property portfolio which delivers a good income stream and has allowed additional service provision, whilst keeping council tax low. These properties were bought primarily for financial return. A lot of work is undertaken in the area to review the investment portfolio and to plan for the future. This has become even more important given the current economic climate. A comprehensive review of the portfolio was undertaken and updated report brought to Members in 2023/24, showing current position and future plans for our investment property portfolio.

As part of the ongoing and future reviews of the property portfolio the Council will continue to identify risk and risk mitigation in relation to individual properties within the investment portfolio. This will also require the assistance and advice of sector specific Consultants and Professional Bodies.

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

Actions:

- Regular review of individual properties via professional consultants.
- Quarterly updates to Cabinet and Overview and Scrutiny.
- Continuation of assessment of market conditions relative to plans strategies.
- Continue to identify and assess strategic risk and operational RAG risk via the Corporate Risk Register.

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 31st March 2024 and its income and expenditure for the year ended 31st March 2024.



Matthew Tiller
Chief Finance Officer

Approval of Accounts

The accounts were presented to the Audit Committee on the 11th July 2024 and were approved by the Chairman of the Committee on the 27th February 2025



Annual Accounts – Key Financial Statements

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

Qualified Opinion

We have audited the financial statements of East Hampshire District Council ('the Council') for the year ended 31 March 2024. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 51 including material accounting policy information and including the Expenditure and Funding Analysis Statement.
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, except for the possible effects of the matter referred to in the basis for qualified opinion section of our audit report, the financial statements:

- give a true and fair view of the financial position of East Hampshire District Council as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for qualified opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 require any outstanding accountability statements for year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The Council were unable to provide us with the following information:

1. A reconciliation that links the council tax and business rate accounting models to the financial statements, impacting:
 - Note 22 Short term debtors:
 - Government Departments £1,611k
 - Share of business rates and Council tax £779k
 - Note 24 Short term creditors
 - Government Departments (£5,573k)
 - All other bodies (£3,736k)
 - Note 7: Taxation and Non-Specific Grant Income:
 - General Government Grants – s31 business rates (£13,125k)

If changes are needed to these balances, there would be consequential changes to the Statement of Accounts and disclosures.

2. Analysis of Capital grants and contributions, impacting:
 - Capital Grants Receipts in Advance (£13,417k);
 - Capital Grants Unapplied Reserve (£19,699k); and
 - Note 7 Financing & Investment Income and Expenditure: Interest and Investment Income (£1,587k)

If changes are needed to these balances, there would be consequential changes to the Statement of Accounts and capital accounting and financing disclosures.

Due to the Council being unable to provide us with this information before the backstop date we have been unable to complete our audit procedures, and we are unable to determine whether any adjustments are needed to the balances disclosed within the Statement of accounts.

Annual Accounts – Statement to the Accounts

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period to 31 March 2026.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report and Statement of Accounts 2023/2024, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the Annual Report and Statement of Accounts 2023/2024.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves on the items concerning the council tax, business rates and capital grants and contributions entries in the financial statements. We have concluded that where the other information refers to these transaction and balances, it may be materially misstated for the same reason.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); and
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

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

We report to you, if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2024.

Annual Accounts – Key Financial Statements

Significant weaknesses in arrangements

The weakness identified:

The Council has not provided us with appropriate accounting records to support allocation of council tax and business rates or an analysis of capital grants and contributions.

The evidence on which our view is based:

The council has been unable to provide us with a reconciliation that links the council tax and business rate accounting model to the financial statements, or an analysis of capital grants and contributions for our 2023/24 financial statements audit. This has resulted in us issuing a qualified audit opinion.

The impact on East Hampshire District Council:

Failure to improve the Council's processes to report financial information on a timely basis will impact its ability to meet statutory financial reporting deadlines.

The action the Council needs to take to address the weaknesses

The Council needs to ensure that each account within the financial statements can be reconciled to underlying supporting information.

The issues above are evidence of weaknesses in proper arrangements for governance, including for reliable and timely financial reporting that supports the delivery of strategic priorities.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement Responsibilities for the Statement of Accounts set out on page 35, the Chief Finance Officer is responsible for the preparation of the Annual Report and Statement of Accounts 2023/2024, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,

Annual Accounts – Statement to the Accounts

- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how East Hampshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure and revenue expenditure funded from capital under statute (REFCUS) to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also considered estimates for indication of management bias, and whether there were any significant transactions that were outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Hampshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Hampshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether East Hampshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Annual Accounts – Key Financial Statements

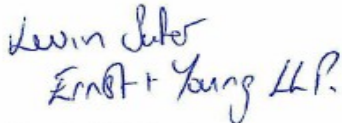
Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of East Hampshire District Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of East Hampshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



Kevin Suter
Ernst & Young LLP

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
28th February 2025

**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 Restated	Income £000 Restated	Net Expenditure £000
Change & Performance						
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
Community Development & Engagement						
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
Corporate Governance						
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
Regeneration & Prosperity						
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 (2022/23 restated)	4,284	(200)	4,084	1,507	(604)	903
Regeneration	755	(133)	622	541	(98)	443
Regulation & Enforcement						
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	(460)	(112)	(572)	92	0	92
Net Cost of Service	50,456	(29,112)	21,344	49,329	(29,934)	19,395
Other Operating Expenditure		Note 5	4,953			4,655
Financing and Investment Income and Expenditure		Note 6	6,983			8,355
Taxation and non-specific grant income		Note 7	(20,193)			(20,850)
(Surplus)/Deficit on Provision of Services			13,087			11,555
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(3,981)			(239)
Actuarial (gains)/losses on pension assets / liabilities			(4,674)			(36,366)
Other Comprehensive Income and Expenditure			(8,655)			(36,605)
Total Comprehensive Income and Expenditure			4,432			(25,050)

Property for 2022/23 has been restated to remove £9.708 million of Investment income from both income and expenditure that was captured within the Net Cost of Service in error as they are reported under Note 6 - Financing and Investment Income and Expenditure. This does not affect the net position.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Movement in Reserves Statement

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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000 Note 29	Unusable Reserves £000 Note 31	Total Authority Reserves £000
Balance at 1 April 2022	(27,555)	(4,418)	(16,920)	(48,893)	7,586	(41,307)
Movement in reserves during 2022/2023						
Total Comprehensive Income and Expenditure	11,555			11,555	(36,605)	(25,050)
Adjustments between accounting basis & funding basis under regulations (note 13)	(6,225)	(609)	(1,728)	(8,562)	8,562	0
Net (Increase)/Decrease before Transfers Adjustment	5,330	(609)	(1,728)	2,993	(28,043)	(25,050)
Balance at 31 March 2023 carried forward	(22,225)	(5,027)	(18,648)	(45,900)	(20,457)	(66,357)
Movement in reserves during 2023/2024						
Total Comprehensive Income and Expenditure	13,087			13,087	(8,655)	4,432
Adjustments between accounting basis & funding basis under regulations (note 13)	(6,773)	211	(1,051)	(7,613)	7,613	0
Adjustment re opening roundings						
Net (Increase)/Decrease before Transfers	6,314	211	(1,051)	5,474	(1,042)	4,432
Balance at 31 March 2024 carried forward	(15,911)	(4,816)	(19,699)	(40,426)	(21,499)	(61,925)

Annual Accounts – Key Financial Statements

Balance Sheet

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

	NOTES	31 March 2024		31 March 2023 Restated
		£000	£000	£000
Property, Plant and Equipment	14	79,038		74,750
Investment Properties	20	102,271		115,253
Intangible Assets	21	208		268
Long Term Debtors		743		2,702
Long Term Assets			182,260	192,973
Current Assets				
Short Term Debtors	22	4,744		6,768
Cash and Cash Equivalents	23	10,786		12,693
Short Term Investments		20,000		25,000
Assets held for Sale	14a	1,496		
Current Assets			37,026	44,461
Current Liabilities				
Cash and Cash Equivalents	23	(650)		(464)
Short Term Creditors	24	(11,963)		(14,694)
Short Term Borrowing	28	(3,092)		(5,410)
Provisions	25	(283)		(283)
Current Liabilities			(15,988)	(20,851)
Long Term Liabilities				
Capital Grants receipts in advance	36	(13,417)		(17,038)
Long Term Borrowing	28	(116,440)		(115,569)
Other Long Term Liabilities		(330)		(327)
Finance Lease	27	(5,046)		(5,080)
Pension Fund Liability	41	(5,968)		(10,168)
Provisions		(173)		(2,044)
Long Term Liabilities			(141,374)	(150,226)
Net Assets			61,925	66,357
Financed by				
Usable Reserves	29		(40,426)	(45,900)
Unusable Reserves	31		(21,499)	(20,457)
Total Reserves			(61,925)	(66,357)



Matthew Tiller
Chief Finance Officer
27th February 2025

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.

	NOTES	2023/2024 £000	2022/2023 £000	2022/2023 £000
			Original	Restated
Net (surplus) or deficit on the provision of services		13,087	11,555	11,555
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(3,054)	(10,127)	(10,127)
Adjustments for items included in the net surplus or deficit or the provision of services that are investing and financing activities	40	1,231	2,177	2,177
Net cash flows from Operating Activities		11,264	3,605	3,605
Investing Activities	38	(10,934)	(580)	24,420
Borrowing Activities	39	1,763	239	239
Net decrease or (increase) in cash and cash equivalents		2,093	3,264	28,264
Cash and cash equivalents at the beginning of the reporting period		12,229	40,493	40,493
Cash and cash equivalents at the end of the reporting period		10,136	37,229	12,229

Prior Year has been restated to split out Short-Term Investments which were previously captured under Cash and Cash Equivalents in error.

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
Change & Performance						
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
Community Development & Engagement						
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
Corporate Governance						
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
Regeneration & Prosperity						
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
Regulation & Enforcement						
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
Net Cost of Service General Fund	18,038	3,878	21,916	16,801	2,502	19,303
Other Income & Expenditure	(6,889)	6,215	(674)	4,626	(4,534)	92
Movement in Earmark Reserves	(179)	179	0		0	
Net Cost of Service	10,970	10,272	21,242	21,427	(2,032)	19,395
Other Operating Expenditure	4,253	700	4,953	(8,524)	13,179	4,655
Financing and Investment Income and Expenditure	5,270	1,815	7,085		8,355	8,355
Taxation and non-specific grant income	(20,186)	(7)	(20,193)	(13,151)	(7,699)	(20,850)
(Surplus)/ Deficit	307	12,780	13,087	(248)	11,803	11,555
Balance Summary						
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)		
Analysed between type of balance	General Fund	Earmarked Reserves		Total Balances		
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				-		
Closing Balance at 31 March 2023	(4,109)	(18,116)		(22,225)		
Adjustment				-		
Add (Surplus)/Deficit in year 2023/2024	307	6,006		6,313		
Closing balances at 31 March 2024	(3,802)	(12,110)		(15,912)		

Note – this is not a primary statement but presented here for transparency.

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
Expenditure		
Employee expenses	17,233	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
Total Expenditure	81,403	88,621
Income		
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	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)
Total Income	(68,316)	(77,066)
(Surplus)/Deficit on the Provision of Services	13,087	11,555

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	0	0
Total	4,953	4,655

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	379	1,131
Movements in the market value of Investment Properties	12,523	13,571
Total	6,983	8,355

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		
Council Tax Income	(12,452)	(12,054)
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		
Total	(20,193)	(20,850)

Note 8 Members' Allowances

The Council paid the following amounts to Members of the Council.

	2023/2024	2022/2023
	£000	£000
Allowances	419	336
Expenses	7	5
Total	426	341

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
TOTAL	57	47

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	
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	
Total	1	2	0	0	2	2	234	55

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
Total	151	88

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 however non have been reported or identified.

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 2 Senior Officers were the Directors for East Hampshire Norse overseeing £6.5 million but were not recompensed for their services from the company.

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

	2023/2024			
	Adjustments for Net change for the			Total
	Capital	Pension	Other	Adjustments
	Purposes	Adjustments	Differences	
	(Note 12a)	(Note 12b)	(Note 12c)	
	£000	£000	£000	£000
Change & Performance				
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)
Community Development & Engagement				
Community	0	5	636	641
Customer Service	22	10	(1)	31
Housing	0	4	(5)	(1)
Revenues & Benefits	2	7	(2)	7
Corporate Governance				
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
Regeneration & Prosperity				
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
Regulation & Enforcement				
Environmental Health	1	7	1	9
Neighbourhood Quality	67	3	(1)	69
Planning	(3,869)	21	143	(3,705)
Other Operating I&E	0	0	6,394	6,394
Net Cost of Service	(1,861)	96	12,037	10,272
Other operating Expenditure			700	700
Financing and Investment Income and Expenditure			1,815	1,815
Taxation and non-specific grant income			(7)	(7)
(Surplus)/ Deficit	(1,861)	96	14,545	12,780

EXPLANATORY NOTES

Note 12a Adjustments for Capital Funding and Expenditure Purposes

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

Note 12b Net changes for the removal of pension contributions and the addition of pension (IAS19) related expenditure and income

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

Note 12c Other Differences

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

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
Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation of non-current assets	(1,521)			1,521
Charges for impairment/ revaluations of plant, property and equipment	(129)			129
Movements in the market value of Investment Properties	(13,571)			13,571
Amortisation of intangible assets	(61)			61
Drawdown of earmarked reserves	466			(466)
Revenue expenditure funded from capital under statute	1,492			(1,492)
REFCUS income	(1,492)			1,492
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,030	(140)		(890)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,356			(2,356)
Capital expenditure charged against the General Fund balances				0
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	1,728			(1,728)
Application of grants to capital financing transferred to the Capital Adjustment Account			(1,728)	1,728
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(72)	72		0
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	541	(541)		0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(3,765)			3,765
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	322			(322)
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	6,426			(6,426)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	25			(25)
Total Adjustments	(6,225)	(609)	(1,728)	8,562

EXPLANATORY NOTES

Reserves 2023/2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment				
Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation of non-current assets	(1,543)			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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,452			(2,452)
Capital expenditure charged against the General Fund balances				0
Adjustments primarily involving the Capital Grants Unapplied Account:				
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
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(255)	471		(216)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement				0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(474)			474
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(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
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			1
Total Adjustments	(6,773)	211	(1,051)	7,613

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

BALANCE SHEET NOTES RELATING TO CAPITAL

Note 14 Property, Plant and Equipment (PPE)

	Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	Restated £000	£000	£000	£000	£000	Restated £000
Cost or Valuation							
Opening Balance 1 April 2022	70,953	2,562	371	439	0	0	74,325
Opening Balance adjustments	888	(1,807)	(218)				(1,137)
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
Restated Book value at 31 March 2023	74,124	755	1,293	265	0	0	76,437
Depreciation and Impairments							
Opening Balance 1 April 2022	(603)	(2,349)	0	(77)	0	0	(3,029)
Opening Balance adjustments		1,807					1,807
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
							0
Category Adjustments & other movements							0
Revaluation adjustment							0
Restated Depreciation At 31 March 2023	(1,058)	(602)	0	(27)	0	0	(1,687)
Restated Net Book Value at 31 March 2023	73,066	153	1,293	238	0	0	74,750

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
Opening Balance 1 April 2023	74,124	755	1,293	265	0	0	76,437
Opening Balance adjustments							0
Additions	3,041						3,041
Derecognition - Disposals							0
Impairment losses	(155)						(155)
Revaluation adjustment	1,995						1,995
Category Adjustments	(1,909)					950	(959)
At 31 March 2024	77,096	755	1,293	265	0	950	80,359
Depreciation and Impairments							
Opening Balance 1 April 2023	(1,058)	(602)	0	(27)	0	0	(1,687)
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
							0
Category Adjustments & other movements	44					(28)	16
Revaluation adjustment	1,893						1,893
At 31 March 2024	(610)	(652)	0	(30)	0	(28)	(1,321)
Net Book Value at 31 March 2024	76,486	103	1,293	235	0	922	79,038

Note - 2022/23 Vehicle, Plant and Equipment Opening Balance contains an Asset value that is no longer held by East Hampshire District Council. The asset had fully depreciated, therefore a prior year adjustment has been made to remove both the opening balance (-£1.807 million) and associated depreciation value (+£1.807 million).

EXPLANATORY NOTES

Note 14a Assets held for Sale

Assets are reclassified from property, plant and equipment as assets held for sale where a sale is highly probable, the asset is being actively marketed, the sale is likely to be completed within one year from classification and the decision to sell is unlikely to be withdrawn.

Valuation of assets in this class are the lower of carrying value prior to reclassification and net proceeds. The CIPFA Code of Practice requires impairments to be charged to the comprehensive income and expenditure statement even if there is a retained balance on the revaluation reserve relating to the asset. Revaluation reserve balances are written-out upon disposal of the asset.

All of the assets held for sale meet the criteria for classification as current assets in 2023/24

	31 March 2024	31 March 2023
Balance at 1st April	0	0
Assets newly qualified as held for sale; PPE	1,037	0
Assets newly qualified as held for sale: Investment Portfolio	459	0
Assets declassified as held for sale	0	0
Assets sold	0	0
Balance at 31st March	1,496	0

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 generally depreciated over a useful life of 50 years with the remaining useful life given by the valuers. In some cases, the useful life of the asset is less than this and is applied accordingly. Land is not depreciated.
- Vehicles, Plant etc. These are depreciated over their expected useful life of the asset.
- Community Assets, Assets under Construction, Non-operational Assets and Infrastructure. These are not depreciated.

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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 16 Capital Expenditure and Capital Financing

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

EXPLANATORY NOTES

Note 17 Fixed Asset Valuation

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

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

The assets revalued during 2023/24 include car parks and operational assets. 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		755	1,293	265			2,313
Valued at current value in:							
2023/2024	57,916					950	58,866
2022/2023	9,629						9,629
2021/2022	5,694						5,694
2020/2021	3,210						3,210
2019/2020	257						257
2018/2019	390						390
Gross Value at 31 March 2024	77,096	755	1,293	265	0	950	80,359

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 31st 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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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.

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

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

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

	2023/2024	2022/2023
	£000	£000
Balance at start of the year	115,252	130,557
Additions: Subsequent expenditure	0	466
Disposals		
Gains from fair value adjustments		
Losses from fair value adjustments	(12,522)	(13,571)
Impairments losses		
Transfers (to)/from Property, Plant and Equipment	0	(2,200)
Transfers (to)/from Asset Held for Sale	(459)	0
Balance at end of the year	<u>102,271</u>	<u>115,252</u>

EXPLANATORY NOTES

Note 21 Intangible Assets

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

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

	2023/2024 Purchased Software Licences £000	2022/2023 Purchased Software Licences £000
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>

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

OTHER NOTES TO BALANCE SHEET

Note 22 Short Term Debtors

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

	2023/2024	2022/2023
	£000	£000
Other Local Authorities	0	0
Government Departments	1,611	2,372
Other entities & individuals:		
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
Total Short Term Debtors	6,747	8,797
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)
Total Allowance for expected credit losses	(2,003)	(2,029)
Net Debtors	4,744	6,768

Note 23 Cash and Cash Equivalents

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

	2023/2024	2022/2023	2022/2023
	£000	£000	£000
		Original	Restated
Cash in hand			
Call accounts	10,786	37,693	12,693
Bank Balances	(650)	(464)	(464)
	10,136	37,229	12,229

Prior Year has been restated to split £25 million of Short-Term deposits which were previously reported under Call Accounts in error.

EXPLANATORY NOTES

Note 24 Short Term Creditors

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

Note 24 - Short Term Creditors

	2023/2024	2022/2023
	£000	£000
Other Local Authorities	(163)	0
Government Departments	(5,573)	(8,119)
Government Departments - Covid Business grants	(286)	(916)
All other bodies	(3,736)	(3,224)
Receipts in Advance	(1,992)	(2,222)
Accumulated Absences	(213)	(213)
Total Short Term Creditors	(11,963)	(14,694)

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) A provision to cover the expected exit costs of the ICT contract; £283,253.

Note 26 Income from Grants and Contributions

	2023/2024	2022/2023
	£000	£000
Credited to Taxation and Non Specific Grant Income		
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)
Total	(15,966)	(21,066)
Credited to Services		
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)
Total	(16,182)	(20,452)
Total Grants, Contributions & Donations	(32,148)	(41,518)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 in the Balance Sheet at the following net amounts:

	31 March 2024 £'000	31 March 2023 £'000
Investment Property	5,058	5,080
Vehicles, Plant and Equipment	0	0
	5,058	5,080

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

	31 March 2024 £'000	31 March 2023 £'000
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	16,765	17,091

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).

EXPLANATORY NOTES

	31 March 2024	31 March 2023
	£'000	£'000
Not later than one year	305	305
Later than one year and not later than five years	1,219	1,219
Over 5 years	15,242	15,547
Minimum Lease payments	16,766	17,071
	31 March 2024	31 March 2023
	£'000	£'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 £8.3m at 31st March 2024 (£11.6m at 31st March 2023).

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 £54,849, £41,033 of this is included in assets that are sublet

Minimum Lease Payments under non-cancellable leases:

	31 March 2024	31 March 2023
	£000	£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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Authority as Lessor: Operating Leases

The Authority leases land and property under operating leases for the following purposes:

- For the provision of community services including sports facilities, community centres and village halls.
- For economic development purposes, to provide affordable retail accommodation for local business.
- To provide allotment space for local residents.

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

	31 March 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
	44,382	54,388

Note 28 Borrowing

An analysis of loans by maturity is as follows:

	2023/2024 £000	2022/2023 £000
Short Term Borrowing		
Maturing within 1 year Temporary Loans		0
Maturing within 1 year Long Term Borrowing	(3,092)	(5,410)
	(3,092)	(5,410)
Long Term Borrowing		
Maturing in 1 to 2 years	(1,997)	(1,861)
Maturing in 2 to 5 years	(15,956)	(5,814)
Maturing in 5 to 10 years	(26,820)	(35,148)
Maturing in more than 10 years	(71,668)	(72,747)
Total Maturing after 1 year	(116,441)	(115,570)
Total Borrowing	(119,533)	(120,980)

Note – the 2023/24 figures are re-aligned to the maturity dates on the corresponding loans which were incorrect in the previous year.

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
	(119,533)	(120,980)

EXPLANATORY NOTES

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)
General Fund balance per Movement in Reserves Statement		(15,911)	(22,225)
Closing General fund per Expenditure & Funding Statement		(15,911)	(22,225)
Other Usable Reserves			
Usable Capital Receipts Reserve		(4,816)	(5,027)
Capital Grants and Contributions Unapplied Account		(19,699)	(18,648)
Total Usable Reserves		(40,426)	(45,900)

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)
Total	(18,116)	6,006	(12,110)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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	5,968	10,168
Collection Fund Adjustment Account	35	(1,022)	(1,732)
Accumulated Absences Account		214	213
Total Unusable Reserves		(21,499)	(20,457)

EXPLANATORY NOTES

Note 32 Revaluation Reserve

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

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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
Opening balance at 1 April	(432)	(11,414)
Prior Year adjustment		(890)
Opening movement		
Revised Opening Balance 1 April	(432)	(12,304)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account		
- charges for depreciation of non-current assets	1,543	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		
	15,538	16,773
Adjusting amounts written out of Revaluation Reserve	(595)	(587)
Net written out amount of the cost of non-current assets consumed in the year	14,943	16,186
Capital financing applied in the year		
-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 charged against the general fund	(2,431)	
-capital expenditure financed from revenue	(2,452)	(2,356)
Balance at 31 March	5,330	(432)

Note 34 Pension Reserve

	2023/2024 £000	2022/2023 £000
Pensions Reserve		
Balance at 1 April	10,168	42,769
Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability	(4,674)	(36,366)
Accounting/Financing Adjustments		
Difference between accounting and statutory credit for pension costs depreciation	474	3,765
Balance at 31 March	5,968	10,168

EXPLANATORY NOTES

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)
Balance at 31 March	(1,022)	(1,732)

Note 36 Capital Grants Receipts in Advance

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	(4,252)	(4,192)
	(13,417)	(17,038)

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
Long term Assets	63	63	68	68
Short Term Debtors	728	728	559	559
Trade accounts receivable	723	723	1,932	1,932
Bank deposits less than 3 months	10,786	10,786	12,693	12,693
Cash and bank accounts	(650)	(650)	(464)	(464)
Short Term Investments	20,000	20,000	25,000	25,000
Other financial assets at amortised cost	31,587	31,587	39,720	39,720
Total Financial Assets	31,650	31,650	39,788	39,788

2022/23 has been restated to segregate £25 million of Short-Term Investments that was captured and reported under Cash and Cash Equivalent in error.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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)	(5,410)	(5,693)
Finance Lease	(12)	(12)	(10)	(10)
			0	0
Short Term Financial liabilities at amortised cost	(8,162)	(7,889)	(12,567)	(12,850)
Public Works Loan Board	(116,441)	(93,350)	(115,570)	(94,053)
Finance Lease	(5,046)	(5,046)	(5,080)	(5,080)
Long Term Liabilities at amortised cost	(121,487)	(98,396)	(120,650)	(99,133)
Total Financial Liabilities	(129,649)	(106,285)	(133,217)	(111,983)

Note – the 2023/24 figures are re-aligned to the maturity dates on the corresponding loans which were incorrect in the previous year.

NOTES RELATING TO CASH FLOW STATEMENT

Note 38 Cash Flow Investing Activities

The cash flows for operating activities include the following items:

	2023/2024 £000	2022/2023 £000 Original	2022/2023 £000 Restated
Purchase of Property, plant and equipment, investment property and intangible assets	3,041	1,994	1,994
Investments - Movement in short term investments	(5,000)		25,000
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)	(218)
Other receipts from investing activities	(1,051)	(2,356)	(2,356)
Net cash flows from investing activities	(10,934)	(580)	24,420

2022/23 has been restated to segregate £25 million of Short-Term Investments that was captured and reported under Cash and Cash Equivalent in error.

Note 39 Cash Flow Borrowing Activities

	2023/2024 £000	2022/2023 £000
Cash Receipts of short and long term borrowing	1,763	239
Net cash flows from Borrowing activities	1,763	239

EXPLANATORY NOTES

Note 40 Cash Flow Financing Activities

	2023/2024	2022/2023
	£000	£000
Interest Received	(1,587)	(677)
Interest Payable	2,818	2,854
Net cash flow from Financing Activities	1,231	2,177

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 31st March 2024 and 2023 are as follows:

Local Government Pension Scheme	31 March 2024	31 March 2023
	£000	£000
Fair Value of Employer Assets	110,915	103,069
Present Value of Funded Liabilities	(114,829)	(111,175)
Net (Under)/Overfunding in Funded Plans	(3,914)	(8,106)
Present value of Unfunded Liabilities	(2,054)	(2,062)
Net Asset/(Liability)	(5,968)	(10,168)
Amount on balance sheet		
Asset	110,915	103,069
Liability	(116,883)	(113,237)
Liability Amount in Balance Sheet	(5,968)	(10,168)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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

	Period ended 31 March 2024			Period ended 31 March 2023		
	Assets		Net	Assets		Net
	Obligations	Liabilities	(liability)/	Obligations	Liabilities	(liability)/
	£000	£000	£000	£000	£000	£000
Fair value of employer assets	0	0	0	0	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)
Opening Position	103,069	(113,237)	(10,168)	109,337	(152,106)	(42,769)
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
Total service cost	0	(2,428)	(2,428)	0	(4,397)	(4,397)
Net interest						
Interest income on plan assets	4,811	0	4,811	2,930	0	2,930
Interest cost on defined benefit obligation	0	(5,190)	(5,190)	0	(4,061)	(4,061)
Impact of asset ceiling on net interest	0	0	0	0	0	0
Total net interest	4,811	(5,190)	(379)	2,930	(4,061)	(1,131)
Total defined benefit cost recognised in Profit or (Loss)	4,811	(7,618)	(2,807)	2,930	(8,458)	(5,528)
Cash flows						
Plan participants' contributions	811	(811)	0	726	(726)	0
Employer contributions	2,146	0	2,146	1,763	0	1,763
Contributions in respect of unfunded benefits	187	0	187	0	0	0
Benefits paid	(4,367)	4,367	0	(4,199)	4,199	0
Unfunded benefits paid	(187)	187	0	0	0	0
Expected closing position	106,470	(117,112)	(10,642)	110,557	(157,091)	(46,534)
Remeasurements						
Change in demographic assumptions	0	2,242	2,242	0	586	586
Change in financial assumptions	0	(37)	(37)	0	54,732	54,732
Other experience	0	(1,976)	(1,976)	0	(11,464)	(11,464)
Return on assets excluding amounts included in net interest	4,445	0	4,445	(7,488)	0	(7,488)
Total remeasurements recognised in Comprehensive Income and Expenditure	4,445	229	4,674	(7,488)	43,854	36,366
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	110,915	0	110,915	103,069	0	103,069
Present value of funded liabilities	0	(116,883)	(116,883)	0	(113,237)	(113,237)
Present value of unfunded liabilities	0	0	0	0	0	0
Closing position	110,915	(116,883)	(5,968)	103,069	(113,237)	(10,168)

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%

EXPLANATORY NOTES

Assumptions on Mortality Rates

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

Mortality assumptions:	31 March 2024	31 March 2023
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.

	Liability split
	%
Active members	32
Deferred members	18
Pensioner members	50
Total	100

Sensitivity Analysis

Change in assumptions at 31st March 2024	Approx % increase to Defined Benefit Obligation	Approx monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	1,976
1 year increase in member life expectancy	4%	4,675
0.1% increase in Salary Increase Rate	0%	42
0.1% increase in the Pensions Increase/Revaluation Rate (CPI)	2%	1,970

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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	37.9%	0.0%	37.9%	42.0%	15.6%	57.6%
Government						
Bonds	14.5%	0.0%	14.5%	16.5%	0.0%	16.5%
Corporate Bonds	4.7%	5.1%	9.9%	0.0%	0.0%	0.0%
Private Equity	0.0%	7.9%	7.9%			
Property	0.0%	7.5%	7.5%	1.4%	5.4%	6.8%
Investment						
Funds	0.0%	9.1%	9.1%			
Cash	0.8%	0.0%	0.8%	1.1%	0.0%	1.1%
Others	5.4%	7.1%	12.4%	0.0%	18.0%	18.0%
Totals	63.3%	36.7%	100.0%	61.0%	39.0%	100.0%

Projected defined benefit costs for the period to 31 March 2024

The employer contributions for the year to 31 March 2024 was £2.146 million.

Additional note in relation to Pensions

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, [employer] does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements

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 1st 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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 £4.74 million. An allowance for expected credit losses of £2 million or around 42.2% 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 £0.173 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 18th June 2024.

Note 46 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 18th 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.

Note 47 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council is required to disclose an estimate in respect of future costs that may occur that are not currently reflected in the accounts. The Council has no contingent liabilities as at 31st March 2024.

EXPLANATORY NOTES

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 2023/24 was approved by Full Council in February 2023 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:

- 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;

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

- 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;

- 1) East Hampshire Commercial Services (EHCS) – a Local Authority Trading Company
- 2) East Hampshire Norse (EHN) – a Joint Venture

East Hampshire Commercial Services

- The registered name of the company is East Hampshire Commercial Services Ltd (EHCS)
- The principal activities of the company are primarily enforcement work (EHCS)
- The immediate and ultimate parent undertaking is East Hampshire District Council
- The Council holds 100% ownership of the company
- Group Accounts have not been prepared on the grounds of materiality.

EXPLANATORY NOTES

East Hampshire Norse

- The registered name of the Joint Venture is East Hampshire Norse Ltd
- EHN primary function is to deliver a waste collection service for East Hampshire District Council
- The immediate and ultimate parent undertaking is East Hampshire District Council
- Group Accounts have not been prepared as the costs are captured within its net cost of services (part of Contract Management)

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. 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

The councils Medium Term Financial Strategy (MTFS) to 2028/29 was agreed by Council in February 2024 which showed a balanced budget across the 5-year period. Within the MTFS, financial assumptions and risks have been made against the backdrop of the one-year financial settlements from Central Government. The Councils financial position remains strong and is underpinned by a large investment portfolio, transformation programme, short term investments (deposits) and no new expected borrowing.

Our going concern period up to March 2026, forecasted that our overall reserve position would reduce slightly to £15.3 million from its current position of £15.9 million. This provides the Council with sufficient headroom to absorb unforeseen one-off cost pressures and allows the Council to make any necessary decisions to reduce these on an ongoing basis. Our cashflow across the same period is expected to remain consistent to 2023/24 with no significant changes expected.

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.

EXPLANATORY NOTES

- 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.

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. Other short term deposits are investments that mature in no more than 6 months 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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

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

EXPLANATORY NOTES

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.

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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 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.

EXPLANATORY NOTES

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.

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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 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.

EXPLANATORY NOTES

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.

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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 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

EXPLANATORY NOTES

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

16. Overheads and Support Services

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

17. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the 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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

- Surplus Properties – fair value, as described in accounting policy 2.9 above, equating to market value for their highest and best use from a market participant's perspective.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that the value of an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 50 years depending on the asset.
- 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.

EXPLANATORY NOTES

Componentisation of Property Assets

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

Disposals

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

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

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

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

19. Reserves

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

Usable reserves comprise the following:

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

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

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

EXPLANATORY NOTES

- 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 2023/2024	Council Tax 2023/2024	Total 2023/2024 £000	Non-Domestic Rates 2022/2023	Council Tax 2022/2023	Total 2022/2023 £000
Income						
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
Total Income	(31,681)	(106,710)	(138,391)	(26,404)	(101,711)	(128,115)
Disbursement						
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	1,871	0		103	0	
Other transfers to general fund	83	0		74	0	
			2,819			824
Total Expenditure	36,436	106,138	142,574	17,784	99,617	117,401
Fund (surplus)/deficit for the year	4,755	(572)	4,183	(8,620)	(2,093)	(10,714)
	Non-Domestic Rates	Council Tax	Total	Non-Domestic Rates	Council Tax	Total
Fund balance b/f	(2,979)	(3,899)	(6,878)	5,641	(1,806)	3,836
(Surplus)/deficit for year	4,755	(572)	4,183	(8,620)	(2,093)	(10,713)
Fund balance c/f	1,776	(4,471)	(2,694)	(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
Council Tax Base		55,746	52,581	51,909

2 National Non-Domestic Rates

The total non-domestic rateable value at 31st March 2024 was £97,231,917 (£86,436,432 at 31st 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)
	(2,867)	(2,916)	(5,784)	(4,128)	(2,465)	(6,593)

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 vatiable goods and services.