

STATEMENT OF ACCOUNTS

2022/2023



Hart

DISTRICT COUNCIL

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1 NARRATIVE REPORT

1 NARRATIVE REPORT

1.01 INTRODUCTION

The Statement of Accounts summarises the financial performance for financial year 2022/23 and the overall financial position of the council. This narrative report explains the most significant matters reported in the accounts and provides a simple summary of the council's overall financial position.

The Statement of Accounts for 2022/23 has been prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Unless otherwise stated the convention used in these Financial Statements is to round amounts to the nearest thousand pounds. All totals are the rounded additions of unrounded figures, and therefore may from time-to-time – not be the strict sums of the figures presented in the text or tables.

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used, a glossary of the terms is included at the end of the document. An explanation of the key financial statements including explanatory notes and other relevant supplementary information is also provided.

The key financial statements set out within this document include:

- **The Statement of Responsibilities** declares the respective responsibilities of the council and the Executive Director of Corporate Services and Section 151 Officer to produce the Statement of Accounts.
- **The Expenditure and Funding Analysis** is a note to the financial statements, rather than a key statement. It shows all income and expenditure incurred by the council throughout the year under statutory funding provisions and the adjustments that are required to these figures to produce the Comprehensive Income and Expenditure Statement under generally accepted accounting practices.
- **The Movement in Reserves Statement (MiRS)** – this Statement sets out the movement on the different reserves held by the council which are analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the council as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.
- **The Comprehensive Income and Expenditure Statement (CIES)** – this Statement brings together all the functions of the council and summarises all the resources it has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the council, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert expenditure to be met from capital resources.

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- **The Balance Sheet** – this records the council's year-end financial position. It shows the balances and reserves at the council's disposal, its long-term debt, net current assets or liabilities, and summarises information on the non-current assets held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves the council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those the council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.
- **The Cash Flow Statement** – this summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.
- **Notes to the Financial Statements** – the notes provide more detail about the items contained in the key financial statements, the council's Accounting Policies and other information to aid the understanding of the financial statements.
- **The Collection Fund** – the council is responsible for collecting council tax and local business rates. The proceeds of council tax are distributed to the council, Hampshire County Council, Hampshire Police Authority, Hampshire Fire and Rescue Authority and local town/parish councils. Local business rates are distributed between the council, the Government, Hampshire County Council and Hampshire Fire and Rescue Authority. The Fund shows the income due and application of the proceeds.

The Independent Auditor's Report explains how the council's auditors, Ernst and Young LLP, plan their audit and the basis on which they provide an opinion on the council's Statement of Accounts. It also gives the auditor's opinion on the council's arrangements for securing economy, efficiency and effectiveness in the use of resources in the year.

1.02 HART DISTRICT

Hart District is primarily rural, covers some 21,500 hectares (83 sq. miles) and is situated in north-east Hampshire, bordering both Surrey and Berkshire. It is a popular place to live, as it benefits from low unemployment, low crime rates and good schools. It has a healthy, active population with high participation in sports and leisure. There are approximately 97,000 residents and an estimated 40,410 homes in Hart. There is an increasing and ageing population, with the number of residents expected to rise to 105,800 by 2024 and increases expected in older age groups. The main centres of population including Fleet, Yateley and Blackwater/Hawley are in the north and east of the district and just over 30% of the population live in the rural areas.

1.03 HART DISTRICT COUNCIL

Hart District Council ("the council") comprises 33 councillors who represent their 11 wards. Each ward has 3 councillors who represent it, although once elected councillors will make decisions for the whole district, not just for the ward they were elected for. Elections are held in 3 out of every

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4 years, with one seat in each ward contested at each election. The political make-up of the council is currently: Conservative Party 11, Community Campaign Hart 10, Liberal Democrat Party 11, and one independent councillor.

The council is a multifunctional organisation. The policies are directed by the political leadership and implemented by the officers of the council. The council has adopted the Leader and Cabinet model as its political management structure. The Leader of the council has responsibility for the appointment of members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny.

Supporting the work of councillors is the organisational structure of the council headed by the Chief Executive, who is supported by three executive directors.

During the year, the council establishment was 125 full-time equivalent employees. The council has a significant level of outsourced and shared services.

1.04 CORPORATE STRATEGY

For the majority of the financial year 2022/23, the council was working to its adopted 5-year Corporate Plan (2017-2022). It provides a focus for our activities and services and will inform decision making and allocation of resources across the council. This Corporate Plan set out four priorities:

- A Thriving Local Economy
- A Clean, Green and Safe Environment
- Healthy Communities and People
- An Efficient and Effective Council

In February 2023 the council adopted a new Corporate Plan (2023-2027) following a period of public consultation and review from the O&S Committee. The new plan refocuses the council on the priority themes of:

- Planet – make all areas directly under the control of the council carbon neutral by 2035 and make Hart a carbon neutral district by 2040.
- People – fair treatment for all, help for those in need, and a sustainable economy that makes Hart a great place to live, work and enjoy.
- Place - delivering warmer, better homes in sustainable locations that people can afford to live in.
- This will be underpinned by providing a resilient and financially sound council.

The Corporate Plan is underpinned by Service Plans which will run for the lifetime of the plan and are updated annually. This shows in detail how the council will make progress against the priorities in the Corporate Plan. Each year a review is undertaken to update the Service Plan and

1 NARRATIVE REPORT

ensure it continues to highlight the significant projects that the council is taking forward in pursuit of its four corporate priorities. Progress is monitored by the Overview and Scrutiny Committee's performance panels.

Achievements in 2022/23

The council has made progress in several areas over the 2022/23 financial year. The majority relate to activities committed to in the Corporate Plan in addition to responding to the continuing COVID-19 situation, the Russian/Ukrainian conflict and the impact of the cost-of-living crisis on Hart's residents and businesses.

Achievements include:

- Enabled the delivery of 172 affordable homes against a target of 100 per year. These comprised of 127 homes for rent and 45 for shared ownership.
- Delivering the gov Homes for Ukraine Scheme, facilitating the hosting of 125 evacuees
- Housing advice given to 781 individual households between April 2022 and March 2023, 55 households were prevented from becoming homeless.
- Delivered 57 disabled facilities grants to provide adaptations which enable independent living – spend £726k.
- Delivery of Fleet Pond Corridor - (completed July 22)
- Delivery of Community Gardens at Edenbrook opened spring 2022.
- Adoption of SANG at Whitewater Meadows, Hook
- Completion of Hart Carbon Pathway Report
- Installation of PV panels and EV charger points at the civic offices and the purchase of two electric operational vehicles
- Procurement and implementation of new council web site
- Commencement of the project to meet accessibility standards across all communication channels.
- 1,156 Antisocial Behaviour (ASB) complaints were handled, of which, 24 repeat complaints have been managed across service/partners, 83 early interventions made.
- Secured £1m funding for a range of community projects through the UK Social Prosperity Fund
- Refurbishing Frogmore day centre and letting to Age Concern
- Facilitated relocation of additional Citizens Advice functions to the civic offices in Fleet

1 NARRATIVE REPORT

1.05 REVENUE BUDGET

Controllable Costs by Service Area	Budget 2022/23 £000	Outturn 2022/23 £000	Reserves £000	Outturn v Budget £000
Community Services	3,289	2,517	356	(416)
Corporate Services	6,305	6,426	(316)	(195)
Place Services	2,366	2,124	32	(210)
Accounting Adjustments	0	3,189	(3,690)	(501)
Net Cost of Services	11,960	14,256	(3,618)	(1,322)

A detailed outturn report will be reported to the Overview and Scrutiny Committee in July, ahead of Cabinet. This will include detailed explanations of variations and recommendations to transfer elements of the underspend to earmarked reserves. The overall underspend against budget is mainly due to one-off income across a range of services, plus significant additional interest earned on cash deposits. Expenditure has generally been managed within budgets, but utility cost has had an adverse impact, as forecast.

Service Area	Approved Budget	Actual Expenditure	Variance
	£000	£000	£000
Community Services	3,840	2,278	(1,562)
Corporate Services	90	123	33
Place Services	150	0	(150)
	<u>4,080</u>	<u>2,401</u>	<u>(1,679)</u>

Financed by:	£000
	<u> </u>

1 NARRATIVE REPORT

1.07 PENSION LIABILITY

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £5.4m shown in the Balance Sheet, a decrease of £14.7m in the year.

The liability represents our share of the liability to Hampshire County Council's Pension Fund. This amount is matched by a Pensions Reserve also shown on the Balance Sheet and therefore has no immediate impact on the council's overall financial position and its General Fund Balances (small differences may arise over the balance sheet date due to accruals being made for invoices not yet received).

Further details are set out in the Accounting Policies and Pension Note ([Note 5.15](#)).

[IAS19](#) does not directly impact on the actual level of employer contributions paid to the Hampshire County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The movement to the Fund is set out in more detail in note 5.15. The total liability has an impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean the financial position of the council remains sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

1.08 FINANCIAL OUTLOOK

The current economic and financial environment provides a very challenging context for the Medium-Term Financial Forecast. The forecast and strategy need to remain flexible and the council's reserves resilient to respond to the impact of volatile external events and risk transfers from central government. Hart's budget has been set in the context of unprecedented uncertainty and risk due to the impact of the pandemic and wider economic conditions on the council and its finances. Whilst these conditions continue, it is becoming possible to forecast with more certainty in some key areas as recovery develops. The Council's Financial Strategy, together with information presented to members during the year demonstrates the financial challenges to the council in the future including the risks associated with the current economic situation.

The key Financial Strategy issues include:

- Ongoing uncertainty and impact of the pandemic on the council's services and finances. The most material impact is in income areas such as car parks, and in the operation of the leisure centres, however both are recovering.
- Increased risk to business rate income due to declining rateable value, increased appeal risk and the Government's fair funding review due.
- Keeping the dependency on current and new income from investment property in proportion to the overall budget and providing sufficiently for void periods and costs. Operating within the new rules limits new opportunities.
- Future of Government funding including New Homes Bonus. The council is likely to lose out from the imminent review as it is almost certain funding will be shifted towards those authorities that have social care responsibilities and higher levels of deprivation.

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- Rising inflation and volatile interest rates.
- Achieving savings targets when service demand is rising, and recruitment and retention is challenging.
- Environment Act implications on the cost of the waste contract with uncertainty about government funding.
- The ending of the waste contract and Capita contract within the MTFS period presents risks but also opportunities. The council must plan its lead in times and resource sufficiently.
- Project management and governance to ensure capital schemes and projects are adequately resourced and overseen with external funding secured where possible.
- Reliance on Council Tax increase, Planning and Building Control income which are all set or limited by Government.
- Cost of living and its economic impact on the council's community, businesses and residents – this is leading to higher demand for services, the need for closer monitoring of debts and greater demand for hardship funds.
- Heightened cybercrime risk with the cost of insuring and defending against the risk materialising.

Medium Term Financial Strategy

The Medium-Term Financial Strategy (MTFS) is based on an analysis of the key influences on the council's future financial position and an assessment of the main financial risks facing the council. Given the uncertainty referred to above, the council continually models a range of MTFS scenarios. Emerging pressures will be reported to members in Autumn 2023 with a comprehensive review of assumptions and forecast completed in January 2024.

1.09 FURTHER INFORMATION

Further information about these accounts is available from:

Executive Director of Corporate Services
Hart District Council
Civic Offices
Harlington Way
Fleet
Hampshire
GU51 4AE

Telephone: 01252 622122
Email: enquiries@hart.gov.uk

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1.10 INSPECTION AND AUDIT

Interested members of the public have the statutory right to inspect these accounts before the audit is completed. For the 2022/23 accounts, the inspection period is 1 June to 12 July 2023. These dates were advertised on the council's website.

2 STATEMENT OF RESPONSIBILITIES

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2.01 THE COUNCIL'S RESPONSIBILITIES

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 (S151 Officer). In this council, that officer is the Strategic Director of Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

2.02 CHIEF FINANCE OFFICER RESPONSIBILITIES

The chief financial officer is responsible for the preparation of the authority'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 financial 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 Section 151 Officer also:

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

2 STATEMENT OF RESPONSIBILITIES

2.03 CHIEF FINANCE OFFICER CERTIFICATE

I certify that the Statement of Accounts 2022/23 present a true and fair view of the financial position of the council (the Balance Sheet) and of its income and expenditure for the year ended 31 March 2023.

Signed

Date

Graeme Clark

Executive Director of Corporate Services and S151 Officer

2.04 CHAIRMAN OF AUDIT COMMITTEE CERTIFICATE

To be included following the completion of the audit and approval of the Accounts by the Audit Committee.

3 STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE

3 STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Note	2021/2022			2022/2023		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Community Services		8,534	(4,913)	3,621	8,719	(6,369)	2,350
Corporate Services		20,112	(16,191)	3,921	16,874	(13,599)	3,275
Place Services		5,041	(2,316)	2,725	4,612	(2,100)	2,512
Cost of Services		33,687	(23,420)	10,267	30,205	(22,068)	8,137
Other Operating Expenditure	3.04	3,464	(4)	3,460	3,694	(114)	3,580
Financial & Investment Income	3.05	1,861	(1,116)	745	438	(2,071)	(1,633)
Taxation and non-specific grant income and expenditure	3.06	15,573	(33,391)	(17,818)	13,158	(29,371)	(16,213)
(Surplus) or Deficit on provision of services		54,585	(57,931)	(3,346)	47,495	(53,624)	(6,129)
(Surplus) or Deficit on the revaluation of property, plant and equipment assets				(5,547)			(243)
Remeasurement of the net defined benefit liability/(asset)*				(11,775)			(16,134)
Other Comprehensive Income and Expenditure				(17,322)			(16,377)
Total Comprehensive Income and Expenditure				(20,668)			(22,506)

*Amended from draft 2021/22 Accounts due to Triennial Valuation

4 MOVEMENT IN RESERVES STATEMENT

4 MOVEMENT IN RESERVES

The Movement in Reserves Statement shows the movement from the start to the end of 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 other 'unusable reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments. This balance includes earmarked reserves which have been segregated within the General Fund for specific projects.

2022/2023	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	33,060	386	12,826	46,272	7,015	53,287
Total Comprehensive Income and Expenditure	6,129	0	0	6,129	16,377	22,506
Reclassification of Balances to Capital Grants	(1,028)	4,100	(3,072)	0	0	0
Adjustments between accounting basis and funding basis under regulation (Note 4.01)	(6,436)	88	888	(5,460)	5,460	0
Increase or (decrease) in year	(1,335)	4,188	(2,184)	669	21,837	22,506
Balance at 31 March 2023	31,725	4,574	10,642	46,941	28,852	75,793

4 MOVEMENT IN RESERVES STATEMENT

2021/2022	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	32,466	382	11,440	44,288	(11,669)	32,619
Total Comprehensive Income and Expenditure	3,346	0	0	3,346	17,322	20,668
Adjustments between accounting basis and funding basis under regulation (Note 4.01)	(2,752)	4	1,386	(1,362)	1,362	0
Increase or (decrease) in year	594	4	1,386	1,984	18,684	20,668
Balance at 31 March 2022	33,060	386	12,826	46,272	7,015	53,287

5 BALANCE SHEET STATEMENT

5 BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the council as at the balance sheet date. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.

		31 March 2022	31 March 2023
	Note	£000	£000
Property, Plant & Equipment	5.01.5		
Other land and buildings		48,955	51,054
Vehicles, plant, furniture and equipment		1,343	1,148
Infrastructure assets		220	208
Community assets		5,164	5,808
Assets under construction		0	0
		55,682	58,218
Investment properties	5.02	16,820	17,097
Long term debtors	5.05	828	602
Long Term Assets		73,330	75,917
Short term investments		15,000	20,000
Assets held for sale	5.07	0	150
Short term debtors	5.05	11,449	4,847
Cash and cash equivalents	5.06	14,844	6,182
Current Assets		41,293	31,179

5 BALANCE SHEET STATEMENT

		31 March 2022	31 March 2023
	Note	£000	£000
Short term borrowing	5.08	(2,439)	(1,421)
Short term creditors	5.09	(19,770)	(7,686)
Provisions	5.10	(687)	(549)
Current Liabilities		(22,896)	(9,656)
Lease Liability	5.14	(121)	(87)
Long term borrowing	5.08	(15,648)	(14,348)
Pension liability	5.15.3	(20,024)	(5,398)
Grants received in advance	5.17	(2,647)	(1,814)
Long Term Liabilities		(38,440)	(21,647)
Net Assets		53,287	75,793

5 BALANCE SHEET STATEMENT

		31 March 2022	31 March 2023
Note		£000	£000
Usable Reserves			
Earmarked reserves	5.11.1	26,092	23,435
General fund		6,968	8,290
Capital receipts		386	4,574
Capital grants unapplied		12,826	10,642
		46,272	46,941
Unusable Reserves			
Revaluation reserve	5.12.1	13,890	13,547
Capital adjustment account	5.12.2	17,160	21,052
Financial instrument adjustment account	5.12.3	(24)	(28)
Pension reserve	5.12.4	(20,024)	(5,398)
Collection fund	5.12.5	(3,896)	(252)
Accumulated absences	5.12.6	(91)	(69)
		7,015	28,852
Total Reserves		53,287	75,793

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

6 CASHFLOW STATEMENT

6 CASHFLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the council.

This cash flow statement is prepared using the indirect method whereby the Surplus or Deficit on the Provision of Services is adjusted for non-cash items, removing the effects of accruals and extracting transactions relating to investing or financing activities.

		2021/2022	2022/2023
	Note	£000	£000
Net surplus or (deficit) on the provision of services		3,346	6,129
Adjustments to net surplus or deficit on the provision of services for non-cash movements	6.01	2,481	(9,579)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(3,336)	(3,105)
Net cash flows from Operating Activities		2,491	(6,555)
Investing Activities	6.02	(16,300)	(1,249)
Financing Activities	6.03	12,526	(858)
Net increase or (decrease) in cash and cash equivalents		(1,283)	(8,662)
Cash and cash equivalents at the beginning of the reporting period		16,127	14,844
Cash and cash equivalents at the end of the reporting period	5.06	14,844	6,182

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

NOTES TO THE ACCOUNTS

3.01 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

£000	2021/2022			2022/2023		
	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Community Services	2,948	(673)	3,621	110	67	43
Corporate Services	3,284	(637)	3,921	6,503	596	5,907
Place Services	2,227	(498)	2,725	1,783	(404)	2,187
Cost of Services	8,459	(1,808)	10,267	8,396	259	8,137
Other income and expenditure	(9,053)	4,560	(13,613)	(8,089)	6,177	(14,266)
(Surplus) or Deficit	(594)	2,752	(3,346)	307	6,436	(6,129)
Opening General Fund Balance	(32,466)			(33,060)		
Reclassification of Reserve				1,028		
Plus, Surplus on General Fund in year	(594)			307		
Closing General Fund Balance	(33,060)			(31,725)		

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.02 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/2023	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Community Services	462	(395)	0	67
Corporate Services	915	(333)	14	596
Place Services	(8)	(403)	7	(404)
Net Cost of Services	1,369	(1,131)	21	259
Other income and expenditure from the Expenditure and Funding Analysis	2,909	(377)	3,645	6,177
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	4,278	(1,508)	3,666	6,436

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/2022 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Community Services	(252)	(438)	17	(673)
Corporate Services	(220)	(441)	24	(637)
Regulatory Services	(45)	(473)	20	(498)
Net Cost of Services	(517)	(1,352)	61	(1,808)
Other income and expenditure from the Expenditure and Funding Analysis	2,420	(466)	2,606	4,560
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,903	(1,818)	2,667	2,752

Adjustments for Capital Purposes

For **Services** this column adds in depreciation, impairment and revaluations gains and losses.

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the Pensions Adjustments

Net change for the removal of pension contributions 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 allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **services** this represents the change in the accumulated absences reserve attributable to each service.

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.03 INCOME AND EXPENDITURE ANALYSED BY NATURE

The authority's expenditure and income are analysed as follows.

	2021/2022 £000	2022/2023 £000
Expenditure		
Employee benefits expenses	7,322	7,767
Other services expenses	25,285	22,861
Depreciation, amortisation, impairment	1,701	106
Interest payments	342	335
Changes in fair value of investment properties	899	(427)
Precepts and levies	3,464	3,695
Non-domestic rates tariff, levy and deficit charges	15,573	13,158
Total Expenditure	54,586	47,495
Income		
Fees, charges and other service income	(8,411)	(8,694)
Interest and investment income	(1,116)	(2,071)
Income from council tax and non-domestic rates	(28,706)	(26,292)
Government grants and contributions	(19,695)	(16,453)
Gain on the disposal of assets	(4)	(114)
Total Income	(57,932)	(53,624)
Surplus or Deficit on the Provision of Services	(3,346)	(6,129)

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.04 OTHER OPERATING EXPENDITURE

	2021/2022 £000	2022/2023 £000
Parish council precepts	3,464	3,694
(Gains)/loss on the disposal of non-current assets	(4)	(114)
	<u> </u>	<u> </u>

3.05 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021/2022 £000	2022/2023 £000
Interest payable and similar charges	342	335
Net interest on the defined benefit liability	620	529
Interest receivable and similar income	(118)	(980)
(Income) and expenditure in relation to investment properties and changes in their fair value	(99)	(1,517)
	<u> 745</u>	<u> (1,633)</u>

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.06 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	2021/2022	2022/2023
	£000	£000
Council tax income	(11,182)	(11,693)
Non-domestic rates income and safety net	(17,426)	(14,507)
Non-domestic rates tariff, levy and deficit charges	15,573	13,158
Non-ring-fenced government grants	(2,637)	(1,762)
Capital grants and contributions	(2,146)	(1,409)
	(17,818)	(16,213)

The breakdown of 'non-ring-fenced government grants' and 'capital grants and contributions' can be seen in more detail in note 3.12 Grant Income.

3.07 MATERIAL ITEMS OF INCOME AND EXPENSE

The council incurs significant expenditure through its delivery of services, and it receives significant income from a number of sources to fund this. For example, the council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by government grant.

This income and expenditure is reported in the Consolidated Income and Expenditure Account in these statements and is supported by notes within the same section.

The council does not consider there were any other material items of income and/or expense that were incurred and/or received in the normal day to day provision of the services.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.08 AGENCY SERVICES

The council provides a number of services on behalf of Hampshire County Council. In 2022/23 the council received £314,450 for providing these services (2021/22 £185,117).

3.09 MEMBERS ALLOWANCES

The council paid the following amounts to members of the council during the year:

	2021/22	2022/23
	£000	£000
Allowances	250	247
Expenses	1	2
	<u>251</u>	<u>249</u>

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.10 OFFICERS' REMUNERATION AND TERMINATION BENEFITS

3.10.1 Remuneration

The remuneration paid to the council's senior employees is shown below.

£		Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of office	Pension Contributions	Total
Joint Chief Executive *	2022/23	57,626	2,257	86,305	10,085	156,273
	2021/22	102,316	3,869		17,905	124,090
Joint Chief Executive to 24/10/2022 then Chief Executive from 25/10/2022	2022/23	111,347	2,257		19,486	133,090
	2021/22	102,316	3,869		17,905	124,090
Section 151 Officer and Head of Corporate Services **	2022/23	14,222	0		2,489	16,711
	2021/22	86,252	0		15,094	101,346
Executive Director of Corporate Services & S151 Officer ***	2022/23	41,810	0		1,404	43,214
	2021/22	0	0		0	0
Executive Director of Place	2022/23	89,771	0		15,710	105,481
	2021/22	86,252	0		15,094	101,346
Head of Environmental and Technical Services ****	2022/23	51,536	0	47,970	9,019	108,525
	2021/22	86,252	0		15,094	101,346
Executive Director of Communities	2022/23	88,177	0		15,431	103,608
	2021/22	86,252	0		15,094	101,346

The following do not show a full financial year comparable in 2022/2023.

* Joint Chief Executive left the council in October 2022.

** Section 151 Officer and Head of Corporate Services left the council in May 2022.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

*** Executive Director of Corporate Services and Section 151 Officer joined the council in November 2022.

**** Head of Environmental and Technical Services left the council in October 2022.

The council's other employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	Number of Employees 2021/22	Number of Employees 2022/23
£50,000 to £54,999	9	7
£55,000 to £59,999	3	4
£60,000 to £64,999	1	3
£65,000 to £69,999	1	0
£70,000 to £74,999	0	1
	14	15

	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 £s	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	0	1	0	0	0	1	0	17,906
£80,001 - £100,000	0	0	0	1	0	1	0	86,305
£150,001 - £200,000	0	0	0	1	0	1	0	170,496
	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>274,707</u>

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	RESTATED 2021/22 £000	2022/23 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	82	90
Fees payable to external auditors for the certification of grant claims and returns for the year	12	17
	94	107

3.12 GRANT INCOME

Grants, 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 Comprehensive Income and Expenditure Statement until conditions attached to the revenue grant or contribution have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the revenue grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as revenue grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. 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-ring-fenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, 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. Where it has been applied, it is posted to the Capital Adjustment Account. 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 credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2021/22	2022/23
	£000	£000
Credited to Taxation and Non-Specific Grant Income		
Non-ring-fenced Government Grants		
New Homes Bonus	(1,847)	(1,604)
Non-ring-fenced Government Grants - COVID Income Loss Support Grant	(278)	0
Non-ring-fenced Government Grants - COVID Support	(319)	0
Non-ring-fenced Government Grants - COVID New Burdens	(1)	0
Non-ring-fenced Government Grants - Lower Tier Services	(184)	(158)
Other Non-ring-fenced Government Grants	(8)	0
	(2,637)	(1,762)
Capital Grants and Contributions		
Developer's Leisure Contributions	(1,245)	(842)
Other Capital Grants and Contributions	(900)	(567)
	(2,145)	(1,409)
	(4,782)	(3,171)
Credited to Services		
Housing Benefits/Council Tax Subsidy and Grants	(10,706)	(10,068)
Disabled Facilities Grant	(838)	(843)
Welfare	(458)	(1,137)
COVID-19 Grants	(1,686)	(126)
Developer's Contributions	(344)	(636)
New Burdens Grants	(339)	(11)
Election Grants	(233)	5
Other Grants and Contributions	(308)	(466)
	(14,912)	(13,282)

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.13 OPERATING LEASES

3.13.1 Council as Lessee

Leases that do not meet the definition of finance leases are accounted for as operating leases and the expenditure is charged to service revenue accounts on a straight-line basis over the term of the lease. The land and buildings elements of a lease require separate identification for both lease classifications and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

The council has no material operating lease agreements.

3.13.2 Council as Lessor

Where the council 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.

The council owns a number of property, plant and equipment assets that are leased to other bodies for one or a combination of the following purposes:

- To gain rental income from its investment properties
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- To provide leisure facilities for public use

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

	31 March 2022	31 March 2023
	£000	£000
Not later than one year	(685)	(993)
Later than one year and not later than five years	(5,328)	(5,819)
Later than five years	(10,935)	(9,481)
	<u>(16,948)</u>	<u>(16,294)</u>

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.14 CONSTRUCTION CONTRACTS

As of the **31 March 2023** the council does not have any significant construction contracts in progress.

4 NOTES TO THE MOVEMENT IN RESERVES STATEMENTS

4.01 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 authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2022/2023	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs (<i>transferred to (or from) the Pensions Reserve</i>)	1,509	0	0
Financial Instruments (<i>transferred to the Financial Instruments Adjustments Account</i>)	4	0	0

4 NOTES TO THE MOVEMENT IN RESERVES STATEMENTS

Council tax and NDR (<i>transfers to (or from) Collection Fund</i>)	(3,645)	0	0
Holiday Pay (<i>transferred to the Accumulated Absences Reserve</i>)	(22)	0	0
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure (<i>these items are charged to the Capital Adjustment Account</i>)	(3,312)	0	1,605
Total Adjustments to Revenue Resources	(5,466)	0	1,605
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(114)	114	0
Statutory provision for the repayment of debt (<i>transfer from the Capital Adjustment Account</i>)	(587)	0	0
Capital expenditure financed from revenue balances (<i>transfer to the Capital Adjustment Account</i>)	(269)	0	0
Total Adjustments between Revenue and Capital Resources	(970)	114	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(26)	0
Application of Capital grants to finance capital expenditure	0	0	(717)
Total Adjustments to Capital Resources	0	(26)	(717)
Total Adjustments	(6,436)	88	888

2021/2022	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs (transferred to (or from) the Pensions Reserve)	1,818	0	0
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	13	0	0
Council tax and NDR (transfers to (or from) Collection Fund)	(2,606)	0	0

4 NOTES TO THE MOVEMENT IN RESERVES STATEMENTS

Holiday Pay (transferred to the Accumulated Absences Reserve)	(60)	0	0
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(732)	0	1,421
Total Adjustments to Revenue Resources	(1,567)	0	1,421
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4)	4	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(531)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(650)	0	0
Total Adjustments between Revenue and Capital Resources	(1,185)	4	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of Capital grants to finance capital expenditure	0	0	(35)
Total Adjustments to Capital Resources	0	0	(35)
Total Adjustments	(2,752)	4	1,386

5 NOTES TO THE BALANCE SHEET

5.01 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 are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Assets are initially measured at cost, comprising the purchase price plus 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.

Charges to Revenue for Non-current Assets – Services and support 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.
- amortisation of intangible assets attributable to the service

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation 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.

Component Accounting - Where components of an asset are significant in value in relation to the value of the asset as a whole, and they have substantially different economic lives, they will be recognised separately. Components will be recognised separately as and when they are replaced or re-valued. Individual assets valued at less than £200,000 will be disregarded for componentisation.

Capital Expenditure and De minimis - Expenditure on the acquisition, creation or enhancement of tangible fixed assets is accounted for on an accruals basis. Capitalisation thresholds apply so for land and buildings a de minimis of £10k applies, and for plant and equipment a de minimis of £5k applies, where it meets the criteria of having a life greater than a year and/or has increased the value/life of an asset or enhanced the usability of the asset.

5.01.1 Revaluations

The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years and all assets within a class are revalued simultaneously. For the 2022/23 financial year, valuations were carried out as at

5 NOTES TO THE BALANCE SHEET

31 March 2023. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- 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 on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

All valuations were carried out externally by independent valuers Capita Property and Infrastructure Ltd. Valuations of land and buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Assets are then carried on the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Surplus assets – fair value
- All other assets – current value

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Fair Value - The council measures some of its non-financial assets, such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes the transaction to sell the asset or transfer the liability 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 for the asset or liability.

The council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

5 NOTES TO THE BALANCE SHEET

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

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

The council's surplus assets have been assessed as Level 3 for valuation purposes.

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	87	3,557	271	6,383	0	0	10,298
Valued at:							
31 March 2023	44,732	0	0	0	0	0	44,732
31 March 2022	5,984	0	0	0	0	0	5,984
31 March 2021	0	0	0	0	0	0	0
31 March 2020	616	0	0	0	0	0	616
31 March 2019	87	0	0	0	0	0	87
Total cost or valuation	51,506	3,557	271	6,383	0	0	61,717

5.01.2 Impairment

Assets are assessed at each year-end as to whether there is any indication that 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.

5 NOTES TO THE BALANCE SHEET

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 relevant service lines in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

There were no impairment losses recognised in the year 2022/23.

5.01.3 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 and assets that are not yet available for use such as assets under construction.

Depreciation is calculated on a straight-line allocation over the useful life of the assets. Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

Depreciation is calculated on the following bases:

- Infrastructure - straight line allocation over the life of the asset
- Buildings – straight line allocation over the life of the property as estimated by the valuer.
- Land – is not depreciated.
- Assets under construction – not depreciated.
- Vehicles, plant and equipment – straight line allocation over the life of the asset
- IT and Intangible Assets – straight line allocation over the life of the asset

5 NOTES TO THE BALANCE SHEET

The Useful Economic Life of assets in each category can vary depending on the type, make, construction and use of the asset. Current lives used for accounting purposes are:

- Infrastructure 3 to 25 years
- Buildings 10 to 53 years
- Land 99 years
- Vehicles, plant and equipment 1 to 15 years
- IT and Intangible Asset 3 years

5.01.4 Capital Commitments

As at the 31 March 2023 the authority has entered into an agreement for:

- Purchase of electric vehicle for Parking Services - £27.6k
- Replacement gates as part of the Hazeley Heath Access Improvements scheme - £9.7k

5 NOTES TO THE BALANCE SHEET

5.01.5 Movements on Balances

2022/23 £000	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
Cost or Valuation						
At 1 April 2022	49,203	3,472	271	5,675	0	58,621
Additions	89	144	0	708	0	941
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(722)	0	0	0	0	(722)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	2,936	0	0	0	0	2,936
Derecognition - disposals	0	(59)	0	0	0	(59)
At 31 March 2023	51,506	3,557	271	6,383	0	61,717
Accumulated Depreciation & Impairment						
At 1 April 2022	(248)	(2,129)	(51)	(511)	0	(2,939)
Depreciation charge	(1,819)	(339)	(12)	(64)	0	(2,234)
Depreciation written out to the Revaluation Reserve	965	0	0	0	0	965
Depreciation written out to the Surplus / Deficit on the Provision of Services	650	0	0	0	0	650
Derecognition - disposals	0	59	0	0	0	59
At 31 March 2023	(452)	(2,409)	(63)	(575)	0	(3,499)
Net Book Value						
31 March 2023	51,054	1,148	208	5,808	0	58,218
31 March 2022	48,955	1,343	220	5,164	0	55,682

5 NOTES TO THE BALANCE SHEET

2021/22	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2021	36,228	3,051	271	4,526	798	44,874
Additions	6,639	431	0	1,149	0	8,219
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,969	0	0	0	0	4,969
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	569	0	0	0	0	569
Derecognition - disposals	0	(10)	0	0	0	(10)
Reclassifications	798	0	0	0	(798)	0
At 31 March 2022	49,203	3,472	271	5,675	0	58,621
Accumulated Depreciation & Impairment						
At 1 April 2021	(127)	(1,815)	(40)	(449)	0	(2,431)
Depreciation charge	(1,463)	(324)	(11)	(62)	0	(1,860)
Depreciation written out to the Revaluation Reserve	578	0	0	0	0	578
Depreciation written out to the Surplus / Deficit on the Provision of Services	764	0	0	0	0	764
Derecognition - disposals	0	10	0	0	0	10
At 31 March 2022	(248)	(2,129)	(51)	(511)	0	(2,939)
Net Book Value						
31 March 2022	48,955	1,343	220	5,164	0	55,682
31 March 2021	36,101	1,236	231	4,077	798	42,443

5 NOTES TO THE BALANCE SHEET

5.02 INVESTMENT PROPERTIES

An investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the council's services.

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. Properties are not depreciated but are re-valued 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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. 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.

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 proceeds greater than £10k) the Capital Receipts Reserve.

Fair Value - The council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 5.01.1 for explanation of fair value levels).

Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants. There has been no change in the valuation techniques used during the year for investment properties.

	2021/22 £000	2022/23 £000
Rental income from investment property	998	1,090
Net gain/(loss)	<u>998</u>	<u>1,090</u>

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

5 NOTES TO THE BALANCE SHEET

	31 March 2022	31 March 2023
	£000	£000
Balance at start of year	5,422	16,820
Additions:		
Purchases	12,297	0
Net gains or (losses) from fair value adjustments	(899)	427
Transfers (to) or from Property, Plant and Equipment/ AHFS	0	(150)
Balance at end of year	16,820	17,097

5.03 INTANGIBLE ASSETS

Intangible Assets are created when 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), are capitalised and it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The council accounts for its software as intangible assets, to the extent 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. The intangible assets include only purchased licenses.

All software is given a finite useful life, based on assessments of the period the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is three years.

The carrying amount of intangible assets is amortised on a straight-line basis. There was no amortisation charge for the period 2022/2023.

5 NOTES TO THE BALANCE SHEET

	31 March 2022	31 March 2023
	£000	£000
Balance at the start of year:		
Gross carrying amounts	362	362
Accumulated amortisation	(362)	(362)
Net carrying amount at the start of the year	0	0
Amortisation for the period	0	0
Net carrying amount at the end of year	0	0
Comprising:		
Gross carrying amounts	362	362
Accumulated amortisation	(362)	(362)
	0	0

5.04 FINANCIAL INSTRUMENTS

5.04.1 Categories of Financial Instruments

Classification and Measurement of 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 cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as 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).

5 NOTES TO THE BALANCE SHEET

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Expected Credit Loss Model Expected credit losses for all of financial assets held at amortised cost are recognised either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables, and contract assets and trade receivables with a significant financing component.

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 significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

For trade and contract receivables without a significant financing component the council has applied a simplified approach consistently to calculate expected credit losses, under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition.

In accordance with the Code of Accounting Practice, no impairment loss allowance is recognised for monies owed by Central and Local Government bodies.

2018/19 saw the introduction of IFRS 9 a movement away from IAS 39. With the introduction of a new standard the council has had to assess whether this makes any changes to the valuation methodology of its financial instruments or the classifications. The impact on Hart District Council is there is no change to valuation methodologies and all financial assets and liabilities are now classified as amortised assets and liabilities.

5 NOTES TO THE BALANCE SHEET

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

Financial Assets	Non current				Current				Total	
	Investments / Cash & Cash Equivalents		Debtors		Investments / Cash & Cash Equivalents		Debtors			
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Amortised cost-soft loan	0	0	828	602	0	0	262	207	1,090	809
Amortised cost-other	0	0	0	0	29,844	25,912	2,299	1,587	32,143	27,499
Total Financial Assets	0	0	828	602	29,844	25,912	2,561	1,794	33,233	28,308
Non-financial instruments balance	0	0	0	0	0	270	8,888	3,053	8,888	3,323
Total	0	0	828	602	29,844	26,182	11,449	4,847	42,121	31,631

5 NOTES TO THE BALANCE SHEET

Financial Liabilities	Non current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
FV through P&L	0	0	0	0	0	0	0	0	0	0
Amortised costs	(15,648)	(14,348)	0	0	(2,439)	(1,421)	(3,695)	(1,594)	(21,782)	(17,363)
Total Financial Liabilities	(15,648)	(14,348)	0	0	(2,439)	(1,421)	(3,695)	(1,594)	(21,782)	(17,363)
Non-financial instruments balance	0	0	0	0	0	0	(16,075)	(6,092)	(16,075)	(6,092)
Total	(15,648)	(14,348)	0	0	(2,439)	(1,421)	(19,770)	(7,686)	(37,857)	(23,455)

5 NOTES TO THE BALANCE SHEET

5.04.2 Material soft loans made by authority.

The loan to Serco Ltd, as part of the waste agreement with Basingstoke and Dean Borough Council, for vehicles is deemed to be material soft loan. The loan is an interest free loan of £1.931m to Serco Ltd over seven years.

Material Soft Loans made by authority	2021/22 £000	2022/23 £000
Balance at start of the year:		
Opening balance	1,266	1,091
total cash payments	(203)	(304)
interest	27	22
Closing balance at the end of the year	<u>1,090</u>	<u>809</u>
Nominal value at 31 March	<u>1,155</u>	<u>851</u>

5 NOTES TO THE BALANCE SHEET

5.04.3 Income, Expense, Gains and Losses

Income Expense Gains & Losses	2021/22 Surplus or Deficit on Provision of Services £000	2022/23 Surplus or Deficit on Provision of Services £000
Interest Expense:		
Financial liabilities measured at amortised cost	342	335
Total Expense	342	335
Interest Revenue:		
Financial assets measured at amortised cost	(118)	(980)
Total Income	(118)	(980)
Net (Profit) / Loss for the year	224	(645)

5.04.4 Fair Value of Financial Assets and Liabilities

Fair values are shown split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
 - For the council’s investments in externally managed pooled funds, fund values published by the fund manager have been used as these represent the prices in the principal market within which the council would normally enter into a transaction to sell the asset.
 - For the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the council, plus interest.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g., interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness.

5 NOTES TO THE BALANCE SHEET

Financial Assets & Liabilities	31 March 2022		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Amortised cost - Investments	29,844	29,847	25,912	25,912
Amortised cost - Short term debtors	2,561	2,561	1,794	1,794
Long term debtors	828	828	602	602
Total Financial Assets	33,233	33,236	28,308	28,308
Financial Liabilities				
Amortised cost - Short term borrowing	(2,439)	(2,439)	(1,421)	(1,421)
Amortised cost - Short term creditors	(3,695)	(3,695)	(1,594)	(1,594)
Long term borrowing	(15,649)	(14,570)	(14,348)	(9,153)
Total Financial Liabilities	(21,783)	(20,704)	(17,363)	(12,167)

5 NOTES TO THE BALANCE SHEET

5.05 DEBTORS

Income is recognised in the accounts when it becomes due. Income that is due but has not been received at the end of the financial year is carried under the debtors heading in the balance sheet.

This debtor balance is reviewed at each year end to assess the recoverability of the sums due and where it is doubtful debts will be settled the balance of debtors is written down and an impairment charge made to the relevant account for the income that might not be collected. This assessment is carried out using the council's past experience and current knowledge of collection rates for different groups of debtors.

	31 March 2022	31 March 2023
	£000	£000
Short-term Debtors		
Central government bodies	5,580	832
Other local authorities	2,328	578
Other entities and individuals	3,541	3,437
	<u>11,449</u>	<u>4,847</u>
Long-term Debtors		
Other entities and individuals	828	602
	<u>828</u>	<u>602</u>

5 NOTES TO THE BALANCE SHEET

5.06 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

	31 March 2022 £000	31 March 2023 £000
Bank current accounts	944	2,182
Short-term deposits (< 3 months' notice)	13,900	4,000
	<u> </u>	<u> </u>

5.07 ASSETS HELD FOR SALE

Assets held for sale are items of property, plant or equipment or a group of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the authority. As at 31 March 2023 there is one asset classified as held for sale.

	31 March 2022 £000	31 March 2023 £000
Balance outstanding at start of year	0	0
Assets newly classified as held for sale:		
Property, Plant & Equipment	0	0
Investment Property	0	150
Sold	0	0
Balance outstanding at year-end	<u>0</u>	<u>150</u>

5 NOTES TO THE BALANCE SHEET

5.08 BORROWINGS

The total borrowings in the Balance Sheet carry the principal amount repayable. Interest is charged to the Comprehensive Income and Expenditure statement in accordance with the loan agreement.

The council have borrowing with Public Works Loan Board (PWLB) and Hampshire County Council (HCC) as shown in the table below:

	31 March 2022 £000	31 March 2023 £000
Short term Borrowing		
PWLB	(439)	(444)
HCC	(2,000)	(977)
Total	<u>(2,439)</u>	<u>(1,421)</u>
Long term Borrowing		
PWLB	(14,698)	(14,348)
HCC	(950)	0
Total	<u>(15,648)</u>	<u>(14,348)</u>
Total	<u>(18,087)</u>	<u>(15,769)</u>

5 NOTES TO THE BALANCE SHEET

5.09 CREDITORS

Creditors are all amounts owed by the council as at 31 March 2023.

	31 March 2022	31 March 2023
	£000	£000
Central government bodies	(12,358)	(1,987)
Other local authorities	(4,005)	(3,189)
Other entities and individuals	(3,407)	(2,510)
	<u>(19,770)</u>	<u>(7,686)</u>

5.10 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year 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.

5 NOTES TO THE BALANCE SHEET

	Balance at 1 April 2022 £000	Additional provisions made in 2022/23 £000	Amounts used in 2022/23 £000	Unused amounts reversed in 2022/23 £000	Balance at 31 March 2023 £000
Business Rates Appeals Provision	(274)	(953)	885	0	(342)
5C Baseline Truing Up Provision	(413)	0	206	0	(207)
	(687)	(953)	1,091	0	(549)

5.11 USABLE RESERVES

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, these do not represent usable resources for the council – these are capital reserves.

General Fund - the primary fund of the council. It records all assets and liabilities of the council that are not assigned to a special purpose fund. It provides the resources necessary to sustain the day-to-day activities and thus pays for all administrative and operating expenses.

Earmarked Reserves - Earmarked reserves are created for specific purposes (legal/contractual requirement) that span financial years for which there is a definitive time frame. The council has a number of earmarked reserves and details of the main earmarked reserves can be found in the earmarked reserves below.

Capital Receipts Reserve - represents the capital receipts available to finance capital expenditure in future years, after setting aside any statutory amounts for the repayment of loans. The receipt arising from the disposal of an asset will be classed as a capital receipt, to be used to finance capital expenditure, if it is greater than £10,000. If the receipt falls below this threshold it will fall to the income and expenditure account, in accordance with the Local Government Act 2003.

Capital Grants Unapplied Reserve - where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the

5 NOTES TO THE BALANCE SHEET

grant or contribution shall be transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource available to finance expenditure.

Movements in the council's usable reserves are detailed in 4.0 Movement in Reserves Statement and Note 4.01 Adjustments between accounting basis and funding basis under regulation.

The balances of the individual reserves can be seen on the Balance Sheet.

5 NOTES TO THE BALANCE SHEET

5.11.1 TRANSFERS TO / FROM EARMARKED RESERVES

Earmarked reserves are created for specific purposes (legal/contractual requirement) that span financial years for which there is a definitive time frame. The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

Note, some totals may not cast by £1,000 due to rounding's but need to remain to reconcile through the accounts.

	Balance at 31 Mar 2021 £000	Transfers In 2021/22 £000	Transfers Out 2021/22 £000	Balance at 31 Mar 2022 £000	Transfers in 2022/23 £000	Transfers Out 2022/23 £000	Adjustment Transfers 22/23	Balance at 31 Mar 2023 £000
Hitches Lane SANG	7,362	10	(165)	7,207	54	(24)		7,237
NNDR Smoothing Account	6,618	0	0	6,618	0	(3,690)		2,928
Bramshot - SANG	3,298	1,863	(226)	4,934	1,251	0		6,185
SANG Schemes	2,210	66	(64)	2,212	1,260	(53)		3,419
Corporate Services (incl. Climate Change)	2,383	676	(1,451)	1,608	344	(933)		1,019
Housing	1,814	264	(121)	1,957	380	(274)	(1,028)	1,035
Digital Transformation	465	0	(88)	377	0	0		377
New burden reserves	413	0	(68)	345	119	0		464
Open Spaces	295	51	(54)	292	33	(121)		204
Planning	276	0	(25)	251	0	0		251
IT Cyber Security	0	125	0	125	25	0		150
Regulatory Services	73	0	0	73	0	0		73
Other Earmarked Reserves	349	19	(275)	93	0	0		93
	25,556	3,073	(2,537)	26,092	3,466	(5,095)	(1,028)	23,435

5 NOTES TO THE BALANCE SHEET

A brief description of those reserves with movement in balances over £50,000 is provided below.

SANGs

Developer's contributions to provide Suitable Alternative Natural Green (SANG) spaces.

NNDR Smoothing Reserve

To allow for year-on-year timing differences with business rate accounting transactions, as required by regulation, and to provide mitigation to the council for shortfalls in business rate income arising from reduced overall rateable value and changes to the funding formula.

Open Spaces

Developer's contributions towards the maintenance of Elvetham Heath plus funds for supporting roundabout sponsorship.

Regulatory Services

To support our democratic structure in delivering web streaming of regulatory services committee meetings.

Housing Reserve

To facilitate the provision of services to homeless people in the district as well as support housing refugees. This is accumulated government funding which will be spent on a planned basis over a number of years.

Corporate, Planning and Community Reserves

To fund a number of projects within these service areas including Climate Change.

Digital Transformation

Following the COVID-19 pandemic the importance of digital transformation, flexible and agile working has been recognised as a necessity for the council.

IT Cyber security

The council received a grant allocated to enhance IT security.

5 NOTES TO THE BALANCE SHEET

5.12 UNUSABLE RESERVES

5.12.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. 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.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2022 £000	31 March 2023 £000
Balance at 1 April	8,694	13,890
Upward revaluation of assets	5,970	2,912
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(423)	(2,670)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	5,547	242
Difference between fair value depreciation and historical cost depreciation	(351)	(585)
Amount written off to the Capital Adjustment Account	(351)	(585)
Balance at 31 March	13,890	13,547

5 NOTES TO THE BALANCE SHEET

5.12.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements in accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note, some totals may not cast by £1,000 due to rounding's but need to remain to reconcile through the accounts.

5 NOTES TO THE BALANCE SHEET

	31 March 2022	31 March 2023
	£000	£000
Balance at 1 April	16,282	17,160
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,861)	(2,234)
Revaluation gains or (losses) on Property, Plant and Equipment	1,333	3,586
Revenue expenditure funded from capital under statute	(1,172)	(1,458)
	(1,700)	(106)
Adjusting amounts written out of the Revaluation Reserve	351	585
Net written out amount of the cost of non-current assets consumed in the year	(1,349)	479
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	26
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,910	1,387
Application of grants to capital financing from the Capital Grants Unapplied Account	35	717
Statutory provision for the financing of capital investment charged against the General Fund balance	531	587
Capital expenditure charged against the General Fund balance	650	269
	3,126	2,986
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(899)	427
Balance at 31 March	17,160	21,052

5.12.3 Financial Instruments Adjustment Account

5 NOTES TO THE BALANCE SHEET

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The council uses the account to manage fair value adjustments regarding the soft loan for Bramshot Farm and the soft loan for Serco. Balance Sheet represents adjustment for Bramshot Farm Loan received from Hampshire County Council and soft loan to Serco.

	31 March 2022 £000	31 March 2023 £000
Balance at 1 April	(11)	(24)
Premiums incurred in the year and charged to the comprehensive income & expenditure statement	0	
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	0	
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	(4)
Balance at 31 March	<u>(24)</u>	<u>(28)</u>

5 NOTES TO THE BALANCE SHEET

5.12.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements in 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 and changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed at the time the council makes the employer 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 shortfall between the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure funding will have been set aside by the time the benefits come to be paid.

	31 March 2022	31 March 2023
	£000	£000
Balance at 1 April	(29,981)	(20,024)
Re-measurement of the net defined benefit liability / asset *	11,775	16,134
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,742)	(2,416)
Employer's pensions contributions and direct payments to pensioners payable in the year	924	908
Balance at 31 March	(20,024)	(5,398)

5 NOTES TO THE BALANCE SHEET

5.12.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	Total	Council Tax	Non domestic Rates	Total
	31 March	31 March	31 March	31 March
	2022	2023	2023	2023
	£000	£000	£000	£000
Balance at 1 April	(6,502)	317	(4,213)	(3,896)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	2,606	(31)	3,675	3,644
Balance at 31 March	(3,896)	286	(538)	(252)

5.12.6 Accumulated Absences Account

Benefits payable during employment are short-term employee benefits due to be settled wholly 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 services to the council. Where wages/salaries, overtime, and any other allowances have not physically been paid for within the period but relates to the period then the period will be charged by the means of an accrual.

However, these transactions must not have a financial impact upon the General Fund. To mitigate this accrual a corresponding entry will be made to the Accumulated Absences Account.

5 NOTES TO THE BALANCE SHEET

	31 March 2022	31 March 2023
	£000	£000
Balance at 1 April	(151)	(91)
Settlement or cancellation of accrual made at the end of the preceding year	151	91
Amounts accrued at the end of the current year	(91)	(69)
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	60	22
Balance at 31 March	(91)	(69)

5.13 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases) together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

Revenue Expenditure Funded by Capital Under Statute (REFCUS) - These amounts represent expenditure on capital grants and other payments which do not result in an asset belonging to the council. Under the government's capital controls this expenditure would be treated as revenue expenditure. These amounts should be written off over a period consistent with the consumption of the economic benefits controlled by the council.

As the council does not control the economic benefit arising from this particular expenditure, 100% of the expenditure is written off to revenue in the year it is incurred, leaving no balance at the end of the year. The expenditure (net of grants received) is written off to the Capital Adjustment Account via the Movement in Reserves Statement.

5 NOTES TO THE BALANCE SHEET

	2021/22 £000	2022/23 £000
Opening Capital Financing Requirement	22,889	41,449
Capital Investment		
Property, Plant and Equipment	8,219	941
Investment Properties	12,297	0
Revenue Expenditure Funded from Capital under Statute	1,172	1,458
Sources of Finance		
Capital receipts	0	(26)
Government grants and other contributions	(1,946)	(2,104)
Sums set aside from revenue		
Direct revenue contributions	(650)	(269)
Minimum revenue provision	(531)	(587)
Closing Capital Financing Requirement	<u>41,450</u>	<u>40,862</u>
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	18,716	(587)
Assets acquired under finance leases	(155)	0
Increase/(decrease) in Capital Financing Requirement	<u>18,561</u>	<u>(587)</u>

5.14 FINANCE 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.

5 NOTES TO THE BALANCE SHEET

Embedded leases within contracts - There is a requirement for the council to identify any instances where there are contracts in place to provide a service to the council and consider whether there are any embedded leases within these contracts.

5.14.1 Council as Lessee

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. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset.

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.

The council has no new finance leases in 2022-23 and is only leasing the previously acquired grounds maintenance vehicles and equipment. The assets acquired under these leases are carried in Property, plant and equipment in the balance sheet at the following net amounts.

	31 March 2022 £000	31 March 2023 £000
Vehicles, Plant, Furniture and Equipment	155	121
	<u>155</u>	<u>121</u>

5 NOTES TO THE BALANCE SHEET

The minimum lease payments are made up of the following amounts.

	31 March 2022 £000	31 March 2023 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	34	34
- non-current	121	87
Finance costs payable in future years	6	4
	161	125

The minimum lease payments will be payable over the following periods.

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Not later than one year	36	36	34	34
Later than one year and not later than five years	125	89	121	87
Later than five years	0	0	0	0
	161	125	155	121

5.14.2 Council as Lessor

Finance leases – Where the council grants a finance lease over property, 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 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 council'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, matched by a lease asset in the Balance Sheet.

5 NOTES TO THE BALANCE SHEET

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor, and
- Finance income credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

The council received no material rental income from properties under finance leases.

5.15 DEFINED BENEFIT PENSION SCHEME

5.15.1 Participation in pension schemes

The council participates in one post-employment scheme:

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

- The liabilities of the HCC pension scheme 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, employees turnover rates etc. and projections of 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 (gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years).
- A significant proportion of the assets of the Scheme are invested in equities. The assets of the HCC 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 pension's liability is analysed into seven components:

5 NOTES TO THE BALANCE SHEET

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned for the year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of 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 Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest on the net defined benefit liability/asset i.e. net interest expense for the council – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure 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 net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pension's 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 Pension Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the HCC pension fund - cash paid as the employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

5 NOTES TO THE BALANCE SHEET

5.15.2 Transactions Relating to Post-employment Benefits.

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Operating cost comprising:				
Current Service Cost	2,122	1,887	0	0
Past Service Cost	0	0	0	0
Net interest expense	581	529	39	45
Total Post-employment Benefits Charged to the (Surplus) or Deficit on the Provision of Services	2,703	2,416	39	45
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense) *	(2,895)	5,729	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions*	(1,318)	0	(30)	(3)
Actuarial (gains) and losses arising on changes in financial assumptions*	(5,288)	(28,629)	(43)	(252)
Actuarial (gains) and losses due to liability experience*	(2,274)	6,906	7	115
Total Post-employment Benefit (Gains) and Losses Charged to the Comprehensive Income and Expenditure Statement	(9,072)	(13,578)	(27)	(95)

*Amended from draft 2021/22 Accounts due to Triennial Valuation

5 NOTES TO THE BALANCE SHEET

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post- employment benefits in accordance with the Code	(2,703)	(2,416)	(39)	(45)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions to the scheme	770	756		
Retirement benefits payable to pensioners			154	148

5.15.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Present value of the defined benefit obligation*	85,884	66,014	1,735	1,488
Fair value of plan assets*	(67,595)	(62,104)	0	0
Net liability arising from defined benefit obligation	18,289	3,910	1,735	1,488

*Amended from draft 2021/22 Accounts due to Triennial Valuation

5 NOTES TO THE BALANCE SHEET

	2021/22	2022/23
	£000	£000
Local Government Pension Scheme	18,289	3,910
Discretionary Benefits Arrangements	1,735	1,488

5.15.4 Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening fair value of scheme assets	64,995	67,595	0	0
Opening fair value of scheme assets adjustment	(2)		0	0
Interest income	1,348	1,804	0	0
Remeasurement gain/(loss):				
Return on plan assets, excluding the amount in the net interest expense *	2,895	(5,729)	0	0
Contributions from employer	770	756	234	152
Contributions from employees into the scheme	315	328	0	0
Benefits paid	(2,726)	(2,650)	(234)	(152)
Closing fair value of scheme assets	67,595	62,104	0	0

*Amended from draft 2021/22 Accounts due to Triennial Valuation

5 NOTES TO THE BALANCE SHEET

5.15.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening balance at 1 April	93,058	85,884	1,997	1,735
Opening balance at 1 April adjustment	0	0	0	0
Current service cost	2,122	1,887	0	0
Interest cost	1,929	2,288	39	45
Contributions from scheme participants	315	328	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions *	(1,288)	0	(30)	(3)
Actuarial (gains) and losses arising on changes in financial assumptions	(5,245)	(28,629)	(43)	(252)
Actuarial (gains) and losses due to liability experience*	(2,281)	6,906	7	115
Past Service Cost (including curtailments)	0	0	0	0
Benefits paid	(2,726)	(2,650)	(235)	(152)
Closing balance at 31 March	85,884	66,014	1,735	1,488

*Amended from draft 2021/22 Accounts due to Triennial Valuation

5 NOTES TO THE BALANCE SHEET

5.15.6 Local Government Pension Scheme Assets

The fair value of the scheme assets are:

	2021/22		2022/23		2022/23		2022/23
	Total £000	%	Quoted £000	%	Unquoted £000	%	Total £000
Cash and cash equivalents	608	0.9	683	1.1	0	0.0	683
Equities	37,651	55.7	26,084	42.0	9,688	15.6	35,771
Bonds:							
Corporate	0	0.0	0	0.0	0	0.0	0
Government	12,167	18.0	10,247	16.5	0	0.0	10,247
Property	4,664	6.9	869	1.4	3,354	5.4	4,223
Multi Asset Credit	6,219	9.2	0	0.0	0	0.0	0
Other**	6,286	9.3	0	0.0	11,179	18.0	11,178
Total*	67,595	100.0	37,884	61.0	24,221	39.0	62,104

*Amended from draft 2021/22 Accounts due to Triennial Valuation

**Other holdings cover hedge funds, currency holdings, asset allocation futures and other financial instruments. The return is in line with that of equities.

5.15.7 Basis for Estimating Assets and Liabilities

Results under IAS 19 can change dramatically depending on market conditions which when taken in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension liability on the council's Balance Sheet, Other Comprehensive Income and the IAS 19 pension expense in Cost of Services. The council has disclosed information about the sensitivity of the defined benefit to changes in key assumptions in accordance with the requirements of the revised IAS 19.

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumption remained constant. The assumptions in longevity, by way of an example, assume that life expectancy increases or decreases for men and women when in practice this is unlikely to occur and also changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e., on an

5 NOTES TO THE BALANCE SHEET

actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt Limited, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2023.

	Local Government Pension Scheme	
	2021/22*	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	23.2	23.3
- women	25.6	25.7
Longevity at 45 for future pensioners:		
- men	23.7	23.8
- women	26.6	26.7
CPI increases	3.0%	2.7%
Rate of increase in salaries	4.0%	3.7%
Rate of increase in pensions	3.0%	2.7%
Pension accounts revaluation rate	3.0%	2.7%
Rate for discounting scheme liabilities	2.7%	4.7%

*Amended from draft 2021/22 Accounts due to Triennial Valuation

5 NOTES TO THE BALANCE SHEET

The impact on the Defined Benefit Obligation in the scheme is:

	Increase in Assumption £000	Decrease in Assumption £000
Assumption adjustment:		
Discount rate (scheme liabilities) - increase/decrease by 0.1%	(990)	1,056
Salaries - increase/decrease by 0.1%	66	(66)
Pensions - increase/decrease by 0.1%	990	(924)
Longevity - increase/decrease by 1 year*	1,716	(1,716)

*A rating of +1 year means members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

5.15.8 Impact on the council's cash flows.

The objective of the Local Government Pension Scheme is to keep employers' contributions at a rate that is as constant as possible. Hampshire County Council has agreed a strategy with the actuary to achieve a level of 100% over the next few years and the next triennial valuation is due to be completed on 31 March 2025. Funding levels are monitored annually.

Benefits accrued up to 31 March 2014 were based on final salary and length of service. Changes to the structure of the LGPS from 1 April 2014 result in benefits accruing from that date being based on a career average salary but with various protections for those members in the scheme prior to the 1 April 2014.

It is anticipated to pay £0.84m in expected contributions to the scheme in 2023/24.

5 NOTES TO THE BALANCE SHEET

5.16 EVENTS AFTER THE BALANCE SHEET DATE

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the Balance Sheet date – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the Balance Sheet date – the Statement of Accounts is not adjusted to reflect such events, but where such events have a material effect disclosure is made in the Notes to the Accounts of the nature of the events and their estimated financial effect.

Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The council had no material items for consideration in 2022/23. This note will be updated when the Accounts are submitted to Audit Committee for approval.

5.17 GRANTS RECEIVED IN ADVANCE

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. 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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, 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. Where it has been applied, it is posted to the Capital Adjustment Account. 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 received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances within Grants Received in Advance at the year-end are as follows:

5 NOTES TO THE BALANCE SHEET

	31 March 2022	31 March 2023
	£000	£000
Grampian Conditions	2,647	1,814
	<u>2,647</u>	<u>1,814</u>

These Grampian conditions prohibit development to begin until a specific action has been completed. If the development was cancelled these funds would be payable back to the developer.

6 NOTES TO THE CASH FLOW STATEMENT

6.01 OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2021/22	2022/23
	£0	£000
Interest received	74	983
Interest paid	(260)	(175)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2021/22	2022/23
	£000	£000
Depreciation and Amortisation	1,861	2,234
Impairment and downward valuations	(1,333)	(3,586)
(Increase) / Decrease in Debtors	2,617	432
Increase / (Decrease) in Creditors	(2,888)	(8,796)
Increase / (Decrease) in Provisions	160	(138)
Movement in Pension Liability	1,737	1,510
Changes in fair value of investment properties	899	(427)
Movement in Fair Values of Financial instruments	13	26
Other non-cash items charged to the net surplus or deficit on the provision of services	(585)	(834)
	<u>2,481</u>	<u>(9,579)</u>

6 NOTES TO THE CASH FLOW STATEMENT

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2021/22	2022/23
	£000	£000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4)	(114)
Any other items for which the cash effects are investing or financing cash flows	(3,332)	(2,991)
	<u>(3,336)</u>	<u>(3,105)</u>

6.02 INVESTING ACTIVITIES

	2021/22	2022/23
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(20,003)	(495)
Purchases of short- and long-term investments (treasury)	0	(5,000)
Other payments for investing activities	(15)	(15)
Proceeds from sale of property, plant & equipment, investment property and intangible assets	4	114
Proceeds from short- and long-term investments (treasury)	2,000	0
Other receipts for investing activities	1,714	4,147
Net cash flows from investing activities	<u>(16,300)</u>	<u>(1,249)</u>

6 NOTES TO THE CASH FLOW STATEMENT

6.03 FINANCING ACTIVITIES

	2021/22	2022/23
	£000	£000
Cash receipts of short- and long-term borrowing	6,800	0
Other receipts from financing activities		
- Council Tax Preceptor Cash Receipts	1,861	422
- NNDR Cash Receipts	2,888	5,176
- Grants Central Government Cash Receipts (Agency)	1,328	0
Cash payments for finance leases	(15)	(34)
Repayment of short- and long-term borrowing	(336)	(2,343)
Other payments from financing activities		
- Grants Central Government Cash Payments (Agency)	0	(4,079)
Net cash flows from financing activities	12,526	(858)

6 NOTES TO THE CASH FLOW STATEMENT

6.04. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2022/23	1 April 2022	Financing Cash Flows	Other Non Cash Changes	31 March 2023
	£000	£000	£000	£000
Long-term borrowing	15,648	0	(1,300)	14,348
Short-term borrowing	2,439	(2,343)	1,325	1,421
Lease liabilities	155	(34)	0	121
Other (payments)/receipts for financing activities	(1,199)	1,519	0	320
	<u>4,258</u>	<u>12,526</u>	<u>259</u>	<u>17,043</u>

2021/22	1 April 2021	Financing Cash Flows	Other Non Cash Changes	31 March 2022
	£000	£000	£000	£000
Long-term borrowing	10,151	6,800	(1,303)	15,648
Short-term borrowing	1,383	(336)	1,392	2,439
Lease liabilities	0	(15)	170	155
Other (payments)/receipts for financing activities	(7,276)	6,077	0	(1,199)
	<u>4,258</u>	<u>12,526</u>	<u>259</u>	<u>17,043</u>

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.01 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 2022/23 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is likely that though they lead to improved reporting the first two bullet points will not have a significant impact on the amounts anticipated to be reported in the financial statements. The third bullet point will only be applicable to local authorities with group accounts, and it is likely that there will be limited application of the last bullet point.

7.02 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out within the notes in the Statement of Accounts the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

Future funding for local government

There is a degree of uncertainty about future levels of funding streams for the council and Local Government as a whole. The council has had to consider a range of options which either deliver savings or generate income to maintain service provision. This does remain a risk and reserves are being held accordingly to protect the medium-term financial position of the council. The next spending review will be undertaken by the Chancellor of the Exchequer in autumn 2023 and the effect of this on local government funding is yet to be determined.

7 ADDITIONAL NOTES TO THE ACCOUNTS

Asset classifications

The council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council, they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

Lease classifications

The council classifies the [leases](#) it holds, both as a lessee and lessor, as either operating or [finance lease](#)s. Under International Financial Reporting Standards, the council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific assets and which therefore are considered to contain a lease. The appropriate accounting policy for each lease has been applied to these arrangements (where they have been identified) and as a result, additional assets are recognised as Property, Plant and Equipment in the council's Balance Sheet.

Providing for potential liabilities

The council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of contract agreement or pending legal actions.

Production of group accounts

The council has an interest in another entity, Hart Housing Property Management Ltd (HHPMC) which manages residential property on behalf of the council. The accounts of HHPMC have not been consolidated into the financial statements of the council since grouping the accounts would not materially change the reported figures in the Statement of Accounts.

7.03 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 authority about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

7 ADDITIONAL NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
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 the council may be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. However, the council's assets are subject to a periodic revaluation and an annual impairment review and any changes in valuation are accounted for in the year they occurred.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated the annual depreciation charge for buildings would increase by £534,000 for every year that useful lives had to be reduced.</p> <p>If the actual valuation differs from the assumptions made, then these will be adjusted when the asset is revalued.</p>
Fair Value Measurement of Investment Properties	Investment properties are revalued every year and, therefore, takes into account the current market conditions.	A 1% movement in the valuation of investment properties would equate to a movement of £170,970

7 ADDITIONAL NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Pension 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.	<p>The effects on the net pension liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the pension liability of £1.0M</p> <p>However, the assumptions interact in complex ways. During 2022/23, the council's actuaries advised the net pension liability had decreased by £21.9M attributable to the updating of assumptions, which has been partly offset by £5.7M of losses due to remeasurement of assets.</p>
Provisions	The council has made provision in relation to National Non-Domestic Rate Appeals. This provision is based on an estimation of any future liability and the likelihood these costs will be incurred.	If the estimates used in the calculation of the provision prove to be inaccurate, then there will be further income or expenditure incurred by the General Fund via the Collection Fund.
Arrears	At 31 March 2023, the council had a balance of sundry (trade) debtors of £1,053,629. A review of significant balances suggested an impairment of doubtful debts of £167,413 (16%) was appropriate. It is not certain this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £167,413 to set aside as an allowance from revenue.

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.04 RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central government has effective control 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 the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the previous note, Grant Income.

Elected Members of the council have direct control over the council's financial and operating policies. Members are required to observe the Code of Conduct for Councillors, register financial interests in the council's register (maintained under section 81(1) of the Local Government Act 2000) and register the receipt of any gifts/hospitality. There were no material receipts of any gift or hospitality to disclose for 2022/23.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The council had no material related party transactions with officers during 2022/23.

Related party transactions with the precepting bodies and the pension fund are disclosed in the Defined Benefit Pension Scheme note within these accounts.

Entities Controlled or Significant influenced by the Authority;

- Hart District Council wholly owns Hart Housing Property Management Ltd (HHPMC) which has been categorised as a subsidiary of the authority.

7 ADDITIONAL NOTES TO THE ACCOUNTS

Amounts due to or from those parties able to control or influence the council or to be controlled/ influenced by the council are as follows:

	31 March 2022	31 March 2023
	£000	£000
Amounts due to Central Government	(12,358)	(1,834)
Amounts due to Hampshire County Council	(779)	(682)
Amounts due from Central Government	5,580	680
Amounts due from Hampshire County Council	1,276	1,306

7.05 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are not included within the Comprehensive Income and Expenditure Statement or Balance Sheet but are disclosed by way of a note to the accounts where a receipt or some other economic benefit is probable (contingent asset), or where there is a possible obligation that may require payment or other transfer of economic funds (contingent liability).

The council has no contingent assets and liabilities to report.

7.06 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

7.06.1 Disclosure and Nature and Extent of Risk arising from Financial Instruments

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.
- Market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

7 ADDITIONAL NOTES TO THE ACCOUNTS

The authority'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. 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.

7.06.2 Credit risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poor's Rating Services. The Annual Investment Strategy also imposes a maximum sum and time to be invested with a financial institution located within each category.

The council's treasury management advisors, Link Asset Services, give a credit rating based on the latest market information.

This council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies.
- CDS spreads to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2023 with each level of counterparty. All investments were made in line with the council's approved credit rating criteria at the time of placing the investment and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

7 ADDITIONAL NOTES TO THE ACCOUNTS

Credit Risk – Investments and Cash & Cash Equivalents

	31 March 2022	31 March 2023
	£000	£000
AAA rated counterparties	13,900	4,000
AA- rated counterparties	0	0
A+ rated counterparties	5,000	5,000
A rated counterparties	10,944	17,182
	<u> </u>	<u> </u>

The council does not generally allow credit for customers. As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e., council tax and NNDR payments) are excluded from this disclosure note as they have not arisen from contractual trading activities.

The past due, but not impaired amount, can be analysed by age as follows:

Credit Risk – Debtors

	31 March 2022	31 March 2023
	£000	£000
Less than three months	175	258
Three to six months	408	18
Six months to one year	26	611
More than one year	342	167
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.06.3 Liquidity risk

The council has a comprehensive cash flow management system that seeks to ensure cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the Money Markets and the Public Works Loans Board. There is no significant risk it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	31 March 2022	31 March 2023
	£000	£000
Less than one year	2,439	1,421
Between one and two years	1,314	358
Between two and five years	1,085	1,123
Between five and ten years	1,998	2,042
Between ten and fifteen years	2,228	2,277
Between fifteen and twenty years	2,224	1,748
More than twenty years	6,800	6,800
	<u>18,088</u>	<u>15,769</u>

All trade and other payables are due to be paid in less than one year.

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.06.4 Market risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted marketplace will be reflected in Other Comprehensive Income and Expenditure.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

As at 31 March 2023 there was no material exposure to changes in interest rates that would suggest the possibility that financial loss might arise for the council. The Bank of England base rate was raised three times during 2022-23 financial year reaching 4.25% in March 2023. It has subsequently been increased further and is at 4.5% on 31 May 2023. Hart's debt is fixed rate for the duration of the loans and its cash deposits are relatively short term with fixed rates, therefore there has been no adverse impact of the rate increases on Hart's finances. Interest earned on invested cash is significantly above budget in 2022/23 due to the rise in interest rates.

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.07 FURTHER ACCOUNTING POLICIES

The majority of the accounting policies which the council adopts have been put before their respective statements and notes to aid the readability and understanding of this document. However, there are a few which cover the accounts as a whole and do not necessarily relate to just one area, these are detailed below.

These accounts have been prepared on a going concern basis which means the functions of the council will continue in operational existence for the foreseeable future.

Accruals

Income and Expenditure – Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from 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 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.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

Available for Sale/Financial Instruments Revaluation Reserve

The Available for Sale Financial Instruments Reserve 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 or disposed of, and the gains are realised. Following the introduction of IFRS9 this reserve is has moved to Financial Instrument Revaluation Reserve.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve

7 ADDITIONAL NOTES TO THE ACCOUNTS

Disposal of Assets

Where 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts.

Investments

The council accounts for investments in accordance with the Treasury Management Strategy, which is set annually. The council's investment priorities are:

- the security of capital and
- the liquidity of its investments
- the yield on maturity of the investment

In the February 2023 revision of the Treasury Strategy, the ESG credentials of counterparties is also an investment priority where it is possible to assess this.

Minimum revenue provision (MRP)

Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the council to make an annual charge to revenue to contribute towards the reduction in its overall borrowing requirement - known as a Minimum Revenue Provision.

Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the assets. An annuity method will be applied for the MRP calculation. MRP commences in the financial year following either the year in which the expenditure was incurred or the year when the asset becomes operational. This excludes all investment properties as these properties will be financed once the property is sold and if the value of the property reduces a reserve will be created. Any interest costs to the Comprehensive Income and Expenditure Statement in relation to finance leases will also be mitigated by a corresponding MRP adjustment.

Overheads

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors

7 ADDITIONAL NOTES TO THE ACCOUNTS

Prior period adjustments may arise because 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 applied.

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

Revenue recognition

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is recognised when it is probable that future economic benefits will flow to the council and these benefits can be measured reliably.

IFRS 15 (Revenue from Contracts with Customers) is applied in accounting for revenue arising from the following transactions and events:

- the sale of goods
- the rendering of services
- interest, royalties and dividends.
- non-exchange transactions (i.e., council tax)
- where previously a liability had been recognised (i.e., creditor) on satisfying the revenue recognition criteria.

The amount of revenue arising on a transaction is usually determined by agreement between the council and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the council.

VAT

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the council is not able to recover VAT on expenditure. HM Revenue and Customs allow local councils to recover the majority of VAT incurred.

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.08 GOING CONCERN

It is assumed the 2022/23 accounts will be prepared on a going concern basis and that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. 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 were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume a local authority's services will continue to operate for the foreseeable future.

The council carried out a detailed assessment of its financial position for 2023/24 and future years, considering current economic conditions as part of its medium-term financial planning. The Budget for 2022/23 was balanced, the provisional revenue out-turn for 2022/23 indicates an overall underspend of £1.3m. Further savings/income generation of £307k is required in 2024/25 to balance the budget. There is headroom available within reserves that could be used to help balance the budget in the short term if measures identified do not address the full extent of the shortfall.

Whilst there is uncertainty on income, the council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. The council has undertaken cashflow forecasting for the period through to the end of May 2024, covering beyond the 12-month going concern period. This shows that the cash balances remain positive throughout the period, and there is no forecast need to borrow through that period for cash management purposes.

In terms of cash and cash equivalent balances the council held the following: -

	31 March 2022	31 March 2023
	£000	£000
Bank current accounts	944	1,873
Short-term deposits (maturity <= 3 months)	13,900	19,000
	14,844	20,873

7 ADDITIONAL NOTES TO THE ACCOUNTS

As the table illustrates above, the council held cash balances of £20.9m on 31 March 2023 in comparison to £14.8m at the 31 March 2022. This represents an increase of £6m over the 12-month period however provides evidence that Hart DC can meet its financial obligations.

Furthermore, the council is continually assessing the 2023/24 capital programme, although no postponements have been agreed, this is an option if further protection to the levels of cash and useable reserves were needed.

For these reasons, the council does not consider there is material uncertainty in respect of its ability to continue as a going concern for the period of 12 months from the date of approval of these financial statements.

8 COLLECTION FUND

The Collection Fund Statement is a record of revenue expenditure and income relating to the council's role as a billing authority for council tax and national non-domestic rates (NNDR) in accordance with the requirements of section 89 of the Local Government Finance Act 1988. Its primary purpose is to show the transactions of the billing authority in relation to the collection from taxpayers of tax due and its distribution to other local authorities, Major Preceptors and the Government. Collection Fund Statement items are only included within the Comprehensive Income and Expenditure Account and Balance Sheet when they relate to the council's own entitlements or commitments as distinct from those of Local Government or Central Government partners. Amounts owed to or owing by taxpayers at the Balance Sheet Date are therefore not shown in the council's Balance Sheet with the exception of the proportion of council tax to which the council itself is entitled.

It also shows how the income is distributed between Hart District Council, Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire and Rescue Authority.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The fund key features relevant to accounting for council tax in the core financial statements are:

- While the council tax income for the year credited to the Collection Fund is the accrued income for the year regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.
- Council tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and NDR Income is in substance an agency arrangement:

- Cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from council taxpayers.
- Cash collected from NDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the government and preceptors and the amount not yet paid to them at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the government and preceptors exceeds the cash collected from NDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

8 COLLECTION FUND

8.0 COLLECTION FUND STATEMENT

	Council Tax	Non Domestic Rates	Total Collection Fund	Council Tax	Non Domestic Rates	Total Collection Fund
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23
	£000	£000	£000	£000	£000	£000
Amounts required by statute to be credited to the Collection Fund						
Council Tax Receivable (net of benefits' discounts for prompt payment and transitional relief)	(80,571)	N/A	(80,571)	(84,386)	N/A	(84,386)
Transitional protection payments / (relief adjustment)	(4)	44	40	0	(48)	(48)
Non-Domestic Rates Receivable (net of discretionary and mandatory reliefs)	N/A	(22,659)	(22,659)	N/A	(27,278)	(27,278)
	(80,575)	(22,615)	(103,190)	(84,386)	(27,326)	(111,712)
Amounts required by statute to be debited to the Collection Fund						
Precepts/demands for council tax and shares of non-domestic rating income						
- Hampshire County Council	55,443	2,783	58,226	58,160	2,423	60,583
- Hampshire Police and Crime Commissioner	9,297	N/A	9,297	9,888	N/A	9,888
- Hampshire Fire and Rescue Service	2,892	309	3,201	3,154	269	3,423
- Hart District Council	10,929	12,367	23,296	11,507	10,769	22,276
Payment with respect to central government share of NDR (net of allowable deductions)	N/A	15,459	15,459	N/A	13,461	13,461
Impairment of Debts/Appeals						
- write-off of uncollectable debts	0	0	0	0	0	0
- change in the impairment allowance for doubtful debts	308	368	676	479	688	1,167
- change in allowance for loss of income on appeals	N/A	(634)	(634)	N/A	169	169
Charge to the General Fund for allowable collection costs for non-domestic rates	N/A	97	97	N/A	96	96
(Surplus) or Deficit for Year	(1,706)	8,134	6,428	(1,198)	549	(649)
<i>Continued on next page</i>						

8 COLLECTION FUND

Continued from previous page

	Council Tax	Non Domestic Rates	Total Collection Fund	Council Tax	Non Domestic Rates	Total Collection Fund
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23
	£000	£000	£000	£000	£000	£000
Contribution towards previous year's estimated surplus or deficit:						
- Hampshire County Council	(95)	(1,261)	(1,356)	1,004	(871)	133
- Hampshire Police and Crime Commissioner	(16)	N/A	(16)	169	N/A	169
- Hampshire Fire and Rescue Service	(5)	(140)	(146)	52	(97)	(46)
- Hart District Council	(19)	(5,603)	(5,622)	198	(4,840)	(4,642)
- Central Government	N/A	(7,003)	(7,003)	N/A	(3,872)	(3,872)
Movement on the fund	(1,841)	(5,873)	(7,715)	225	(9,131)	(8,907)
Opening fund balance	(439)	16,406	15,967	(2,280)	10,533	8,253
Closing fund balance	(2,280)	10,533	8,252	(2,055)	1,402	(654)

8 COLLECTION FUND

8.1 COUNCIL TAX

The average council tax at Band D set by the council was as follows:

Band	Chargeable Dwellings	Band Multiplier	Band D Equivalent £	Council Tax income per band £
A	507	6/9	337.80	685,440
B	1,544	7/9	1,200.70	2,436,374
C	7,279	8/9	6,470.00	13,128,461
D	8,118	9/9	8,118.10	16,472,667
E	7,416	11/9	9,064.40	18,392,832
F	8,665	13/9	9,627.50	19,535,434
G	3,790	15/9	6,317.00	12,818,004
H	226	18/9	452.50	918,181
			41,588.00	
Class O Exempt Properties			569.40	
Plus, allowance for new properties and ending of discounts 0.5%			199.20	
Less allowance for properties being demolished and additional discounts 0.01%			0.00	
Assumed losses on collection 1.3%			(540.70)	
Tax Base (equivalent Band D) approved by council			41,815.90	

8 COLLECTION FUND

The amount of income generated in 2022/23 by each council tax band was as follows:

	2021/22	2022/23
	£	£
Hampshire County Council	1,350.45	1,390.86
Hampshire Police and Crime Commissioner	226.46	236.46
Hampshire Fire and Rescue Service	70.43	75.43
Hart District Council	181.84	186.84
Town and Parish Councils	84.37	88.35
	1,913.55	1,977.94

8.2 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier. The total NDR Rateable Value as at 31 March 2023 was £78,772,540 (£72,372,934 as at 31 March 2022)

The non-domestic rate multiplier for 2022/23 was 49.9p pence for qualifying properties of less than £51,000 rateable value and 51.2p pence for qualifying properties of more than £51,000 rateable value, this is consistent with the non-domestic rate multiplier applied in 2021/2022.

9 GROUP ACCOUNTS

9.0 GROUP ACCOUNTS

Hart District Council wholly owns Hart Housing Property Management Company Ltd (HHPMC) which has been categorised as a subsidiary of the authority, the accounts have not been consolidated due to HHPMC being immaterial.

HHPMC was established on 16 June 2021 as a dedicated and wholly owned housing management company. The Company lease assets on behalf of the council, manage the letting and management of the property efficiently to provide affordable housing to key workers and local residents.

10 GLOSSARY

10.0 GLOSSARY

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g., revenue accounts, capital accounts or by the purpose they serve e.g., management accounts, final accounts, balance sheets.

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (a) recognising
- (b) selecting measurement bases for, and
- (c) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accounting standards

A set of rules explaining how accounts are to be measured, maintained and reported. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- (b) the actuarial assumptions have changed.

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Amortisation

The reducing of the value of assets to reflect their reduced worth over time. The term means the same as depreciation, though in practice amortisation tends to be used for the write-off of intangible assets.

Assets

These can either be:

Long term (non-current), tangible assets that give benefits to the authority for more than one year.

Property, Plant and Equipment, assets which are held for use in the production or supply of goods and services, for rental to other, or for administrative purposes.

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation, or both.

Intangible assets, these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

Audit – internal

The council has an internal audit function, they have a wide-ranging role and are responsible for auditing key financial systems and all other activities of the council on a rolling programme. They make recommendations to improve internal controls, safeguard assets and secure value for money.

Audit – external

Our external auditor is Ernst and Young LLP. They report to the council on a number of issues, but in this context, they provide assurance to the council that this statement of accounts 'presents fairly' the council's financial affairs and position.

Balance sheet

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

Budget

A forecast of the council's planned expenditure. The level of council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.

Cabinet

The Cabinet is the executive board responsible for undertaking all of the council's functions, except those functions which are reserved to the full council or delegated to committees or officers. When the executive councillors meet collectively, they are known as the Cabinet.

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Capital Adjustment Account

This account includes the amalgamated balances of the Property, Plant and Equipment Restatement Account and the Capital Financing Account at 31 March and holds financing transactions relating to capital expenditure.

Capital charges

Charges made to service expenditure accounts based on the service's use of property, plant and equipment assets (depreciation and impairment) plus credits relating to government grants and capital contributions used to pay for those assets.

Capital expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment assets, Revenue Expenditure Financed by Capital under Statute (REFCUS), advances (loans) or grants to other individuals/organisations.

Capital receipts

Income received from the sale of property, plant and equipment assets.

Central services to the public

This includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy, which is the leading professional accountancy body for public services.

Code of Practice on Local Authority Accounting in the United Kingdom

Issued by CIPFA, this is the guidance which is followed when preparing these statements. It provides expert support in dealing practically with the preparation of the year-end accounts and is the guidance by which every local authority must follow.

Collection fund

The fund into which are paid amounts of council tax and non-domestic rates, and from which are met demands by county and district councils and payments to the national non-domestic rates pool.

Community assets

Community assets are a class of property, plant and equipment assets which are expected to be held by the council in perpetuity. Examples include parks, historic buildings and works of art.

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Corporate and democratic core

Comprises all activities which local authorities engage in because they are elected, multi-purpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management and bank charges and the costs of democratic representation.

Council tax

A local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

Current service cost (pensions)

The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

Current Value

The amount at which would be paid for the asset in its existing use.

Deferred credits

Income still to be received (or applied in the accounts) where deferred payments (or application) have been allowed. For example, the principal outstanding from the sale of former council houses (deferred capital receipts).

Defined Benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

Depreciation is the measure of the consumption or wearing out of the useful economic life of a property, plant and equipment asset.

Events after the balance sheet date

Significant events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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Financial instruments adjustment account

This account includes transactions relating to the reversal of the fair value adjustment from the Income and Expenditure account so as to neutralise the effect on the council taxpayer.

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership of a property, plant and equipment asset to the lessee.

General Fund (GF)

This is the primary revenue account which records the cost of providing the majority of the council's services.

Housing Benefit

The housing benefit scheme is a national scheme administered at a local level by the council on the behalf of the Department for Work and Pensions. It is a means-tested service where the council can pay all, or part of, a household's rent or council tax, or both.

Housing benefit subsidy

The government reimburses the council for most of the housing benefit payments made to residents plus an allowance to cover the costs of administering the scheme.

International Accounting Standard 19 – Employee Benefits

This Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Impairment

A reduction in the value of a property, plant and equipment asset below its carrying amount on the balance sheet.

International financial reporting standards (IFRS)

Since 2010/11 the council has had to prepare its statements in line with International Financial Reporting Standards. On implementation, this resulted in a significant change to the way budgets and accounts are prepared with different accounting treatment being applied to asset valuations, leases, some accruals and derivatives.

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

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Liabilities

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

Minimum revenue provision (MRP)

The minimum amount that the council must charge to the revenue account in the year in respect of internal and external borrowing for capital purposes.

National non-domestic rates (NNDR) also known as Business Rates

The form of local taxation charged on non-residential premises at a level set by central government.

Net Book Value

The amount at which property, plant and equipment assets are included in the balance sheet i.e., their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

Net service expenditure

Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Non-distributed costs

Overheads for which no user now benefits and should not be apportioned to services. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

Operating lease

A lease agreement in which substantially all of the risks and rewards of ownership of a property, plant and equipment asset remain with the lessor.

Outturn

The final total expenditure and income amount in any financial year.

Overheads

The costs of overheads and support services are charged to those services that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.

Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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Past service cost

The increase in the present value of the pension scheme liabilities, related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

The charge made by another authority on the council to finance its net expenditure. The council currently has the following precepting authorities: Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and all the town and parish councils in the district.

Prior period adjustments

The adjustments applicable to prior years arising from the correction of material errors.

Provisions

Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

Related parties

This is defined under Financial Reporting Standard 8. The council is required to disclose material transactions with related parties, which can include central government, subsidiary and associated companies, the Pension Fund, other councils, and chief and senior officers. IAS24 requires attention to be drawn to the possibility the reported financial position may have been affected by the existence of related parties and by material transactions with them. Two or more parties are related parties when at any time during the financial period:

- (a) one party has direct or indirect control of the other: or
- (b) the parties are subject to common control from the same source; or
- (c) one party has influence over the financial and operational policies of the other party to the extent the other party might be inhibited from pursuing at all times its own separate interests: or
- d) the parties, in entering a transaction, are subject to influence from the same source to such an extent one of the parties to the transaction has subordinated its own separate interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

Reserves

The general capital and revenue balances of the council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked

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at the discretion of the council (e.g., General Fund). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g., the capital adjustment account.

Revaluation reserve

This account includes transactions relating to the revaluation and impairment of the council's assets.

Revenue Expenditure

Day to day expenditure incurred in the provision of services including salaries and wages, transport and goods and services.

Revenue Expenditure Financed by Capital under Statute (REFCUS)

A type of capital expenditure which may be deferred but which does not give rise to tangible assets owned by the council. Examples are renovation grants and disabled facilities grants (grants to private individuals and companies to improve housing standards) and capital grants to other organisations.

Revenue Support Grant

A historic grant that used to be paid by the government in support of the council's revenue expenditure, as part of the Formula Grant.

Section 151 Officer

Another term to describe the Statutory Chief Financial Officer of the council with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts and within Section 151 of the Local Government Act.

11 INDEPENDENT AUDITOR'S REPORT

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The maintenance and integrity of the Hart District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.